Our purpose, values, culture and vision

"Nelson Mandela famously said that 'a good head and a good heart are always a formidable combination' and I'm pleased to say that both feature heavily in our culture. But having a great culture is not a destination – it takes a continuous commitment to creating and maintaining an environment where people do their best work and quite frankly where they enjoy coming to work. We reflect on our culture regularly, we consider how we listen and respond to feedback from colleagues and we're not afraid to explore new ways of doing this. People recognise the uniqueness of the Hiscox culture and that makes me really proud."

Aki Hussain
Group Chief Executive Officer

Our purpose

We give people and businesses the confidence to realise their ambitions. To do this we need differentiated products and services, great talent and energised and connected teams. Success is measured in our reputation and financial performance.

Our vision

For Hiscox to be the leading specialist insurer in material markets – not the biggest, but the most respected. We want to be known by customers for being true to our word, by our employees as a great place to work and grow for those who are ambitious and talented, and as an industry leader in growth, profits and value creation.

In our 2022 annual global employee engagement survey, which was completed by 88% of employees:

84%
said they felt proud to work for Hiscox.

81%
said they would recommend Hiscox as a great place to work.

76%
said they believe Hiscox has an outstanding future.

During 2022, we:

645
attracted 645 new talented permanent employees.

390
promoted 390 existing employees.

70,000
delivered over 70,000 hours of staff training worldwide.

Our values

We have had a strong set of values for decades and they are incredibly important to us; we talk about them often and they guide our decision-making. We want our values to differentiate us, which is why they play an important part in our strategy and how we operate, in being a business our customers can relate to, and in providing all employees with a work environment in which they can flourish. We periodically review our purpose, values, culture and vision to ensure they are still true to the business and fit for the future.

Our key performance indicators (KPIs)

Financial KPIs

Gross premiums written
$4,424.9m

2022	4,424.9
2021	4,269.2
2020	4,033.1
2019	4,030.7
2018	3,778.3

Net premiums earned
$2,928.2m

2022	2,928.2
2021	2,919.9
2020	2,752.2
2019	2,635.6
2018	2,573.6

Profit/(loss) before tax
$44.7m

2022	44.7
2021	190.8
2020	(268.5)
2019	53.1
2018	135.6

Combined ratio
90.6%

2022	90.6
2021	93.2
2020	114.5
2019	106.8
2018	94.4

Basic earnings/(loss) per share
12.1¢

2022	12.1
2021	55.3
2020	(91.6)
2019	17.2
2018	41.6

Ordinary dividend
36.0¢

2022	36.0
2021	34.5
2020	0.0
2019	13.8
2018	41.9

Net asset value per share
701.2¢

2022	701.2
2021	739.8
2020	689.0
2019	768.2
2018	798.6

Tangible net asset value per share
608.2¢

2022	608.2
2021	648.6
2020	601.5
2019	670.6
2018	726.2

Return on equity
1.7%

2022	1.7
2021	8.1
2020	(11.8)
2019	2.2
2018	5.3

Non-financial KPIs

UK gender pay gap **16.0%**

We measure and monitor the gender pay gap globally so that, by understanding it, we can continue to find ways to reduce it. In the UK, we have been annually disclosing our UK gender pay gap since 2017, and have seen a steady reduction over time in our UK gender pay gap on a mean basis. Improving diversity, equity and inclusion at Hiscox is a high priority, and this year we have also enhanced our ethnicity reporting to disclose all-staff ethnicity data for the first time (see page 59).

2022	16.0%
2021	19.1%
2020	21.2%
2019	26.1%
2018	28.8%

London Market broker satisfaction **79%**

Each year, we survey our London Market broker partners to understand more about their experience of working with Hiscox throughout the year. Their feedback is a reflection of our products and service levels, so receiving consistently good scores matters to us.

2022	79%
2021	71%
2020	69%
2019	78%
2018	76%

UK customer satisfaction **92%**

In the UK, customers who speak to one of our insurance experts in our customer experience centre in York are asked to rate their experience of Hiscox at the end of the call. Whether they have phoned for advice, a quote, to purchase a new policy or make changes to an existing one, their feedback helps us to constantly improve our service.

2022	92%
2021	92%
2020	92%
2019	89%
2018	90%

Employee engagement **82%**

Our annual global employee engagement survey looks at how connected we feel to Hiscox, our managers, teams and roles. The results are shared widely and heavily influence our people strategy. Improving our employee engagement scores was a strategic priority in 2022 as part of our work around building connected teams with shared values and we are pleased to report our highest score in ten years.

2022	82%
2021	64%
2020	68%
2019	71%
2018	74%

Germany customer satisfaction **96%**

Germany is our largest operation in Continental Europe, and here we ask all customers that purchase a policy to provide feedback on their experience so that we can continue to improve our service. This includes quantitative analysis on their experience with us and qualitative insight on what they were satisfied with, whether they would recommend Hiscox, and any areas for improvement, so we are pleased to have maintained consistently high scores over time.

2022	96%
2021	95%
2020	90%
2019	99%
2018	99%

US customer reviews using Feefo **4.6/5**

In the USA, we ask customers to review their experience of Hiscox post-purchase. We do this using Feefo, which has a five-star rating system, and are pleased to maintain such high scores year after year, even as the business grows.

2022	4.6
2021	4.8
2020	4.8
2019	4.8
2018	4.7

Our strategy and how we operate

Over the years, we have built a strong reputation as a specialist insurer in our chosen segments. In our big-ticket businesses – Hiscox London Market and Hiscox Re & ILS – we focus on building balanced portfolios through controlled growth and with an emphasis on leading the business we write.

In Retail, where more stable returns have typically offset the greater volatility of our big-ticket businesses, we focus on building a differentiated brand and product offering that customers value.

Volatility exists in every part of insurance, but through a focus on building and maintaining balanced portfolios we create more manageable volatility across the Group and are well positioned to maximise both the profitable, cyclical growth and the structural growth opportunities ahead.

A strategy focused on high-quality growth

The Hiscox Group comprises four businesses facing different opportunities and challenges, but with a common set of capabilities and the capital support required for success.

Balanced portfolio of large and complex risks

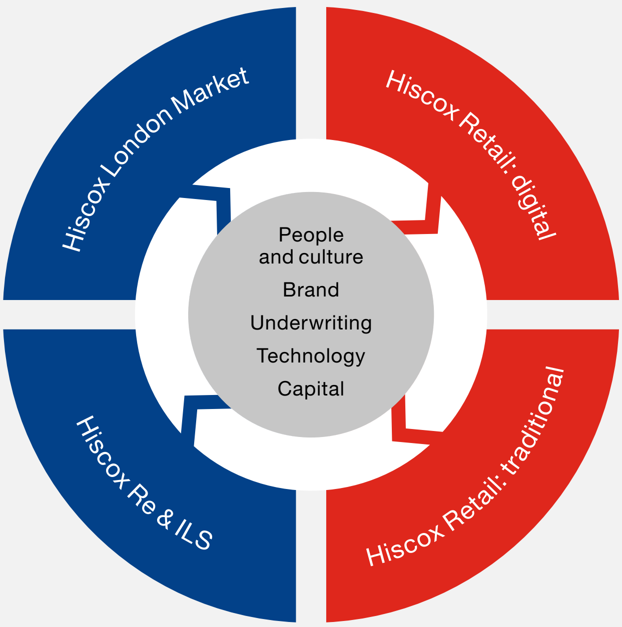
SME and personal lines

- Global risks through Lloyd's platform
- Heritage of deep technical expertise
- Leading the market in applying technology to distribution and underwriting

Delivers profits and capital generation for reinvestment

- Specialist reinsurance capability
- Holistic risk insights
- Expert alternative capital manager

Delivers underwriting profit and capital-light fee income



- Small and micro businesses
- Digitally traded, with low-cost distribution and auto-underwriting
- Partnership management capability through digital connectivity

Significant structural growth opportunity

- Focus on SMEs, not traded digitally
- Leadership in specialist lines
- Long-term broker partnerships

Delivers stable profit generation and growth

"Our strength lies in our mix of business, our brand and culture, our people and specialist expertise underpinned by investments in technology. These hard won attributes, combined with a clear strategy and focus on execution, position us well for the road ahead."

Aki Hussain
Group Chief Executive Officer

Our strategy in practice

Opportunity

There is an abundance of opportunity ahead for Hiscox. In many of our chosen lines and markets, our market shares remain small, giving us plenty of headroom for growth. This is where our specialist knowledge and multi-year investments in digital trading differentiate us.

Innovation

The insurance industry consists of an ecosystem of different types of business; there are the 'wave surfers' for example, who enter the market on the upside of opportunity and retreat when it recedes. Hiscox aims to be a 'game changer' and here for the long term: innovating through long-held market experience and underwriting acumen, embracing technology, taking risks to evolve with and lead market change and being there for our customers.

Growth

Growth is important to us, but not at the expense of profitability. That's why our focus is on maximising the structural growth opportunities ahead as we see them in Retail, and in building out balanced portfolios in our bigger-ticket businesses where we currently see exceptional market conditions.

Volatility

Our business is naturally exposed to volatility. We manage this through our underwriting experience and expertise, our investment in data, and our risk management processes, and we work hard to ensure the risks we take are commensurate with the premium that is paid.

A differentiated offering

Global reach

We are a truly international business, with over 3,000 employees across 14 countries. We invest in local market knowledge and experience to truly understand the markets we operate in and provide relevant products and services. This gives us a unique breadth of expertise, serving customers from sole traders to multinational companies and ILS investors.

Specialist products

In every part of the Hiscox Group, we focus on providing products and services that differentiate us. These range from high-value home insurance and fine art – areas where we have deep foundations to build on – to small business, flood and kidnap and ransom – where innovative products and service set us apart.

Claims experience

Being true to our word is the cornerstone of our claims service. We know that each customer and each claim is different, which is why we have embedded experienced claims teams with specialist product knowledge in every part of our business.

Talented people

The quality of our people is a crucial factor in our continuing success. Their expertise, energy and commitment drive our reputation for quality and professionalism. In return, we aim to provide a work environment that brings out the best in everybody and rewards hard work.

Powerful brand

We have invested significantly over many years to build a recognised and renowned brand. Our distinctive marketing campaigns are developed from a deep understanding of our customers and positively contribute to consumer buying decisions.

Key risks*

The risk	Risk landscape and how we manage the risk
As an insurance group, specific risks related to our business include:	
Strategic risk The possibility of adverse outcomes resulting from ineffective business plans and strategies, decision-making, resource allocation or adaptation to changes in the business environment. The Group’s continuing success depends on how well we understand our clients, markets and the various internal and external factors affecting our business, and having a strategy in place to address risks and opportunities arising out of this. Not having the right strategy could have a detrimental impact on profitability, capital position, market share and reputation.	We consider strategic risks in a holistic way, to better prepare our business for emerging threats, shifting trends, and opportunities in the environment in which we operate. During 2022, we have remained vigilant to potential adverse impacts of economic, geopolitical, social, technological and regulatory developments on our Group strategy. Our Group strategy was refreshed during 2022 under new Group Chief Executive Officer Aki Hussain, with a clarity of focus on consistent delivery from our big-ticket businesses, accelerated growth in Retail digital and balanced growth in Retail traded, and has been communicated across the business throughout the year. The external environment remains complex, uncertain and changeable but our robust strategy means that despite the external headwinds there remains tremendous opportunity for Hiscox in each of our chosen segments.
Underwriting risk The risk that insurance premiums prove insufficient to cover future insurance claims and associated expenses. Likely causes include failing to price policies adequately for the risk exposed, making poor risk selection decisions, allowing insurance exposures to accumulate to an unacceptable level, or accepting underwriting risks outside of agreed underwriting parameters. This includes people, process and system risks directly related to underwriting, and considers emerging external risks such as climate, geopolitical and changing customer trends.	We continue to improve the quality and balance of our portfolios, strengthening our pricing and risk selections, and growing where the opportunities are commensurate with the risk. In 2022, we navigated a set of complex external conditions which amplified underwriting risks. These ranged from geopolitical tensions (notably, the Russia/Ukraine conflict), macroeconomic shifts (particularly increased inflationary pressures in most Western economies), emerging societal trends (such as increased propensity to litigation), and the continued potential impact of climate change. Our active monitoring and enhanced view of economic and social inflation, impact from supply chain disruptions, heightened threat of cyber attacks, and emerging litigation trends, allowed Hiscox to respond promptly, ensuring our pricing keeps pace with costs. We have updated and evolved our view of property exposure risks from natural catastrophes influenced by climate change through our set of realistic disaster scenarios (see pages 46 to 47). Our underwriting exposure remains well within our Board-approved risk appetite levels. We are also investing in the underwriters of the future with the roll-out of our innovative and award-winning faculty of underwriting training academy, helping manage and mitigate underwriting talent risks.

*The key risks to which we refer here, and elsewhere in this document, also constitute the emerging and principal risks required under the UK Corporate Governance Code 2018.

"The market landscape remains complex and changeable and we have utilised our good risk management practices to protect and create value for customers, employees, our business and investors."

Hanna Kam
Group Chief Risk Officer

The risk	Risk landscape and how we manage the risk
Reserving risk The Group makes financial provisions for unpaid claims, defence costs and related expenses to cover liabilities both from reported claims and from 'incurred but not reported' (IBNR) claims. Reserving risk relates to the possibility of unsuitable case reserves and/or insufficient outstanding reserves being in place to meet incurred losses and associated expenses, which could affect the Group's future earnings and capital.	Our consistent and prudent reserving philosophy serves to manage the risk of insufficient reserves to cover claims cost and associated expenses. The Group's reserve levels continue to be resilient, and we have completed two legacy portfolio transactions in 2022, which will further limit the potential for reserve volatility. We have responded to the heightened inflationary environment with a detailed review of our key inflation assumptions against emerging experience and explicitly allowed further reserve margins for uncertainty. Close monitoring of developments will continue in 2023.
Credit risk The risk of a reinsurance counterparty being subject to a default or downgrade, or that for any other reason they may renege on a reinsurance contract or alter the terms of an agreement. The Group buys reinsurance as a protection, but if our reinsurers do not meet their obligations to us, this could put a strain on our earnings and capital and harm our financial condition and cash flows. Similarly, if a broker were to default, causing them to fail to pass premiums to us or pass the claims payment to a policyholder, this could result in Hiscox losing money.	In 2022, many of our counterparties have faced the same external conditions as we have, and there remains an increased threat of global recession, which would in turn increase default risk. We have closely monitored our counterparty exposures during the year, and while the risk factors have increased, our credit exposures remain within the Group's risk appetite. We have taken into account the potential economic outlook in our decision-making on outwards reinsurance purchasing for 2023.
Market risk The threat of unfavourable or unexpected movements in the value of the Group's assets or the income expected from them. This includes risks related to investments – for example, losses within a given investment strategy, exposure to inappropriate assets or asset classes, or investments that fall outside of authorised strategic or tactical asset allocation limits.	The volatile economic environment during 2022, with sharp rises in inflation and accelerated interest rate increases, has enhanced risk in our asset portfolios. Investment losses in the year are largely due to mark-to-market adjustments to the value of bond portfolios, which are unrealised. These have potential for significant upside for 2023. Active decisions over 2022 have made a positive contribution to the investment result, offsetting some of the losses, and the outlook for market (asset) risk is expected to improve.

The risk

Liquidity risk

This relates to the risk of the Group being unable to meet cash requirements from available resources within the appropriate or required timescales, such as being unable to pay liabilities to customers or other creditors when they fall due. It could result in high costs in selling assets or raising money quickly in order to meet our obligations, with the potential to have a material adverse effect on the Group's financial condition and cash flows.

Risk landscape and how we manage the risk

We have refreshed our liquidity stress testing during 2022 and the Group remains in a strong liquidity position, with around $1 billion of fungible liquidity, sufficient to cover expiring debt obligations, business plan liquidity requirements, and working capital headroom. Liquidity risk is monitored through the use of a detailed Group cash flow forecast which is reviewed by management quarterly, or more frequently as required.

Regulatory, legal and tax governance

This relates to the risk that the business fails to act, or is perceived to have failed to act, in accordance with applicable legal, regulatory, and tax requirements in all of the jurisdictions where the Group operates. The regulatory, legal and tax environment continues to be complex, with frequent changes in rules and expectations which increase complexity in this area.

Risk landscape and how we manage the risk

We monitor the regulatory, legal and tax compliance landscape for emerging changes to local and international laws and regulations in the jurisdictions we operate.

The regulatory landscape in 2022 was dominated by the rapid application of a large volume of international sanctions against Russian interests following the invasion of Ukraine, which applied at different points throughout the year across all of our operations worldwide. Our embedded sanctions management processes enabled the compliance team to support the business in quickly responding to the complex and fast-changing sanctions landscape and we also supplemented our sanction-screening processes with additional reviews of the ultimate beneficial owners of a large number of insured risks across multiple business lines.

The most significant tax compliance development in 2022 has been the continued movement towards implementation of the OECD's Global Anti-Base Erosion Model Rules (Pillar Two) at a local level. As well as maintaining a watching brief on the evolution of this initiative, we have also worked with expert advisors and industry bodies such as the Association of Bermuda Insurers and Reinsurers and the Association of British Insurers to ensure industry-specific issues are identified and addressed. We seek to work transparently and collaboratively with our key tax authority stakeholders to anticipate the tax impact of both commercial and legislative changes.

We invest in proactive engagement with all of our regulators, including through our participation in the annual college of supervisors, hosted by the Bermuda Monetary Authority, which is an opportunity to update all of our regulators together on strategic developments across the Group.

44 180
Read more on risk management in chapter 2 and note 3.

The risk

Operational risk

The risk of direct or indirect loss resulting from internal processes, people or systems, or from external events. This includes cyber security risk, which is the threat posed by the higher maturity of attack tools and methods and the increased motivation of cyber attackers, in conjunction with a failure to implement or maintain the systems and processes necessary to protect the confidentiality, integrity or availability of information and data. Operational risk also covers the potential for financial losses, and implications from a legal, regulatory, reputational or customer perspective, for example, major IT, systems or service failures.

Risk landscape and how we manage the risk

Risks from people, process, systems and external events are closely monitored by senior executives across the business. Ongoing competition and retention of talent, heightened threat of cyber attacks and continued growth in hybrid working practices is affecting the operational risk landscape.

Our approach to monitoring operational risk has been adapted to enable the business to monitor the risks with a focus on promoting risk awareness and proactive reporting of operational incidents. We continue to embed our operational risk management including our defences against, and response to, cyber threats. During 2022, we reviewed the Group-wide set of crisis management response plans and performed a series of cyber crisis simulations to give our teams first-hand experience of dealing with a situation, and to test our response plans against potential operational disruption.

Talent risk is also being actively managed as part of a continued focus on our employee proposition, which has included the introduction of our all-staff share ownership initiative, HSX:26, and which in 2023 will include new ways to develop and map talent across the Group.

In addition, in 2022 mandatory monthly all-staff training was supplemented with additional topical modules such as sanctions, cyber security and risk culture throughout the year. We also delivered additional training to underwriting and claims teams on the sanctions developments referred to under the regulatory, legal and tax governance section (see page 10).

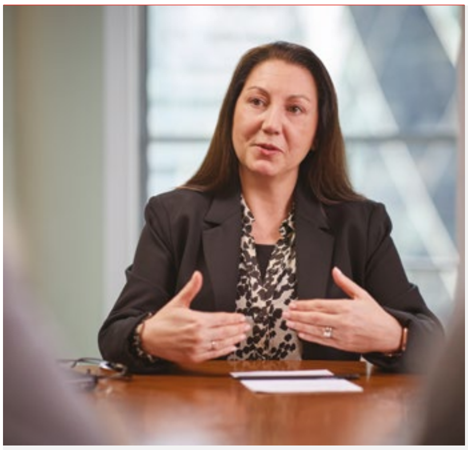
Climate change related risk

This relates to the range of complex physical, transition and liability risks arising from climate change. This includes the risk of higher claims as a result of more frequent and more intense natural catastrophes; the financial risks which could arise from the transition to a lower-carbon economy; and the risk that those who have suffered loss from climate change might then seek to recover those losses from others who they believe may have been responsible. Climate change related risk is not considered a stand-alone risk, but a cross-cutting risk with potential to amplify each existing risk type.

We monitor climate change related risk through a number of lenses, including underwriting selection, pricing, multi-year view of natural catastrophe risk, asset types, and developments in potential climate litigation. Every year we run a range of realistic disaster scenarios, updated with our in-house climate research (see pages 46 to 47), and we participate in regulatory stress testing exercises.

We have introduced investment environmental, social and governance (ESG) dashboards for each of our insurance carriers and we continue to embed our greenhouse gas targets for the Group, which in 2023 will include the development of a supporting action plan.

Business priorities for 2023



Getting the balance right between risk and opportunity is crucial. Our business priorities for 2023 build on our 2022 achievements, and I'm particularly excited about what technical excellence means for us in the year ahead and how that plays out against a backdrop of retail growth and huge big-ticket opportunity."

Joanne Musselle
Group Chief Underwriting Officer

Business priorities for 2023

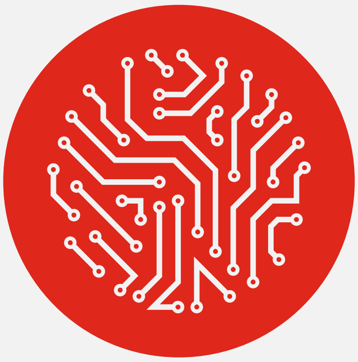
We will balance risk and opportunity in 2023 through a focus on five core priorities.

1 Realising the retail opportunity

Following multi-year investments in technology, in 2023 we will focus on realising the opportunities that exist across Hiscox Retail. This means further leveraging our head start in digital small business insurance by building an SME ecosystem through which to serve this high-growth segment of the economy, and investing in brand. Having finalised systems transformation in the USA, and as new systems continue to come on board across Europe, we are well positioned to cater to changing buying behaviours with efficient customer-focused processes.

2 Managed volatility during big-ticket growth

Hiscox London Market and Hiscox Re & ILS continue to enjoy favourable market conditions in many lines. As in 2022, we will remain focused on leveraging our unique combination of underwriting and digital expertise to grow profitably – particularly in those areas where we have market-leading expertise and experience – while also managing volatility. In addition, we will sharpen our focus on potential new emerging opportunities, for example, around supporting the economy to transition to low-carbon intensity industries.



3 Technical excellence

Technical excellence is a multi-year priority thanks to a long-held focus on active underwriting portfolio management. We continue to focus on portfolio optimisation – addressing lower decile lines through careful management, and clearing the path for growth in top quartile lines, as well as those areas experiencing favourable market conditions. During 2023, we will continue to develop our technical capabilities, insights and tracking mechanisms, and further define our sustainable underwriting strategy.

4 Operational leverage

Steps taken to evolve our operating model during 2022 are already enhancing ownership and speed of decision-making, and we will have a similar focus on operational leverage in 2023. Beyond the rebalancing of our global versus local capabilities, this will mean further establishing technology as a competitive advantage, particularly in Hiscox Retail. It will also mean enhancing our process management capabilities to improve efficiency and effectiveness and increase the speed of execution, to support the Group not only through its next phase of growth, but also as we look to realise economies of scale through a sharpened focus on expense efficiency.

5 Connected and energised teams

We will build on the strong progress made in 2022 to embed hybrid working and develop new employee benefits such as an enhanced sabbatical policy, the introduction of Hiscox days and HSX:26 – our all-staff share ownership initiative. The next stage of employee proposition development will happen during 2023, in line with our ambitions to be an employer of choice within our sector. In addition, we will look to find new ways to develop and map talent across the Group that can support the delivery of our strategy.

Why invest in Hiscox?

A focus on generating sustainable and compounding shareholder returns

We aim to balance consistent and progressive shareholder cash returns with reinvestment into the business to support long-term growth and value creation, and as we face into favourable market conditions in our big-ticket businesses, we have sufficient capital to realise the attractive opportunities ahead.

A unique structural growth opportunity

We aim to grow the business in a way that is organic, sustainable and profitable, and the abundance of opportunity we see ahead supports this continued trajectory. In Hiscox Retail, where we are focused on building scale, our market shares remain modest and the size of the addressable market is huge, giving us plenty of headroom for growth. In our big-ticket businesses, where we now lead on more open market risks, our combination of underwriting and digital expertise differentiates us.

> "We are facing some of the most attractive market conditions we've seen in years, with tremendous pricing opportunities in big-ticket lines and a chance to substantially grow our market share in retail. Every part of our business is structurally and financially well positioned to contribute to our continued growth, with solid foundations that can support the weight of our ambitions."

Paul Cooper
Group Chief Financial Officer

155%
total shareholder return over the last ten years.

$1.7bn
returned to shareholders over the last ten years*.

A rated
over ten years of S&P A rating.

50m SMEs
size of the addressable SME market across the UK, USA and Europe.

Over 1.5m
total number of retail customers across the Group.

Two-thirds
Hiscox London Market currently leads over two-thirds of the business it writes.

90%
Hiscox London Market combined ratio below 90% for three consecutive years.

$1bn
Over $1 billion in premium delivered by Hiscox Re & ILS for the first time in 2022.

$269.5m
underwriting profit† in 2022, the best in seven years.

*Based on special, ordinary and Scrip Dividends paid to shareholders since 1 January 2013. Excludes the final dividend proposed for 2022.

†Underwriting profit is defined as segment income less expenses, excluding investment result, for Retail, London Market and Re & ILS. See note 4 on page 194.

Big-ticket business
- Hiscox Re & ILS
- Hiscox London Market

Retail business
- Hiscox UK
- Hiscox Europe
- Hiscox Special Risks
- Hiscox USA
- Hiscox Asia

*2020 restated for Hiscox Special Risks.

Total Group controlled premium
($m)