Interim Management Statement

Hamilton, Bermuda (9 May 2017) – Hiscox Ltd (LSE:HSX), the international specialist insurer, today issues its Interim Management Statement for the first three months of the year to 31 March 2017.

Gross written premiums grew by 17.3% to £751.2 million (2016: £640.5 million) driven by a strong performance from Hiscox Retail. As forecast, Hiscox London Market income is down in constant currency.

Bronek Masojada, Group CEO, commented: “We have had a strong start to the year thanks to our long-term investment in Hiscox Retail, particularly in the small business sector. Hiscox London Market continues to face challenging conditions. Hiscox Re and ILS are finding opportunities. We remain disciplined and are carefully navigating our way forward.”

Gross Written Premiums for the period:

	Gross Written Premiums to 31 March 2017		Gross Written Premiums to 31 March 2016		Growth in constant currency	Growth in Sterling
	US$/€m	**£m**	US$/€m	£m	%	%
Hiscox Retail		**£375.4**		£289.3	18.6%	29.7%
- Hiscox UK and Ireland		**£125.8**		£110.5	13.4%	13.9%
- Hiscox Europe	**€99.0**	**£84.6**	€88.2	£66.3	12.2%	27.6%
- Hiscox Special Risks	**$36.9**	**£29.9**	US$32.0	£22.5	15.3%	33.1%
- Hiscox USA	**US$164.0**	**£132.2**	US$122.8	£85.4	33.5%	54.7%
- DirectAsia		**£2.9**		£4.6	(46.4%)	(38.3%)
Hiscox London Market		**£157.7**		£157.1	(8.6%)	0.4%
Hiscox Re	**US$269.3**	**£218.1**	US$279.2	£194.1	(3.5%)	12.4%
Total		**£751.2**		£640.5	5.0%	17.3%

Rates

In 2017 so far, there has been no improvement in the rating environment in big-ticket business, where a continuation of a lack of major loss events, excess capital and strong competition continues to put pressure on rates. This is most severe in the London Market where we are seeing double-digit declines in the marine, energy and US large property accounts, however rates remain under pressure in almost all lines.

At the important January renewals, Hiscox Re and ILS experienced single-digit rate decreases across the board. Downward pressure was stronger in the international book, while declines in US property reinsurance rates have slowed. In specialty and casualty reinsurance rates are relatively flat.

In our retail businesses, where we are investing for growth, rates are broadly flat.

Investments

The investment result to 31 March 2017 was 0.7% on a non-annualised basis. The positive market sentiment engendered by the election of President Trump continued into the first quarter of 2017 rewarding those in particular with an appetite for risk. Our bond portfolios produced acceptable returns mainly due to their allocation to credit whilst our risk assets benefited from the strength of equity markets and made a useful contribution to investment income. Invested assets totalled £4.5 billion at the end of March, with asset allocation remaining largely unchanged from the end of last year.

Claims

The first quarter has been another benign period for claims, particularly for Hiscox Re and ILS. The Group reserved £9 million net for claims impacted by the reduction in the Ogden discount rate.

Hiscox Retail

Hiscox UK and Ireland

Hiscox UK and Ireland increased gross written premiums by 13.4% in constant currency to £125.8 million (2016: £110.5 million). This growth was driven by all regions and all distribution channels.

In our broker channel the professions and specialty commercial business performed particularly well helped by an expanded appetite for larger risks. New business growth was also strong with new partners attracted to our specialist products and strong brand.

The direct-to-consumer business is benefiting from our on-going investment in IT infrastructure, with the ability to tailor pricing more intelligently, in combination with a broadening of appetite, delivering good growth. We have initiated a similar systems transformation in the broker channel which will further improve productivity and service for our customers in the UK and Ireland.

Hiscox Europe

Hiscox Europe performed well, growing gross written premiums by 12.2% in constant currency to €99.0 million (2016: €88.2 million). This was driven by very strong performance in Germany and Spain. Hiscox France is also back in growth after a challenging 2016.

Cyber insurance in Germany and Benelux, specialty commercial in France, management liability in Spain and our direct and partnerships divisions have all experienced solid growth in the first quarter.

Hiscox Special Risks

Hiscox Special Risks grew by 15.3% in constant currency to $36.9 million (2016: $32.0 million). The creation of a global Special Risks division in 2015 is paying off as product innovation, sales focus and service has returned this division to growth despite the competitive environment.

During the quarter Hiscox Special Risks launched a security-based offering for corporate and private clients which has been well received by the market. The Security Incident Response product includes cover for criminal threats, workplace violence, corporate espionage and cyber extortion, reflecting the changing profile of risks faced by our clients.

Hiscox USA

Hiscox USA continues on a strong trajectory, growing gross written premiums by 33.5% in constant currency to $164.0 million (2016: $122.8million).

Our broker channel business and direct and partnerships division have both performed well, with key contributors being professions, cyber and our newly-established general liability line.

Good momentum in our partnerships with third party distributors and new marketing campaigns have delivered impressive, above budget growth in our direct business.

DirectAsia

DirectAsia reduced gross written premiums by 46.4% in constant currency to £2.9 million (2016: £4.6 million) in line with management expectations. Most of this reduction can be attributed to the sale of the Hong Kong business in the second quarter of 2016. Our Thai business operates as an agency therefore is not reflected in these figures.

Despite the extremely competitive environment in Singapore the team is attracting new business through investment in the brand.

Hiscox London Market

Gross written premiums in our London Market business were £157.7 million (2016: £157.1 million). In line with previous guidance, the business reduced by 8.6% in constant currency.

As we have said before, the current trading environment is reminiscent of the London Market of the 1990's, which calls for a very disciplined approach. We are shrinking across most lines where margins are evaporating and pulling back significantly in aviation, extended warranty and big-ticket property lines. As previously announced, during the quarter we exited the political risks class as the growing length of cover, now regularly over five years, and greater role of credit has moved this class outside of our risk appetite.

Hiscox MGA has had a good start to the year with strong renewals in the yacht account and the addition of our space business which transferred into the MGA during the quarter. Space is a longstanding business for Hiscox and by offering material line sizes, on behalf of Hiscox and others, we can remain important in this challenging market.

Hiscox Re and ILS

Gross written premiums decreased in constant currency by 3.5% to US$269.3 million (2016: US$279.2 million). Net written premiums decreased by 19.8%. Hiscox Re and ILS grew US catastrophe reinsurance but reduced in retro and casualty business where rates are under more pressure.

Hiscox Re has benefited from good underwriting and a low loss environment. Our strategy of linking innovative products to diverse forms of capital remains a key source of opportunity.

In January, Hiscox ILS launched a fully collateralized ILS fund and has transacted several deals already. The Hiscox ILS funds have reached $1.3 billion AUM.

EU subsidiary

Today we announce that we will establish a new European subsidiary in Luxembourg in response to Brexit. All Hiscox retail business in Europe will be written through this new EU subsidiary. Our existing European business, which comprises over 350 people across seven of the EU 27 countries, will continue to operate without interruption. In Luxembourg a team covering core functions such as compliance, risk and internal audit will be recruited to complement our existing structure.

The process of establishment will begin immediately. Subject to regulatory approval, we expect to complete the restructuring well in advance of March 2019 in order to ensure a seamless transition for our customers, brokers and business partners.

Luxembourg was selected for its pro-business position, strong financial services experience and well-respected regulator, and is close to many of our major markets.

ENDS

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Notes to editors

About The Hiscox Group

Hiscox is a global specialist insurer, headquartered in Bermuda and listed on the London Stock Exchange (LSE:HSX). Our ambition is to be a respected specialist insurer with a diverse portfolio by product and geography. We believe that building balance between catastrophe-exposed business and less volatile local specialty business gives us opportunities for profitable growth throughout the insurance cycle. It's a long-standing strategy which in 2016 helped generate gross premiums written of £2,402.6 million and a record profit before tax of £354.5 million.

The Hiscox Group employs over 2,300 people in 13 countries, and has customers worldwide. Through the retail businesses in the UK, Europe and the US, we offer a range of specialist insurance for professionals and business customers as well as homeowners. Internationally traded, bigger ticket business and reinsurance is underwritten through Hiscox London Market and Hiscox Re and ILS.

Our values define our business, with a focus on people, quality, courage and excellence in execution. We pride ourselves on being true to our word and our award-winning claims service is testament to that. For more information, visit www.hiscoxgroup.com.