Offering Memorandum dated 12 March 2018

Hiscox Ltd

(Incorporated with limited liability in Bermuda with registered no. 38877)

£275,000,000 2.000 per cent. Notes due December 2022

Issue price: 99.417 per cent.

The £275,000,000 2.000 per cent. Notes due December 2022 (the "**Notes**") will be issued by Hiscox Ltd, a Bermuda exempted company incorporated with limited liability, (the "**Issuer**") and constituted by a trust deed to be dated on or about 14 March 2018 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and the Trustee (as defined in "*Terms and Conditions of the Notes*" (the "**Conditions**", and references herein to a numbered "**Condition**" shall be construed accordingly)).

The Notes will be direct, unsubordinated and (subject to Condition 3) unsecured obligations of the Issuer, ranking *pari passu* and without preference amongst themselves and (save for such exceptions as may be provided by applicable law and subject to Condition 3) at least *pari passu* with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future. The Notes will bear interest from (and including) 14 March 2018 (the "**Issue Date**") to (but excluding) 14 December 2022 (the "**Maturity Date**") at a fixed rate of 2.000 per cent. per annum, payable annually in arrear on 14 December each year, with a short first coupon in respect of the first interest period from (and including) the Issue Date to (but excluding) 14 December 2018.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed on the Maturity Date at their principal amount together with accrued interest. The Issuer may redeem all (but not some only) of the Notes at any time at their principal amount together with accrued and unpaid interest in the event of a Tax Event (see Condition 6.2). The Issuer may also redeem all (but not some only) of the Notes at any time at the Optional Redemption Price (as defined in Condition 6.3).

MiFID II professionals/ECPs-only/No PRIIPs KID – the manufacturers' target market (Directive 2014/65/EU ("**MIFID II**") product governance) is eligible counterparties and professional clients only (each as defined in MiFID II) (all distribution channels). No Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation"**) key information document ("**KID**") has been prepared as the Notes are not available to retail investors in the EEA. See page 2 of this Offering Memorandum for further information.

Application has been made for the Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF. The Euro MTF is not a regulated market within the meaning of MIFID II. This Offering Memorandum constitutes a prospectus for the purpose of the Luxembourg law on prospectuses for securities dated 10 July 2005, as amended, and may only be used for the purpose for which it is published.

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Offering Memorandum.

The Notes are expected to be rated BBB+ by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**") and BBB+ by Fitch Ratings Limited ("**Fitch**") (each, a "**Rating Agency**"), each of which is established in the European Union (the "**EU**") and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**"). As such, each Rating Agency is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes will be issued in registered form and represented upon issue by a registered global certificate which will be registered in the name of a nominee for a common depositary ("**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**" and together with Euroclear, the "**Clearing Systems**") on or about the Issue Date. Individual Note Certificates (as defined in the Trust Deed) will be issued only in limited circumstances – see "*Overview of the Notes while in Global Form*". The denomination of the Notes shall be £100,000 and integral multiples of £1,000 in excess thereof.

Joint Lead Managers

Barclays | **Lloyds Bank**

NatWest Markets | **UBS Investment Bank**

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's (as defined in Directive 2014/65/EU (as amended, "**MiFID II**")) product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market of the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for the distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPS REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

This Offering Memorandum is to be read in conjunction with all the documents which are incorporated herein by reference, see "*Documents Incorporated by Reference*".

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any information contained in this Offering Memorandum which has been sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by any third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No person is or has been authorised to give any information or to make any representations other than those contained in or consistent with this Offering Memorandum in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Joint Lead Managers (as defined in "*Subscription and Sale*" below) or the Trustee. Neither the delivery of this Offering Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer since the date hereof or that any other information supplied in connection with the Notes is correct as of any time after the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Joint Lead Managers and the Trustee have not separately verified the information contained in this Offering Memorandum. Neither the Joint Lead Managers nor the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Offering Memorandum or any other information provided by the Issuer in connection with the distribution of the Notes or accepts any responsibility for any actions or omissions of the Issuer or any other person in connection with the issue and offering of the Notes. None of the Joint Lead Managers nor the Trustee accepts any liability in relation to the information contained in this Offering Memorandum or any other information provided by the Issuer in connection with the distribution of the Notes. Neither this Offering Memorandum nor any other information supplied in connection with the distribution of the Notes is intended to constitute, and should not be considered as, a recommendation by any of the Issuer, the Joint Lead Managers or the Trustee that any recipient of this Offering Memorandum or any other information supplied in connection with the distribution of the Notes should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Memorandum and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Joint Lead Managers nor the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Notes of any information coming to their attention.

In the ordinary course of business, the Joint Lead Managers have engaged and may in the future engage in normal banking or investment banking transactions with the Issuer and its affiliates or any of them.

Neither this Offering Memorandum nor any other information provided by the Issuer in connection with the offering of the Notes constitutes an offer of, or an invitation by or on behalf of, the Issuer or the Joint Lead Managers or the Trustee or any of them to subscribe for, or purchase, any of the Notes (see "*Subscription and Sale*" below). This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Memorandum and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Trustee and the Joint Lead Managers do not represent that this Offering Memorandum may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Trustee or the Joint Lead Managers or any of them which is intended to permit a public offering of the Notes or the distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer or sale of Notes in the United States of America ("**U.S.**") and the United Kingdom. Persons in receipt of this Offering Memorandum are required by the Issuer, the Trustee and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offer and sale of the Notes and on the distribution of this Offering Memorandum, see "*Subscription and Sale*" below.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Notes may not be offered, sold or delivered within the U.S. or its territories except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 and the Exchange Control Act 1972 (and regulations made thereunder) and the requirements of the related regulations of Bermuda which regulate the sale of securities in Bermuda.

The Bermuda Monetary Authority (the "**BMA**"), the Registrar of Companies and the Minister of Finance accept no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed herein.

No invitation whether directly or indirectly may be made to the public in Bermuda to subscribe for the Notes.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Notes are complex financial instruments and such instruments may be purchased by potential investors as a way to enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Memorandum or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of the relevant financial markets and of any financial variable which might have an impact on the return on the Notes; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In this Offering Memorandum, unless otherwise specified, all references to:

- "**pounds**", "**sterling**", "**£**", "**p**" or "**pence**" are to the lawful currency of the United Kingdom;
- "**$**" or "**USD**" are to United States dollars; and
- "**SGD$**" are to Singapore dollars.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes certain "forward-looking statements". Statements that are not historical facts, including statements about the beliefs and expectations of the Issuer and the Issuer and its subsidiaries taken as a whole (the "**Group**") and any subsidiaries in the Group and their respective directors or management, are forward-looking statements. Words such as "believes", "anticipates", "estimates", "expects", "intends", "plans", "aims", "potential", "will", "would", "could", "considered", "likely", "estimate" and variations of these words and similar future or conditional expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur, many of which are beyond the control of the Issuer or the Group and all of which are based on their current beliefs and expectations about future events. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Issuer or the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Issuer and the Group and the environment in which the Issuer and the Group will operate in the future. These forward-looking statements speak only as at the date of this Offering Memorandum.

Subject to applicable law or regulation, the Issuer expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in this Offering Memorandum to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

STABILISATION

In connection with the offering of the Notes, The Royal Bank of Scotland plc (trading as NatWest Markets) (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

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DOCUMENTS INCORPORATED BY REFERENCE

This Offering Memorandum should be read and construed in conjunction with:

(a) the annual consolidated financial statements of the Group for the financial year ended 31 December 2015, audited by KPMG Audit Limited, together with the audit report thereon, which appear at the following pages of the Issuer's Annual Report 2015 (the "**2015 Financial Statements**"):

Consolidated Income Statement	Page 79
Consolidated Statement of Comprehensive Income	Page 79
Consolidated Balance Sheet	Page 80
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(b) the annual consolidated financial statements of the Group for the financial year ended 31 December 2016, audited by PricewaterhouseCoopers Ltd., together with the audit report thereon, which appear at the following pages of the Issuer's Annual Report 2016 (the "**2016 Financial Statements**"):

Consolidated Income Statement	Page 108
Consolidated Statement of Comprehensive Income	Page 108
Consolidated Balance Sheet	Page 109
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(c) the interim consolidated financial statements of the Group for the six months ended 30 June 2017, together with the auditor's review report thereon from PricewaterhouseCoopers Ltd., which appear at the following pages of the Issuer's Interim Statement 2017 (the "**1H2017 Interim Statement**"):

Consolidated Income Statement	Page 8
Consolidated Statement of Comprehensive Income	Page 9
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Consolidated Statement of Changes in Equity	Pages 11 to 12

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(d) the unaudited consolidated results of the Group for the financial year ended 31 December 2017, which appear at the following pages of the Issuer's Full Year Results 2017 (the "**2017 Full Year Results**"):

Consolidated Income Statement	Page 16
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which have been previously published or are published simultaneously with this Offering Memorandum and which have been filed with the Luxembourg Stock Exchange. Such documents shall be incorporated in, and form part of, this Offering Memorandum, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Memorandum to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Memorandum.

Those parts of the documents incorporated by reference in this Offering Memorandum which are not specifically incorporated by reference in this Offering Memorandum are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Offering Memorandum.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Memorandum shall not form part of this Offering Memorandum.

Copies of documents incorporated by reference in this Offering Memorandum may be obtained (without charge) from the specified office of Citibank N.A., London Branch for the time being in London and also the website of the Luxembourg Stock Exchange at: www.bourse.lu.

OVERVIEW OF THE PRINCIPAL FEATURES OF THE NOTES

The following overview refers to certain provisions of the terms and conditions of the Notes and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Offering Memorandum. Terms which are defined in "Terms and Conditions of the Notes" below have the same meaning when used in this overview, and references herein to a numbered "Condition" shall refer to the relevant Condition in "Terms and Conditions of the Notes".

Issue	£275,000,000 2.000 per cent. Notes due December 2022.
Issuer	Hiscox Ltd.[1]
Trustee	Citicorp Trustee Company Limited.
Principal Paying Agent	Citibank N.A., London Branch.
Transfer Agent	Citibank Europe PLC
Registrar	Citigroup Global Markets Deutschland AG.
Status	The Notes will constitute direct, unsubordinated and (subject to Condition 3) unsecured obligations of the Issuer and will rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable law and subject to Condition 3, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Negative Pledge	So long as any of the Notes remains outstanding the Issuer will not, and it will ensure that none of its Material Subsidiaries will, create or have outstanding any mortgage, charge, pledge, lien or other encumbrance (other than arising by operation of law) (each a "**Security Interest**") upon the whole or any part of its or their respective undertakings or assets, present or future, to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect thereof, without simultaneously with, or prior to, the creation of such Security Interest, securing the Notes equally and rateably therewith to the satisfaction of the Trustee, or providing such other Security Interest therefor which the Trustee in its absolute discretion shall deem not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution of the Noteholders, save that the Issuer or any Material Subsidiary may create or have outstanding (without the obligation so to secure the Notes) any Permitted Security Interest. "**Material Subsidiary**", "**Permitted Security Interest**" and

[1] LEI: 5493007JXOLJ0QCY2D70

	"**Relevant Indebtedness**" have the respective meanings given in Condition 19.
Interest	The Notes will bear interest from (and including) the Issue Date to (but excluding) 14 December 2022 (the "**Maturity Date**") at the rate of 2.000 per cent. per annum, payable annually in arrear on each Interest Payment Date, with a short first coupon in respect of the first interest period from (and including) the Issue Date to (but excluding) 14 December 2018.
Interest Payment Dates	14 December in each year from (and including) 14 December 2018 up to (and including) the Maturity Date (together, the "**Interest Payment Dates**").
Redemption at Maturity	Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount, together with accrued and unpaid interest, on the Maturity Date.
Early redemption at the option of the Issuer	The Issuer may, upon not less 30 nor more than 60 days' notice redeem all (but not some only) of the Notes at any time at the Optional Redemption Price, as further described in Condition 6.3.
Early Redemption following a Tax Event	The Issuer may, upon not less 30 nor more than 60 days' notice, elect to redeem all (but not some only) of the Notes, at their principal amount together with any accrued and unpaid interest to (but excluding) the date of redemption, if a Tax Event has occurred and the Issuer cannot avoid the same by taking measures reasonably available to it, as further described in Condition 6.2.
Purchase	The Issuer and any of its Subsidiaries will be entitled, at any time, to purchase Notes in the open market or otherwise and at any price. All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may (at the option of the Issuer or the relevant Subsidiary) be held, reissued, resold or surrendered for cancellation.
Cross Acceleration:	The Notes will have the benefit of a cross acceleration provision as described in Condition 10.1(c), subject to an aggregate threshold of £25,000,000 (or its equivalent in any other currency or currencies).
Taxation	Payments on the Notes will be made without deduction or withholding for or on account of Bermudan tax, unless such withholding or deduction is required by law. If any such withholding or deduction is required by law, the Issuer will pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required by law to be made ("**Additional Amounts**"), subject to certain exceptions, as described in Condition 8.
Issuer Substitution	The Trustee may agree with the Issuer, without the consent of the Noteholders, to the substitution of any person or persons incorporated

	in any country in the world (a "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor) as a new principal debtor under the Trust Deed and the Notes and whose obligations in respect of the Notes are unsubordinated provided that the conditions to such substitution set out in the Conditions and the Trust Deed are satisfied – see Condition 11.3.
Form and Denomination	The Notes will be issued in registered form and represented upon issue by a registered global certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg on the Issue Date. Save in limited circumstances, individual Note Certificates will not be issued in exchange for interests in the registered global certificate. The Notes will be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof.
Listing	Application has been made for the Notes to be admitted to the official list of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF.
Ratings	The Notes are expected to be rated BBB+ by Standard & Poor's and BBB+ by Fitch. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. As of the date of this Offering Memorandum, each Rating Agency is a credit rating agency established in the European Union and is registered under CRA Regulation. As such each Rating Agency is included in the list of credit rating agencies published by ESMA on its website in accordance with such Regulation.
Governing Law	The Notes and the Trust Deed, and any non-contractual obligations arising out of or in connection therewith, will be governed by and construed in accordance with English law.
Selling Restrictions	The United States (Regulation S, (Category 1), Bermuda and the United Kingdom.
MiFID II Product Governance / PRIIPs	Eligible counterparties and professional clients only (all distribution channels). No PRIIPs KID. No sales to retail investors in the EEA.
ISIN / Common Code	XS1790108283 / 179010828

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Any of these risk factors, individually or in the aggregate, could have an adverse effect on the Issuer and the impact each risk could have on the Issuer is set out below.

Factors that the Issuer believes may be material to assess the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Memorandum and reach their own views prior to making any investment decision.

Defined terms used in the following risk factors, unless otherwise stated, have the meaning given to them in the Conditions set out below in the section of this Offering Memorandum entitled "Terms and Conditions of the Notes".

RISKS RELATING TO THE ISSUER THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER OR IN CONNECTION WITH THE NOTES

Insurance Risk

The predominant risk to which the Group is exposed is insurance risk which is assumed through the underwriting process. Insurance risk can be subcategorised into (i) underwriting risk, including the risk of catastrophe and systemic insurance losses, competition and the insurance cycle and (ii) reserving risk.

Underwriting Risk

The underwriting of insurance risks is, by its nature, a high risk business. Earnings can vary accordingly and losses may be sustained which would have the effect of significantly impacting the ability of the Issuer to meet its obligations in respect of the Notes.

Catastrophe and Systemic losses

It is in the nature of insurance business that earnings can be affected by unpredictable events or circumstances. These may include (but are not limited to) matters such as natural and man-made disasters, the emergence of latent risks, legal developments as well as changes in legal interpretation or precedent (including in relation to the measurement of damages), social changes, public policy and fluctuations in either global insurance capacity or the investment markets. The Group has experienced, and can expect in the future to experience. losses from natural and non-natural catastrophes and these may have a material adverse impact on its financial performance.

The Group is exposed to multiple catastrophes in any year. For example, 2017 was one of the costliest years on record for natural catastrophes as a result of hurricanes Harvey, Irma and Maria, hurricane Nate, Mexico earthquakes and California wildfires. The total cost to the industry of these events has been estimated to be in excess of $140 billion. It is possible that future multiple catastrophe activity could exhaust reinsurance programmes or could produce aggregation of retentions paid by the Group before it can recover on a particular programme. In particular, Hiscox Insurance Company (Bermuda) Limited ("**HIB**") and Syndicate 33 (as further described under "*Description of the Issuer and the Group*") are reliant on reinsurance provided by the Group's special purpose reinsurance companies constituting the Hiscox insurance linked securities business.

The Group is also exposed to unexpected concentrations of risk where one event or series of events can affect many insureds.

The occurrence of these events, in particular in the case of multiple concentrated events, could significantly adversely affect the Group's business, financial condition, prospects, results of operations and profitability

Binding Authorities

The Group writes a considerable amount of premium income through agents to whom authority is given to accept risks on behalf of Group risk carriers. There is no guarantee that an agent will comply with the terms of its binding authority. An agent which breaches its authority could expose the Group to unanticipated losses that could adversely impact the Group's business, financial condition, prospects, results of operations and profitability.

Competition and the Insurance Cycle

The insurance market is cyclical, experiencing periods of high competition (often after a long period of low catastrophe activity), as well as periods of opportunity when competitors have reduced levels of capacity against which to underwrite. The Group's ability to write business profitably depends significantly on premium rating levels or competition levels. The Group competes against major international insurance and reinsurance groups together with alternative capital markets, funds and other providers of insurance and alternative reinsurance products such as insurance-linked securities, catastrophe bonds and derivatives. This cycle, as well as other factors, means that, at times, some of these groups may choose to underwrite risks at prices which fall below the break-even technical price. In such circumstances the Group has a choice between retaining the business with a greater likelihood of it being unprofitable or declining to write the business. As such, prolonged periods when premium levels are low or when competition is intense are likely to have a negative impact on the Group's financial performance. Further, an increase in premium levels is often offset by an increasing supply of insurance and reinsurance capacity, either by capital provided by new entrants or by the commitment of additional capital by existing insurers or reinsurers, which may cause prices to decrease. Any of these factors could lead to a significant reduction in premium rates, less favourable policy terms, and fewer submissions for the Group's underwriting services.

The Group may also face competition from new entrants into its markets, many of whom may leverage digital technology that may challenge the position of traditional financial service companies, including the Group, by providing new services or creating new distribution channels. Any such increase in competition could also have a negative impact on the Group's financial performance.

Consolidation in the (re)insurance industry

In recent years, there has been consolidation and convergence among companies in the (re)insurance industry resulting in increasingly larger and diversified competitors with greater capitalisation. The consolidation trend may continue, and perhaps accelerate, in the near future, which may lead to increased competitive pressure in the Group's business lines from larger and more diversified competitors. In addition, as companies consolidate at an increasing rate, the resulting change in the competitive landscape may impact the Group's ability to attract the most talented insurance professionals and retain and incentivise existing employees. Any of these and the following aspects of consolidation of the industry could adversely affect the Group’s reinsurance and insurance businesses, its strategy and its results of operations.

As the reinsurance industry consolidates, the cost, capital and reinsurance synergies and combined underwriting leverage resulting from consolidation may mean a larger global (re)insurer is able to compete more effectively and also may be more attractive to brokers and agents looking to place business. These consolidated competitors may try to use their enhanced market power to obtain a larger market share through increased line sizes. Larger reinsurers also may have lower operating costs and an ability to absorb greater risk while maintaining their financial strength ratings, thereby allowing them to price their products more competitively. If competitive pressures reduce rates or terms and conditions considerably, the Group may reduce its future underwriting activities in those lines thus resulting in reduced premiums and a potential reduction in expected earnings.

As the insurance industry consolidates, competition for customers also will become more intense and the importance of properly servicing each customer will become greater. Several of the mergers of reinsurers in recent years were partially driven by strategic plans to write more insurance business. The Group could therefore incur greater expenses relating to customer acquisition and retention, reducing the Group’s operating margins. In addition, insurance companies that merge may be able to spread their risks across a consolidated, larger capital base so that they require less reinsurance.

There has been a similar trend of increased consolidation of agents and brokers to the (re)insurance industry. As the Group distributes many of its products through agents and brokers, consolidation could impact the Group’s relationships with, and fees paid to, some agents and brokers. In the Lloyds’s market, independent London wholesalers continue to be acquired by larger global brokers, which may result in enhanced market power for these larger brokers in placing insurance and reinsurance. Consolidation of distributors may also increase the likelihood that distributors will try to renegotiate the terms of existing selling agreements to terms less favourable to the Group. As brokers merge with or acquire each other, any resulting failure or inability of brokers to market the Group’s products successfully, or the loss of a substantial portion of the business sourced by one or more of its key brokers, could have a material adverse effect on the Group’s business and results of operations.

Reinsurance

The Group has a significant number of reinsurance and retrocession contracts designed to limit its exposure in respect of particular lines of business or particular risks. As a result, the Group has a significant credit risk with respect to its reinsurers. The Group has made provisions in respect of the potential failure of reinsurers to pay their share of the Group's anticipated reinsurance recoveries, but there can be no guarantee that such provisions will be adequate to cover future failure. If a reinsurer fails to make payment, whether through an insolvency, dispute or otherwise, the Group retains the primary liability to the insured and the Group's business could therefore be materially adversely affected.

The Group purchases different reinsurance programmes for different classes of business and for each Group risk carrier. Each of these programmes normally has a retention of risk that the relevant Group entity must pay first before the reinsurers are liable. It is possible that in a complex loss more than one retention may be payable and that this aggregation of retentions could materially adversely impact the Group.

There can be no guarantee that available reinsurance purchased will exactly match all of the insurance business that it seeks to protect.

In addition, there can be no guarantee that appropriate levels of reinsurance cover will be available in the future at acceptable rates, or at all.

Insurance Linked Securities (ILS) Business

In addition to the forgoing, the Group's third party capital providers may redeem their interests in the Group's managed funds, which could materially impact the financial condition of such funds, and could in turn materially impact the Group's financial condition and results of operations. Moreover, the Group can provide no assurance that it will be able to attract and raise additional third party capital for its existing funds or for potential new funds and therefore the Group may forego existing and/or potential fee income and other income-generating opportunities.

In a situation where the Group is unable to buy reinsurance protection from its insurance linked securities business, for example if third party investors were to withdraw funds, the Group would need to find alternative reinsurance and there can be no assurance that the Group would be able to do so on favourable terms, or at all.

Reserving Risk

The Group establishes provisions for unpaid claims and related expenses to cover its ultimate liability in respect of both reported claims and incurred but not reported claims taking into account both the Group's and the industry's experience of similar business, historical trends in reserving patterns and loss payments, as well as pending levels of unpaid claims and awards. Estimates are reviewed regularly and adjustments are made to take into account management's view of the probable ultimate liability based on claims and other developments and new data. However, there can be no assurance that the ultimate losses will not materially differ from the provisions established, which could have a material adverse effect on the Group's financial performance and prospects.

The establishment of reserves following large natural catastrophes is especially difficult and these reserves are subject to significant uncertainty. Deterioration could materially impact Syndicate 33 or HIB, and thus the Group.

Capital Risk

Regulatory Capital

The Group is required to maintain a minimum value of assets (referred to as regulatory capital) in excess of the value of its liabilities to comply with a number of regulatory requirements relating to the Group's (and its subsidiaries') solvency and reporting requirements. These regulatory requirements apply to individual insurance subsidiaries on a standalone basis and in respect of the Group as a whole. The Group's regulatory capital requirements have in the past both increased and decreased, and may from time to time in the future increase and decrease for a number of reasons.

The Group is required to hold statutory capital and surplus by the Bermuda Monetary Authority (the "**BMA**") at an amount that is equal to or exceeds the Enhanced Capital Requirement ("**ECR**") set using the Bermuda Solvency Capital Requirement ("**BSCR**") model, which is controlled by the BMA. The BMA also sets out a Target Capital Level ("**TCL**"), which is set at 120% of the ECR. In practice the Group is expected to hold at least the TCL. The Group also conducts a Group Solvency Self-Assessment ("**GSSA**") process to provide its own view of the capital resources necessary to remain solvent. The GSSA process helps to link the capital requirements to the Group's risk management framework.

As at the date of this Offering Memorandum, the BMA is currently trialling changes to the BSCR model, which are expected to come into force starting from the end of financial year 2019. The changes are expected to be phased in gradually, starting at the end of financial year 2019, with the full impact being included in the BSCR by the end of financial year 2021. These changes are expected to increase the BSCR materially and therefore reduce the Group's solvency surplus accordingly.

Syndicates 33, 3624 and 6104 (as further described under "*Description of the Issuer and the Group*") are subject to the solvency regime applicable to the EU insurance sector (known as "**Solvency II**") through Lloyd's (as defined in "*Description of the Issuer and the Group*"). Hiscox Insurance Company Limited ("**HIC**") is also subject to Solvency II regulation by the Prudential Regulation Authority (the "**PRA**"), with capital requirements being set by the standard formula model under Solvency II. The recently-incorporated Hiscox *Société Anonyme* ("**HSA**"), which is expected to commence underwriting activity prior to the date of Brexit (as defined below) in March 2019, will be subject to Solvency II regulation by the *Commissariat aux Assurances* ("**CAA**") in Luxembourg, again with capital requirements being set by the standard formula model under Solvency II. Requirements under this model may increase or decrease in future if there are any changes to this model. There is also a possibility HIC or HSA may be required by the PRA or the CAA to build an internal model if the standard formula is not deemed appropriate for setting regulatory capital. This could lead to significant additional costs for HIC and HSA, as well as further unpredictability in HIC's or HSA's capital requirements in the future. Other entities within the Group are also subject to local regulatory capital requirements, which could be subject to change over time.

The Group's capital position can be adversely impacted by a number of factors, including lower than expected earnings and accumulated market impacts (such as foreign exchange, and asset valuation). In addition, any event that erodes current profitability and/or is expected to reduce future profitability or make profitability more volatile could impact the Group's capital position. Failure to achieve and maintain adequate capital buffers could have an adverse impact on the Group's growth prospects.

Any inability to meet regulatory capital requirements in the future would be likely to lead to intervention by regulatory authorities in each of the relevant jurisdictions in which the Group operates and by the BMA, as regulator for the wider Group. In these circumstances, the BMA, in the interests of policyholder security, could be expected to give directions to the Group's 'Designated Insurer' (meaning the insurer designated by the BMA in respect of that insurance group for the Bermuda Insurance Act, in this case HIB) to require the Group to take steps to restore regulatory capital to acceptable levels, for example, by requiring the Group to cease to write or reduce writing new business or by imposing restrictions on the fungibility or movement of capital between different Group entities. Local regulatory authorities may also intervene by requiring additional capital to be held locally, in regulated subsidiaries. The Group may also need to increase premiums, increase its reinsurance coverage or divest parts of its business and investment portfolio, any of which may be difficult or costly or result in a significant loss, particularly in cases where such measures need to be undertaken in a short time frame. The Group's regulated subsidiaries might also have to reduce the amount of dividends they pay to their respective shareholders, or possibly cease paying dividends to meet their regulatory capital requirements.

Any failure by the Group to maintain adequate levels of capital could have a material adverse effect on the Group's business, prospects, financial condition and results of operations, as well as its reputation and brand.

Credit Ratings

The ability of the Group's insurance operations to write certain classes of business, including, but not limited to, reinsurance business, may be affected by a change in the rating issued by an accredited rating agency.

Rating organisations periodically review the financial performance and condition of insurers, including the Group and its insurance subsidiaries. Rating organisations assign ratings based upon a variety of factors according to published criteria. While most of the factors relate to the rated company including the level of capital, market positions and diversity of insurance risk, some of the factors relate to general economic conditions and other circumstances outside the rated company's control. In addition, the Group's investments and its credit exposures under its reinsurance arrangements are taken into account when calculating the Group's credit rating, as well as an assessment of its enterprise risk management and governance.

Each of HIC, HSA, HICG, HIB, Hiscox Insurance Company Inc. and Syndicate 33 has its own rating and Syndicates 33, 3624 and 6104 also benefit from the Lloyd's global ratings. The Lloyd's global ratings could also be affected by matters outside the Group's influence or control.

A downgrade of any of the Group's credit ratings could have a material adverse impact on the ability of the Group to write certain types of general insurance business, particularly commercial insurance business. A downgrade could also lead brokers (especially large global brokers) to stop recommending the Group's products and lead to the loss of other customers whose confidence in the Group may be affected or whose policies require insurance from insurers with a certain rating. While the Group could, among other things, consider writing business on a fronted basis (i.e. an arrangement where a higher rated insurer writes certain lines of the Group's business) to mitigate the effects of the loss of broker recommendations, such measures may have an adverse effect on the Group's underwriting profitability. A rating downgrade could also impact the terms and availability of financing to the Group and its access to the debt capital markets and/or require the Group to post collateral under its outstanding derivative contracts. A reduction by Standard & Poor's in credit quality metrics (such as the Group's enterprise risk management rating, business risk profile and management strength assessments) could require the Group to hold additional capital, on the basis of Standard & Poor's methodology, to maintain its current credit rating.

A downgrade of any of the Group's credit ratings, and the related consequences described above, could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Financial Risk

The Group is exposed to financial risk through its ownership of financial instruments including financial liabilities. These items collectively represent a significant element of the Group's net shareholders' funds. The Group invests in financial assets in order to fund obligations arising from its insurance contracts and financial liabilities.

The key financial risk for the Group is that the proceeds from its financial assets and investment results generated thereon are not sufficient to fund its obligations. The most important operational and economic variables that could result in such an outcome relate to the reliability of fair value measures, equity price risk, interest rate risk, credit risk, liquidity risk and currency risk.

Fair Values

The Group has elected to carry all financial investments at fair value through profit or loss as they are managed and evaluated on a fair value basis in accordance with a documented strategy. With the exception of unquoted equity investments and its investments in the Group's managed insurance linked funds, all of the financial investments held by the Group are available to trade in markets and the Group therefore seeks to determine fair value by reference to published prices or as derived by pricing vendors using observable quotations in the most active financial markets in which the assets trade. The fair value of financial assets is measured primarily with reference to their closing bid market prices at the balance sheet date. The ability to obtain quoted bid market prices may be reduced in periods of diminished liquidity. In addition, those quoted prices that may be available may represent an unrealistic proportion of market holdings or individual trade sizes that could not be readily available to the Group.

The Group holds asset-backed and mortgage-backed fixed income instruments in its investment portfolio. Valuation of these securities will continue to be impacted by external market factors including default rates, rating agency actions, and liquidity. The Group will make adjustments to the investment portfolio as appropriate as part of its overall portfolio strategy, but its ability to mitigate its risk by selling or hedging its exposures may be limited by the market environment. The Group's future results may be impacted, both positively and negatively, by the valuation adjustments applied to these securities.

Equity Price Risk

The Group is exposed to equity price risk through its holdings of equity and unit trust investments.

For illustrative purposes only, a 10 per cent. downward correction in equity prices at 31 December 2017 would have been expected to reduce Group equity and profit after tax for the year by approximately £30.5 million (2016: £28.0 million) assuming that the only area impacted was equity financial assets.

Whilst the Group's exposure to equity price risk through its holdings of equity and unit trust investments is limited to a relatively small and controlled proportion of its overall investment portfolio, and the Group seeks to ensure that its equity and unit trust holdings involved are diversified over a number of companies and industries, there can be no assurance that a significant drop in equity prices would not have a material adverse impact on the Group's financial condition, profitability, prospects or results of operation.

Interest Rate Risk

Fixed income investments represent a significant proportion of the Group's assets. 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. If market interest rates rise, the fair value of the Group's debt and fixed income investments would tend to fall. A fall in the portfolio's market value could affect the amount of business that the Group is able to underwrite or its ability to settle claims as they fall due.

One method of assessing interest rate sensitivity is through the examination of duration-convexity factors in the underlying portfolio. For illustrative purposes only, and using a duration-convexity-based sensitivity analysis, if market interest rates had risen by 100 basis points as at 31 December 2017, the Group's equity and profit after tax for the year might have been expected to decrease by approximately £53 million (2016: £61 million) assuming that the only balance sheet area impacted was debt and fixed income financial assets.

Credit Risk

The Group has exposure to credit risk, which is the risk that a counterparty will suffer a deterioration in perceived financial strength or be unable to pay amounts in full when due.

The concentrations of credit risk exposures held by insurers may be expected to be greater than those associated with other industries, due to the specific nature of reinsurance markets and the extent of investments held in financial markets. In both markets, the Group interacts with a number of counterparties who are engaged in similar activities with similar customer profiles, and often in the same geographical areas and industry sectors. Consequently, as many of these counterparties are themselves exposed to similar economic characteristics, one single localised or macroeconomic change could severely disrupt the ability of a significant number of counterparties to meet the Group's agreed contractual terms and obligations.

The Group's key areas of exposure to credit risk include:

- its reinsurers' share of insurance liabilities;
- amounts due to it from reinsurers in respect of claims already paid;
- amounts due to it from insurance contract holders; and

- counterparty risk with respect to cash and cash equivalents, and investments including deposits and bonds, derivative transactions and catastrophe bonds.

The Group's maximum exposure to credit risk is represented by the carrying values of financial assets and reinsurance assets included in the consolidated balance sheet at any given point in time. The Group does not use credit derivatives or other products to mitigate its credit risk exposures on reinsurance assets.

Liquidity Risk

The Group is exposed to daily calls on its available cash resources, mainly from claims arising from insurance and reinsurance contracts. Liquidity risk is the risk that cash may not be available to pay these or any other obligations when due. The Group is also exposed to the risk that it could incur excessive costs by selling assets or raising finance quickly to meet its obligations.

Currency Risk

The Group operates internationally and its exposures to foreign exchange risk arise primarily with respect to the US Dollar, Pound Sterling and the Euro. These exposures may be classified in two main categories:

- Structural foreign exchange risk through consolidation of net investments in subsidiaries with different functional currencies within the Group's results; and

- Operational foreign exchange risk through routinely entering into insurance, investment and operational contracts, as a Group of international insurance entities serving international communities, where rights and obligations are denominated in currencies other than each respective entity's functional currency.

Reflecting the fact that the Group's functional currency is Pounds Sterling, the Group's exposure to structural foreign exchange risk primarily relates to the US Dollar net investments made in its domestic operations in Bermuda and its overseas operations in Guernsey and the United States. Other structural exposures also arise on a smaller scale in relation to Euro net investments made in the Group's European operations.

At a consolidated level, the Group is also exposed to foreign exchange gains or losses on balances held between Group companies where one party to the transaction has a functional currency other than Pounds Sterling.

Operational foreign exchange risk is managed by matching technical liabilities with investments in the same currency for the main currencies in which the Group trades.

As a result of the accounting treatment for non-monetary items, the Group may also experience volatility in its income statement during a period when movements in foreign exchange rates fluctuate significantly. In accordance with International Financial Reporting Standards ("**IFRS**"), non-monetary items are recorded at original transaction rates and are not re-measured at the reporting date. These items include unearned premiums, deferred acquisition costs and reinsurers' share of unearned premiums. Consequently, a mismatch arises in the income statement between the amount of premium recognised at historical transaction rates, and the related claims which are retranslated using currency rates in force at the reporting date. The Group considers this to be a timing issue which can cause significant volatility in the income statement.

General Risk Factors

Macro-Economic Risk

As the insurance operating subsidiaries of the Group are general insurers, the Group's return on investments and results of operations are materially affected by changes and volatility in the worldwide financial markets and macroeconomic conditions generally. Increased volatility in the financial markets in recent years and prolonged low yields in the global fixed income markets have been influenced by a wide variety of factors, including:

- concerns over the slow rates of growth in the global economy and, in particular, the impact of austerity measures in major developed economies and slowing rates of growth in emerging markets;
- high levels of sovereign debt;
- inflationary or deflationary threats;
- extensive use of macroeconomic and monetary policy tools by governments, central banks and other institutions, and uncertainty about future actions such as interest rate movements or tapering of quantitative easing;
- the solvency of financial institutions and the evolving state of regulatory capital requirements for insurance companies; and
- the failure of governments to agree upon, and implement, necessary fiscal, monetary and regulatory reforms.

Ongoing uncertainty over future fiscal and monetary policy, particularly within the United States and the European Union, and any further instability affecting one or more EU Member States or their financial institutions could continue to disrupt global markets, including equity and fixed income markets. This may have a material adverse impact on the Group's investment portfolio and investment income due to continuing low interest rates and general market volatility.

On 23 June 2016, the UK held a referendum in which voters were asked to decide whether the UK should remain a member of the EU or leave the EU. The outcome of the referendum was a vote to leave the EU and the notice triggering the exit process was delivered to the EU on 29 March 2017 ("**Brexit**"). Accordingly, the UK is currently expected to leave the EU on 29 March 2019, although there remains considerable uncertainty as to the outcome of the negotiations between the EU and the UK with respect to the exit process, any transitional agreement for the period immediately following such exit and the ultimate relationship between the EU and the UK. The consequences of the UK's exit from the EU are as yet unknown, but may result in a period of reduced economic growth (or recession), potentially reducing insurance sales and the value of the Group's investment portfolio, as well as the uncertainties about the process and outcome of the exit to the financial markets and future regulation. In addition, many of the regulations to which the Group is subject are derived from EU directives and regulations. It is unclear whether, in the medium term, the UK may seek to impose additional or divergent regulation on businesses such as the Group, and, if so, what the effect of such regulation on the business of the Group would be.

The uncertain relationship between the UK and the EU after Brexit also has implications for payments under existing policies written by the Group in favour of EU beneficiaries. If, in a worst case scenario, the making of payments by the Group in fulfilment of its obligations under those policies were to be unlawful, the Group would face a choice between failing to meet its obligations under those policies (which may result in private law suits and reputational damage) or making payments in breach of applicable law (which could result in levies, fines, penalties or censure from local authorities). Alternatively, EU regulators could require the Group to establish and capitalise further subsidiaries or branches in the EU, increasing the costs of the Group’s business and reducing capital efficiencies. Other effects of Brexit may include (but are not limited to): significant depreciation of sterling against other core currencies, impacting claims and non-claims supplier costs and affecting currency exposure and hedging costs; the prospect of increased rates of inflation; recruitment and retention of personnel; potential tax changes, direct and indirect; and the possibility of increased regulatory protectionism with subsidiaries required to hold higher levels of capital and dividends being blocked. Whilst the Group is preparing to address a number of these challenges, if it is unable to do so effectively or within the timeframe prior to Brexit, this may result in the Group being adversely affected by these factors, and any other consequences of Brexit. Further, regardless of the outcome of the negotiations between the EU and the UK, the Group may be exposed to any adverse effects of the continued uncertainty while Brexit negotiations continue.

Macroeconomic conditions can also impact the Group’s underwriting results. In a sustained economic phase of low growth and high public debt, characterised by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for financial and insurance products could be adversely affected, with customer behaviour and confidence exacerbating the unfavourable impact on demand. In addition, under these conditions, the Group may experience an elevated incidence of claims.

Brand and Reputational Risk

The Group’s success and results of operations are dependent on the strength and reputation of the Group and its brand. The Group is vulnerable to adverse market perception because it operates in an industry where integrity, service and customer trust and confidence are paramount. The Group is exposed to the risk that litigation, employee misconduct, operational failures, regulatory or other investigations or actions, press speculation and negative publicity, whether or not well founded, could damage its brand or reputation. The Group’s reputation may also be adversely affected by negative publicity associated with those that it insures. In addition, claims management companies and consumer protection groups could increase their focus on the insurance industry, which may negatively impact the Group. Any damage to the Group’s brand or reputation could cause existing customers, partners or intermediaries to withdraw their business from the Group and potential customers, partners or intermediaries to elect not to do business with the Group and could also make it more difficult for the Group to attract and retain qualified employees. Such damage to the Group’s brand or reputation could cause disproportionate damage to the Group’s business, even if the negative publicity is factually inaccurate or unfounded.

Litigation

The Group is involved in litigation in the normal course of its business relating to insurance and reinsurance policies it has written. These claims can generally be expected to arise in two ways:

(a) litigation against the Group in respect of claims where there is a dispute arising from denial of coverage; and

(b) litigation against the Group in respect of allegations of “bad faith” claims handling. This issue arises particularly from risks written in the United States, where the extra contractual risks of such actions can be significant.

The likely outcome of all such proceedings (based on legal advice) is taken into account in assessing outstanding claims provisions. In addition, the Group purchases ‘errors & omissions’ insurance to protect it from issues arising from the claims handling process. However, if the ultimate outcome of proceedings is not in accordance with the Group's expectations, the Group's business, financial condition, results of operations or profitability may be materially adversely affected. Litigation may also have an adverse impact on the Group’s reputation and brand.

Distribution Channels

The Group relies heavily on brokers to distribute its products. Brokers are independent of the insurers whose products they market and are not committed to recommend or sell the Group's products. Brokers may also sell competing products. Therefore, the Group's relationships with its brokers are significant and the failure, inability or unwillingness of brokers to market the Group's products could have a material adverse effect on its financial performance.

The Group's reliance on brokers leads to a significant credit exposure to certain key suppliers of business. If a key broker were to fail, the result could be a material bad debt for the Issuer.

Fraud

The Group is at risk from customers who misrepresent or fail to provide full disclosure in relation to the risk against which they are seeking cover before such cover is purchased, and from customers who fabricate claims and/or inflate the value of their claims. The Group, in common with other general insurance companies, is also at risk from its employees failing to follow procedures designed to prevent fraudulent activity, as well as from its agents' fraudulent activity, such as falsifying policies or failing to remit premiums collected from customers on the Group's behalf. A failure to combat the risks of fraud effectively could adversely affect the profits of the Group as claims incidence and average payouts could increase. Further, such costs may have to be passed on to customers in the form of higher premium levels, which could result in a decrease in policy sales.

The occurrence of any of these events could have a material adverse effect on the Group's business, reputation, financial condition, results of operations and cash flows.

Failure to maintain adequately and protect customer and employee information could have a material adverse effect on the Group

The Group collects and processes personal data from its customers, third-party claimants, business contacts and employees as part of the operation of its business, and therefore it must comply with data protection and privacy laws and industry standards in the UK, Europe, US and other jurisdictions.

Those laws and standards impose certain requirements on the Group in respect of the collection, use, processing and storage of such personal information. For example, under UK and EU data protection laws and regulations, when collecting personal data, certain information must be provided to the individual whose data is being collected. This information includes the identity of the data controller, the purpose for which the data is being collected and any other relevant information relating to the processing. There is a risk that data collected by the Group and its appointed third parties is not processed in accordance with notifications made to, or obligations imposed by, data subjects, regulators, or other counterparties or applicable law. There is a further risk that recent European Commission proposals on data protection will impose a disproportionate burden on insurers and impact the ability of insurers to share information to prevent fraud and other financial crime. Failure to operate effective data collection controls could potentially lead to regulatory censure, fines, reputational and financial costs as well as result in potential inaccurate rating of risks or overpayment of claims.

For example, the General Data Protection Regulation (EU) 2016/679 (the "**GDPR**") comes into effect on 25 May 2018. Irrespective of the outcome of the UK's decision to leave the EU, the Information Commissioner has already advised that this regulation will be implemented in full in the UK. The GDPR enhances the current data protection law and regulation to ensure that companies and organisations process personal data while having adequate measures in place to protect an individual's rights in respect of that data. It creates challenges for all industries and significantly increases the cost of non-compliance, both in terms of potential financial penalties and broader reputational damage.

The Group is also subject to certain data protection industry standards, and may be contractually required to comply with those standards. For example, as a major processor of payments from payment cards, the Group is required to comply with the Payment Card Industry Data Security Standard ("**PCIDSS"**) as part of its contractual obligations to merchant acquirers. Failure to maintain PCIDSS compliance could result in contractual penalties, reputational damage and other liabilities.

In addition, the Group is exposed to the risk that the personal data it controls could be wrongfully accessed or used, whether by employees or other third parties, or otherwise lost or disclosed or processed in breach of data protection regulations. If the Group or any of the third-party service providers on which it relies fail to process, store or protect such personal data in a secure manner or if any such theft or loss of personal data were otherwise to occur, the Group could face liability under data protection laws. This could also result in damage to the Group's brands and reputation as well as the loss of new or repeat business, any of which could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

Regulatory and Compliance Risk

The Group operates in a highly regulated industry. The Group is supervised by the BMA. The activities of HIC are regulated by the PRA and the FCA. The activities of HSA are regulated by the CAA. The activities of Hiscox Syndicates Limited ("**HSL**") are regulated by the PRA, the FCA and by the Council of Lloyd's. The activities of HICG are regulated by the Guernsey Financial Services Commission (the "**GFSC**"). HIB, HCL and the ILS group of companies (as further described under "*Description of the Issuer and the Group*") which includes an insurance and investment manager, investment funds and special purposes insurance vehicles are supervised and regulated by the BMA. Hiscox Insurance Company Inc. and its staff are regulated by all 50 US state insurance departments. Direct Asia Singapore pte Limited is regulated by the Monetary Authority of Singapore (the "**MAS**") The PRA, the FCA, the Council of Lloyd's, the GFSC, the BMA, the 50 US state insurance departments, the MAS and the OCI have substantial powers of intervention in relation to the companies they regulate, culminating in the ultimate sanction of the removal of authorisation to carry on insurance business. Such authorisations are fundamental to the Group's business. There is also the risk of a financial penalty which, in recent years, has been used with increasing quantum and publicity giving rise to both financial and reputational risk.

Similarly, the Group's regulators have certain powers to require an insurance company to take such action as appears to be appropriate to protect policyholders against the risk that such company may be unable or unwilling to meet its liabilities.

Regulatory requirements may be changed in a manner that may adversely affect the business of the Group. The Group's insurance subsidiaries may not be able to obtain or maintain all necessary licences, permits, authorisations or accreditations, or may be able to do so only at great cost. In addition, the Group may not be able to comply fully with, or obtain appropriate exemptions from, the wide variety of laws and regulations applicable to insurance or reinsurance companies or holding companies. Failure to comply with or to obtain appropriate exemptions under any applicable laws could result in restrictions on the Group's ability to do business in one or more of the jurisdictions in which the Group operates, fines and other sanctions, any of which could have a material adverse effect on the Group's business. For example, as further described under "*Capital Risk – Regulatory Capital*" above, and "*Lloyd's Market Risk Factors – Lloyd's Capital Adequacy Requirements*" below, Solvency II could result in the Group being required to hold additional capital which may adversely affect the financial condition of the Group.

The Group's operating subsidiaries may owe certain legal duties and obligations (including reporting obligations) to third party stakeholders (for example in the Group's insurance linked securities business) and are subject to a variety of (often complex) laws and regulations relating to the management of third party capital. Compliance with some of these laws and regulations requires significant management time and attention. Although the Group seeks continually to monitor the Group's policies and procedures with a view to ensuring compliance, there could be faulty judgements, simple errors or mistakes, or the failure of the Group's personnel to adhere to established policies and procedures that could result in the Group's failure to comply with applicable laws or regulations. This could result in significant liabilities, penalties or other losses to the Company or the Group, and seriously harm the Group's business, financial condition and results of operations, as well as damaging its brand reputation.

Additionally, the Council of Lloyd's has wide discretionary powers to regulate members' underwriting at Lloyd's. It may, for instance, vary the method by which the solvency ratio is calculated, or the investment criteria applicable to Funds at Lloyd's. Either might affect the amount of the Group's underwriting capacity and consequently the return on an investment in the Group in a given year of account.

Changes in Accounting Standards

The Issuer prepares its accounts under IFRS. Accounting standards are from time to time varied or replaced and new standards may be introduced. For example, a new insurance contract standard, IFRS 17, was published on 18 May 2017 with an effective date of 1 January 2021. Replacing IFRS 4, IFRS 17 will change the presentation of insurance contracts in the financial statements and the recognition and measurement criteria thereof. The Group will also be required to implement IFRS 9 from 2021. Whilst it is too early to accurately assess the impact of these developments on the Group, there is a risk that changes or modification of, or the introduction of new, accounting standards could have a negative impact on the Group in the future and/or require a retrospective adjustment or restatement of reported results.

Key Individuals

The business of the Group may be adversely affected if certain key individuals were to leave the Group, or if their services otherwise ceased to be available to the Group, without an appropriate period of transition. The Chief Executive Officer, Chief Financial Officer and Chief Underwriting Officer are retained on contracts which require them to give not less than six months' notice should they wish to leave the Group.

Information Technology Systems

The Group relies on information technology systems for critical elements of its business process. These systems, which include complex computer and data processing platforms, may be disrupted by events including terrorist acts, natural disasters, telecommunications and network failures, power losses, physical or electronic security breaches, fraud, identity theft, process failures, computer viruses, computer hacking or other cyber attacks, malicious employee attacks or similar events. In addition, the Group may identify, and has already identified and addressed, weaknesses in its computer and data processing systems, as well as the control environment for these systems. The failure of information technology systems could interrupt the Group's operations or materially impact its ability to conduct business. Material flaws or damage to the system, particularly if sustained or repeated, could result in the loss of existing or potential business relationships, compromise the Group's ability to pay claims in a timely manner and/or give rise to regulatory implications, which could result in a material adverse effect on the Group's reputation, financial condition and results of operations.

Design and implementation of upgrades to these systems can be complex and may not always deliver all the intended benefits according to the original timescales and budgets for doing so.

In addition, the Group has a number of legacy systems that may require increased manual input, which increases the risk of error. The Group continuously invests in the upgrade and replacement of legacy systems. In addition to costs and any disruption associated with the upgrades, pending completion of the upgrade, or future upgrades of other systems, those applications may be more susceptible to inefficiencies or disruptions. The Group's insurance might not adequately compensate it for material losses that could occur due to disruptions in its service as a result of computer and data processing systems failure and electronic attacks.

Certain of the Group's information technology and operational support functions are outsourced to third parties but remain critical to the Group's business, such as mitigation of IT security risks. The Group is reliant in part on the continued performance, accuracy, compliance and security of all these service providers. If the contractual arrangements with any third party providers are terminated, whilst the Group would expect to be able to find an alternative outsource provider or supplier for the services on equivalent terms, there would be some inevitable delay and cost entailed in the transition. Any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations.

Business Continuity

The business of the Group could be adversely affected if staff were prevented from using the Group's major premises or infrastructure for any reason.

Pensions

The Group operates various pension schemes for its past and present employees, including a defined benefit pension scheme which is now closed. In respect of this latter scheme, it is possible that a reduction of the pension scheme assets (for example, by reason of poor investment returns) or an increase of the pension scheme liabilities (for example, through the assumption of longer life expectancy) could materially adversely affect the Group's business, financial condition, profitability and results of operations. As at 31 December 2017, the Group had an overall pension deficit of £47.5 million.

Reliance on Third Party Service Providers

The Group is reliant on various third parties for the provision of important services which it needs to run its business. If any of these providers should fail to perform to the necessary level, this may materially impact the Group's business, financial condition, profitability and results of operations.

Uninsured Risks

In certain circumstances insurance may not cover or be adequate to cover liabilities incurred by a member of the Group. In addition, the Group may be subject to liability for events against which it does not insure or which it may elect not to insure against because of high insurance costs or other reasons. The occurrence of an event that is not covered or not fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Group. Moreover, there can be no assurance that the Group will be able to maintain adequate insurance in the future at rates it considers reasonable or appropriate.

Transfer Pricing

The reinsurance arrangements as well as other transactions including intragroup financing and marketing arrangements, between the Issuer, Hiscox plc, HIB, Syndicate 33, Syndicate 3624, HICG, HIC, Hiscox Insurance Company Inc. and other members of the Group are subject to local transfer pricing regimes. Consequently, if these transactions are found not to be on arm's length terms and as a result a UK, US or other tax advantage is being obtained, an adjustment will be required to compute local taxable profits as if the transaction were on arm's length terms. Any transfer pricing adjustment could adversely impact the Group's tax charge. Further, local regimes intending to discourage base erosion and profit shifting could in some circumstances require an adjustment to, or de-recognition of, transactions between members of the Group, even if such transactions are found to be priced on arm's length terms. Any such adjustment could also adversely impact the Group's tax charge.

For example, under the UK's diverted profits tax regime, transactions between affiliates could be recharacterised or disregarded for UK tax purposes, potentially leading to additional tax becoming payable by UK subsidiaries. The Group is also subject to certain UK and US rules which could act to limit the deductibility for tax purposes of interest payable by subsidiaries.

The Base Erosion Anti-Abuse Tax (BEAT)

The United States' recently-enacted Base Erosion Anti-Abuse Tax ("**BEAT**") could have a significant financial impact for the Group. The new law imposes an additional tax liability in certain circumstances on US corporations that make payments, including payments of reinsurance premiums, to non-US affiliates. Broadly, additional tax becomes payable where such gross payments exceed 3 per cent. of the US corporation's expenses and 50 per cent. of its taxable profits. Whilst it is too early to accurately predict the specific impact of this change on the Group's business or the Group's response to it, it is likely that the Group's reinsurance arrangements between the US and Bermuda, as well as business written on Lloyd's capacity from the US, could be affected by these changes. For example, these changes and the Group's response to them may have an impact on how the Group structures its insurance and reinsurance arrangements, the levels of required capital within certain of the Group's insurance vehicles as well as at Group level (which could have an impact on the efficiency of capital distribution within the Group) and taxes payable in and outside of the United States.

Funding Risk Factors

Security of Banking Facilities

The Group's core banking facilities as at the date of this Offering Memorandum comprise a US$500 million letter of credit and revolving credit facility secured by (i) a fixed and floating charge over the assets of Hiscox plc and full security interests (subject to any legal restrictions) granted by the Issuer as guarantor over all or substantially all of its assets, (ii) a share pledge granted by Hiscox Insurance Holdings Limited over the shares it holds in HIC and (iii) a share pledge granted by the Issuer over the share it holds in HIB. The facility contains a number of covenants and restrictions on the Group's financial and operational flexibility, including covenants regarding financial performance. The Group's ability to comply with these provisions may be affected by changes in economic or business conditions or other events beyond its control. Any default under the facility may lead to an acceleration of the debt advanced under, and/or enforcement of the security for, the facility.

The bank facility has a term ending at the end of 2018 and generally replacement facilities have a life of 2 to 3 years. The Group makes use of the letter of credit facility for underwriting at Lloyd's. There is no guarantee that the Group will be able to refinance at the same or advantageous terms and pricing.

Syndicate Funding

The funding of syndicates at Lloyd's is an annual venture between underwriting members of Lloyd's comprising 'Corporate Members' (for the Group this is Hiscox Dedicated Corporate Member Limited) and individual Names. There is no certainty that any given Lloyd's syndicate, including those which the Group participates in or manages, will continue with the same members or with alternative members to underwrite 2019 or subsequent years of account. This could materially impact the stamp capacity and therefore the amount and type of business being underwritten, as well as affecting the business of HSL, as managing agent of Syndicates 33, 3624 and 6104.

Bermuda Risk Factors

Bermuda Tax Exemption

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Issuer. The Bermuda Minister of Finance (the "**Bermuda Minister**"), under the Exempted Undertakings Tax Protection Act 1966, as amended, of Bermuda has granted the Issuer an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to the Issuer or any of its operations, shares, debentures or other obligations until 31 March 2035. Given the limited duration of the Bermuda Minister's assurance, it cannot be certain that the Issuer will not be subject to any Bermuda tax after 31 March 2035. In the event that the Issuer becomes subject to any Bermuda tax after such date, this could have a material adverse effect on the Group's financial condition and results of operations.

Group Taxation Risk

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Issuer. While the imposition of any such tax will not be applicable to the Issuer or any of its operations, shares, debentures or other obligations until 31 March 2035, if Hiscox's Bermuda based operations were to make substantial losses and the Group's operations in higher tax jurisdictions were to make substantial profits, the Group's marginal tax rate could go up above the Group's current tax rate in such a year. This could have a negative impact on the Group.

Further, if the Issuer or any other Hiscox company registered in Bermuda is treated as tax resident or establishes a permanent establishment in a country other than Bermuda, it will be subject to tax in that country so that the current effective Group tax rate may be adversely affected. This could have a negative impact on the Group.

Ability to make payments

The Issuer is a holding company and, as such, has no substantial operations of its own. The Issuer's principal operations and assets are (i) its ownership of the shares of its direct and indirect subsidiaries and (ii) investments held under charge and covenant by the Corporation of Lloyd's providing Funds at Lloyd's to support the Group's underwriting activities. The Issuer's ongoing cash requirements, including expenses, and to pay dividends, if any, to shareholders, are expected to be met by two distinct sources: (1) dividends and other permitted distributions from insurance subsidiaries and (2) investment income from Funds at Lloyd's. Bermuda law and regulations, including, but not limited to, Bermuda insurance regulation, restrict the declaration and payment of dividends out of retained earnings and the making of distributions out of contributed surplus by the Issuer's subsidiaries unless certain regulatory requirements are met. The inability of the Issuer's subsidiaries to pay dividends in an amount sufficient to enable the Issuer to meet its cash requirements at the holding company level could have a material adverse effect on its operations and its ability to meet its obligations under the Notes.

Lloyd's Market Risk Factors

Lloyd's Regulatory Environment

The Group includes a substantial business operating through Lloyd's. Lloyd's is subject to regulation by the PRA and the FCA who have adopted a more direct style of regulation, meaning that Lloyd's are facing increasing supervisory scrutiny. The PRA and the FCA have the power to take a range of investigative, disciplinary and enforcement actions, penalties for which can include public censure, restitution, fines and sanctions. The regulators may also make enquiries of the firms which they regulate and require the provision of particular information or documents. The regulators may take such action or make such enquiries in relation to aspects of the Issuer's business and operations, including its systems and controls, IT systems, capital requirements, capital adequacy and permitted investments.

As a result of the authorisations which the Lloyd's market has worldwide, there is also a risk of regulatory action from overseas regulators in the event that the Lloyd's market does not comply with international regulatory requirements. In addition, fundamental changes to prudential regulatory frameworks internationally may affect how the Lloyd's market is supervised as well as affecting the level of assets required to be held locally. There is an increasing regulatory trend to require insurers to hold local capital which may result in increased overseas funding requirements for the Lloyd's market in places where the market is already licensed or as part of negotiating and agreeing new licence arrangements with local regulators as Lloyd's implements its strategic plans for increasing the market's share of insurance business in developing markets.

Whilst Lloyd's believes that its systems, policies, controls and operations are compliant with applicable laws and regulations, there is a risk that one or more authorities could find that Lloyd's has failed to fully comply with all relevant legal and regulatory requirements, or has not undertaken any corrective action as required.

Any regulatory action could have a negative impact upon the Lloyd's market, which may in turn be passed on to organisations operating within the Lloyd's market, including the Issuer. Regulatory action could result in adverse publicity for, or negative perceptions regarding, the Issuer, or could have an adverse effect on the business of the Issuer, its results of operations or its financial condition.

Lloyd's Capital Adequacy Requirements

Lloyd's and its members are required by the PRA as well as other international regulatory bodies, to maintain a minimum level of assets in excess of their liabilities (referred to as regulatory capital). Lloyd's future capital requirements depend on many factors, including their operational results, capital market developments, the volume of newly generated business and regulatory changes to capital requirements or other regulatory developments. Lloyd's may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies. Any inability on the part of Lloyd's to meet its regulatory capital requirements in the future would be likely to lead to intervention by the PRA, or other local regulator, which could be expected to require Lloyd's to take steps to restore the level of regulatory capital held to acceptable levels. Such requirements may be passed on to those organisations operating within the Lloyd's market, including the Issuer

The EU Solvency II regime was developed with the aim of codifying and harmonising prudential regulation for insurers and applying more consistent risk sensitive standards to insurers' capital requirements. This framework covers areas such as regulatory capital, the valuation of assets and liabilities, calculating technical provisions and regulatory reporting. Solvency II took effect from January 2016 and was amended by Directive 2014/51/EU, which is designed to reflect the revised EU financial services supervisory framework.

Under Solvency II, insurers and reinsurers may be permitted to make use of internal economic capital models when calculating their capital requirements, provided the prior approval of the relevant regulator has been obtained. The Society of Lloyd's is a regulated undertaking and subject to the supervision of the PRA. Lloyd's has approval from the PRA to use an internal model for capital setting purposes. In turn Lloyd's requires each syndicate to have an approved capital model for the purposes of setting syndicate level capital. If this approval were removed, it is likely that the capital requirements of Lloyd's would increase, potentially substantially. This increase would be passed on to those organisations operating within the Lloyd's market, including the Group.

Lloyd's Minimum Standards

Hiscox Syndicates Limited ("**HSL**"), the Group's managing agency, managing the operations of Hiscox Syndicates 33, 3624 and 6104 are all required to comply with Lloyd's minimum standards under Solvency II. Failure to do so may lead to Lloyd's to conclude that HSL does not meet the tests and standards of Solvency II and as such should not be permitted to use the internal model developed by the Group for the purposes of setting capital. If HSL is not permitted to use its internal model then it could be required to stop underwriting at Lloyd's.

Business plan approval risk

All syndicates operating in the Lloyd's Market are required to have their business plans for the following year of account approved by Lloyd's Capital & Planning Group ("**CPG**"), a committee consisting of senior executives across a number of departments in Lloyd's. CPG may require amendments to plans such as lower premium growth, refusal to allow line size or 'Realistic Disaster Scenarios' dispensations, adjusted (higher) loss ratios with a negative impact on capital requirements, additional reporting requirements or in extreme circumstances refusal to approve the plan at all which would lead to that syndicate ceasing to underwrite for the following year of account.

Lloyd's Franchise Principles

Following the introduction of proposals made by the Chairman of Lloyd's Strategy Group, the Lloyd's Franchise Board (the "**Franchise Board**") was formed in January 2003. The Franchise Board's primary role is to protect the Lloyd's franchise.

HSL must comply with Lloyd's 'franchise principles' and must submit its business plan to the Franchise Board who may require changes to it. Any such changes could lead to a change in business strategy.

Lloyd's Credit Rating

The ability of Lloyd's syndicates to trade in certain classes of business at current levels may be dependent on the maintenance by Lloyd's of a satisfactory credit rating issued by an accredited rating agency. At present, the financial security of the Lloyd's market is regularly assessed by three independent rating agencies, A.M. Best, Standard & Poor's and Fitch. If the credit ratings are downgraded, this may have an adverse effect on Syndicates 33, 3624 and 6104.

Reinsurance to Close; Run-off Account; Risk of Non-closure of Underwriting Years

In the event that a managing agent concludes, in respect of a particular year of account of a syndicate, that an equitable reinsurance to close premium cannot be established, it must determine that the year of account will remain open and be placed into run-off (Syndicate 33's 2001 year of account was left open at 31 December 2003 due to the uncertainties associated with the event at the World Trade Center, and was closed one year later on 31 December 2004). During a run-off, there can be no release of a member's Funds at Lloyd's in respect of that syndicate without the consent of the Council. At the same time, cash calls could be made upon members of the syndicate. There can be no assurance that any year of account of a syndicate managed by HSL will not go into run-off at some future time.

Change in Value of the Funds at Lloyd's Portfolio

A proportion of the Group's Funds at Lloyd's are provided by means of investments. The capital value of the Group's investments may fall as well as rise and the income derived from them may fluctuate. Should the value of the Funds at Lloyd's portfolio of the Group have fallen at the twice yearly ‘Coming into Line’ dates[2] the Group's underwriting capacity may be reduced. Lloyd's also has the power to reduce the underwriting capacity of the Group or to prohibit Hiscox Dedicated Corporate Member Limited (“**HDCM**”) from underwriting if at any time the value of the Funds at Lloyd's portfolio falls by more than 10 per cent. of the last annual valuation and the Group does not add further funds. A fall in the equity or fixed income markets could trigger such an event. Furthermore, a fall in the value of the Funds at Lloyd's portfolio could trigger a breach of the covenants under the Group's letter of credit facilities.

Cash Calls and Syndicate Loans

A managing agent may determine what funds are required to meet a cash deficiency prior to the closure of the relevant year of account. In this event, the managing agent may call on the members supporting that syndicate for further funds. Any early call for funds in this manner may adversely affect the cash flow of the Group, and in extreme circumstances impact earnings and dividends.

1992 and Prior Business

HDCM did not participate in 1992 and prior business. However, in the event that Equitas, the entity to which 1992 and prior years have been reinsured, were to use up reinsurance cover provided by Berkshire Hathaway or otherwise fail, the Group could still be adversely affected. In those circumstances, Lloyd's would be required to consider whether it wished to make good any shortfall or replenish the regulatory deposits which may have been used to meet policyholder claims. This might require the use of the New Central Fund (as further described under “*New Central Fund*” below) following prior approval by members in general meeting. If the New Central Fund is used for either of these purposes, an additional New Central Fund levy might be imposed, subject to approval by vote, on all members underwriting in the relevant year of account in proportion to their underwriting capacity, although this levy might be weighted towards continuing members having an exposure to any unpaid liability in respect of 1992 and prior underwriting years.

Regulatory authorities in a number of jurisdictions require the maintenance of deposits for the protection of policyholders as a condition of their regulatory approval and accreditation of Lloyd's. If Equitas were to fail to meet its liabilities in full, the deposit in place at that time could be vulnerable to seizure by regulators or policyholders. The Lloyd's market would have to consider making good any part of the deposit required to be used to meet its liabilities, or risk being unable to continue to do business in the relevant jurisdiction.

The New Central Fund

Despite the principle that each member of Lloyd's is only responsible for the proportion of risk written on his or its behalf, the New Central Fund acts, *inter alia*, as a policyholders' protection fund to make payments where other Names have failed to pay valid claims. The Council may resolve to make payments from the New Central Fund for the advancement and protection of members, which could lead to additional or special levies being payable by the Group.

Fees and Levies

Lloyd's imposes charges on those operating in its markets. These include, for example, annual subscriptions, central fund levies, a market modernisation charge for members and policy signing charges. For the 2018 year of account the central fund levy has been set at 0.35% of gross written premiums, the annual subscriptions set at

[2] ‘Coming into Line’ is a term used by Lloyd’s and is defined in the glossary of Lloyd’s terms. The ‘Coming into Line’ dates are the dates each year in June and November when Names must ensure they have the right amount of capital lodged as funds at Lloyd’s in anticipation of the next 6 or 12 month period.

0.36% of gross written premiums and the market modernisation levy at 0.09%. Lloyd's may vary the amounts and bases of these charges for the 2019 and subsequent years of account to the detriment of the Group.

Lloyd's Trading Licences

Lloyd's worldwide insurance and reinsurance business is subject to local regulation. Changes in such regulation (such as requirements for increased deposits to support underwriting) may have an adverse effect on members and on the Group.

'User Pays' Principle

The Franchise Board's responsibility for the management and pricing of Lloyd's central services to the market is likely to give added impetus to the move towards the concept of user pays, whereby expenses will be allocated to those members and syndicates using them, rather than being spread across the market as a whole. It may be that, for any particular member or syndicate, additional costs incurred through the application of the 'user pays' concept will outweigh any savings from intended reductions in Lloyd's subscriptions.

Lloyd's US Trading Arrangements

The US regulators require syndicates trading in certain businesses in the United States to maintain minimum deposits in various trusts established in the United States (the "**US trust funds**") as protection for US policyholders. These deposits represent the relevant managing agents' estimates of unpaid claims liability (less premium receivable) relating to this business, adjusted by provisions for potential bad debt on premium earned but not received and for any anticipated profit on unearned premium. No credit is allowed for potential reinsurance recoveries but the US regulatory authorities currently require funding for approximately 20% of gross liabilities relating to business classified as 'Surplus Lines'. The funds contained within the deposits are not ordinarily available to meet trading expenses. A similar fund exists for reinsurance business. The 'Credit for Reinsurance' trust fund is required to be funded at 100% of gross liabilities. US regulators have the power to increase the level of funding required, or impose requirements as to the nature of funding in certain circumstances and this could have an adverse effect on the Group's business.

Accordingly, in the event of a major claim arising in the United States, for example, from a major catastrophe, syndicates participating in such US business may be required to make cash calls to meet claims payment and deposit funding obligations.

There is a limited ability for managing agents to withdraw funds from the US trust funds other than at the normal quarterly revision periods, provided that the amount to be withdrawn:

(a) is in respect of a specified loss event; and

(b) represents funds for liabilities previously reserved in respect of policyholders claiming for this event.

Litigation against Lloyd's

Non-claims related litigation against the Lloyd's market could materially adversely affect the Lloyd's market and this could in turn negatively impact HSL, its managed syndicates and ultimately the Group.

Impact of Brexit on Lloyd's

Lloyd's could be impacted by the UK's exit from the EU, as described in paragraph "*Macro-Economic Risk"* above. Depending upon the final arrangements negotiated between the UK government and the EU, the

Group expects that Lloyd's will need to revise its operating model in order to continue to provide access to European markets. The Group is dependent upon Lloyd's implementing a solution for the market as a whole, and any solution adopted by Lloyd’s will be outside the Group’s control. Any failure or delay in implementing an effective solution could impact upon the Group’s ability to write any risks with EU exposure, including worldwide risks, through the Lloyd's platform. This could have a significant negative impact on the Group’s Lloyd’s business and could adversely affect the Group’s prospects, results of operations and financial condition.

Lloyd’s Business Continuity

The business of the Group could be adversely affected if the Lloyd’s market was prevented from using its major premises, infrastructure, facilities or platform for any reason.

RISKS RELATING TO THE STRUCTURE OF THE NOTES

The Issuer may redeem the Notes before maturity in certain circumstances, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes

The Notes may, subject as provided in Condition 6, be redeemed before the Maturity Date at the sole discretion of the Issuer (i) at any time at the option of the Issuer at the Optional Redemption Price, or (ii) in the event of certain specified events relating to taxation at their principal amount together with interest accrued but unpaid to (but excluding) the date of redemption.

The cash paid to investors upon such a redemption may be less than the then current market value of the Notes or the price at which investors purchased the Notes. The Issuer might be expected to redeem the Notes when its cost of borrowing for an instrument with a comparable structure at the time is lower than the interest payable on them. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest payable on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

The terms of the Notes may be modified with the consent of specified majorities of the Noteholders at a duly convened meeting, and the Trustee may consent to certain modifications to the Notes, or substitution of the Issuer, without the consent of the Noteholders

The Trust Deed constituting the Notes contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Trust Deed constituting the Notes also provides that the Trustee may (except as set out in the Trust Deed), without the consent of Noteholders, agree to certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or to the substitution of another company as principal debtor under the Notes in place of the Issuer in the circumstances described in Condition 11.

The Issuer is the ultimate holding company of the Group and therefore payments on the Notes are structurally subordinated to the liabilities and obligations of the Issuer’s subsidiaries

The Issuer is the ultimate holding company of the Group, with certain of its operations being conducted by operating subsidiaries. Accordingly, in the event of a winding up or administration of the Issuer or a subsidiary, creditors of a subsidiary would have to be paid in full before sums would be available to the shareholders of that subsidiary (i.e. the Issuer or a subsidiary of the Issuer) and so to Noteholders. The Conditions do not limit the amount of liabilities that the Issuer's subsidiaries may incur. In addition, the Issuer may not necessarily have access to the full amount of cash flows generated by its operating subsidiaries, due in particular to legal or tax constraints, contractual restrictions and the subsidiary's financial requirements and regulatory capital requirements.

Risks relating to the Notes generally

Change of law

The Conditions are based on English law and regulation in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law, regulation or administrative practice after the date of issue of the Notes.

Integral multiples of less than £100,000

The denomination of the Notes is £100,000 and integral multiples of £1,000 in excess thereof. Accordingly, it is possible that the Notes may be traded in the Clearing Systems in amounts in excess of £100,000 that are not integral multiples of £100,000. Should Individual Note Certificates be required to be issued, they will be issued in principal amounts of £100,000 and higher integral multiples of £1,000 but will in no circumstances be issued to Noteholders who hold Notes in the relevant clearing system in amounts that are less than £100,000.

If Individual Note Certificates are issued, Noteholders should be aware that Individual Note Certificates which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

The value of the Notes may be limited by applicable Bermuda law affecting the rights of creditors.

The Issuer is incorporated under the laws of Bermuda. Under Bermuda insolvency law, a liquidator, on behalf of a company, may apply to the courts to avoid a transaction entered into by such company on the grounds that the transaction constituted a fraudulent preference if such company was insolvent at the time of, or immediately after, the transaction and entered into a formal insolvency proceeding within six (6) months of completion of the transaction. In addition, under Bermuda law, a transaction at less than fair value and made with the dominant intention of putting property beyond the reach of creditors is voidable after an action is successfully brought by an eligible creditor (as defined by section 36A of the Conveyancing Act 1983) for a period of up to six (6) years from the date of the transaction. In certain circumstances, this period can be extended to eight (8) years from the date of the transaction.

A transaction might be challenged if it involves a gift by a company or a company receives consideration of significantly less value than the benefit given by such company. A Bermuda court generally will not intervene, however, if a company enters into a transaction in good faith for the purposes of carrying on its business and there are reasonable grounds for believing the transaction would benefit the company. Under Bermuda law, a court (if it deems appropriate) may, upon application by the official receiver or a liquidator, creditor or contributory of a company being wound up, order that, where individuals were knowingly parties to the carrying on of a business of such company with the intent of defrauding creditors of such company, or any other person, or of any fraudulent purpose, such individuals be personally held liable without limitation for all or any debt or other liability of such company.

Risks related to the market generally

The secondary market generally

The Notes have no established trading market when issued, and one may never develop. If a market does develop it may not be liquid. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market and/or which are rated. Illiquidity may have a severely adverse effect on the market value of the Notes.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound-up or enter into administration, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price that may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on Notes in sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to sterling would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Risk that investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer

The Notes will be represented by a Global Note Certificate (as defined in the Trust Deed). The Global Note Certificate will be deposited with a common depositary for, and registered in the name of the common nominee of, Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in the Global Note Certificate, investors will not be entitled to receive definitive registered notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Note Certificate.

While the Notes are represented by the Global Note Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. The Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of Euroclear or Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

The value of the Notes may be adversely affected by movements in market interest rates

Investment in the Notes, which bear a fixed rate of interest, involves the risk that subsequent increases in market interest rates may adversely affect their market value.

Credit ratings may not reflect all risks

The credit ratings assigned to the Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the relevant Notes. A credit rating is not a recommendation to buy, sell or hold notes and may be revised or withdrawn by the rating agency at any time. Furthermore, some rating agencies could potentially rate the Issuer or the Notes on an unsolicited basis, and without the co-operation of the Issuer.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). The list of registered and certified credit rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

The Notes are expected to be rated BBB+ by Standard & Poor’s and BBB+ by Fitch. As at the date of this Offering Memorandum, each Rating Agency is a credit rating agency established in the EU and is registered under the CRA Regulation. As such, each Rating Agency is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

TERMS AND CONDITIONS OF THE NOTES

The following, subject to alteration and completion, are the terms and conditions of the Notes which will be endorsed on each Note Certificate in definitive form (if issued).

The issue of the £275,000,000 2.000 per cent. Notes due December 2022 (the "**Notes**") of Hiscox Ltd (the "**Issuer**"), a Bermuda exempted company, was authorised by a resolution of the Board of Directors of the Issuer passed on 22 February 2018 and a resolution of a duly appointed Committee thereof dated 7 March 2018. The Notes are constituted by a trust deed (the "**Trust Deed**") dated 14 March 2018 between the Issuer and Citicorp Trustee Company Limited (the person or persons for the time being the trustee or trustees under the Trust Deed, the "**Trustee**") as trustee for the Holders (as defined below) of the Notes. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes. The Notes are the subject of an agency agreement (the "**Agency Agreement**") dated 14 March 2018 between the Issuer, Citibank, N.A., London Branch as the initial principal paying agent (the person for the time being the principal paying agent under the Agency Agreement, the "**Principal Paying Agent**"), Citigroup Global Markets Deutschland AG as the initial registrar (the person for the time being the registrar under the Agency Agreement, the "**Registrar**"), the initial transfer agents named therein (the person(s) for the time being the transfer agent(s) under the Agency Agreement, the "**Transfer Agent(s)**") and the Trustee.

Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom) and at the specified offices of the Principal Paying Agent, the Registrar and each of the Transfer Agents and any other paying agents for the time being (the "**Paying Agents**", which expression shall include the Principal Paying Agent). The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1 Form and Denomination

The Notes are issued in registered form, in the denominations of £100,000 and integral multiples of £1,000 in excess thereof (each, an "**Authorised Denomination**").

A certificate (each, a "**Note Certificate**") will be issued to each Noteholder (as defined below) in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register (as defined below).

2 Status

The Notes constitute direct, unsubordinated and (subject to Condition 3) unsecured obligations of the Issuer and rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable law and subject to Condition 3, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

3 Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Trust Deed) the Issuer will not, and it will ensure that none of its Material Subsidiaries will, create or have outstanding any mortgage, charge, pledge, lien or other encumbrance (other than arising by operation of law) (each a "**Security Interest**") upon the whole or any part of its or their respective undertakings or assets, present or future, to secure any

Relevant Indebtedness or to secure any guarantee or indemnity in respect thereof, without simultaneously with, or prior to, the creation of such Security Interest, securing the Notes equally and rateably therewith to the satisfaction of the Trustee, or providing such other Security Interest therefor which the Trustee in its absolute discretion shall deem not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution of the Noteholders, save that the Issuer or any Material Subsidiary may create or have outstanding (without the obligation so to secure the Notes) any Permitted Security Interest.

The Trustee shall not be under any duty to monitor whether any Security Interest has been created or is outstanding for the purposes of this Condition 3 and will not be responsible to Noteholders for any loss arising from any failure to do so. Unless and until the Trustee has actual knowledge pursuant to the Trust Deed of the creation or existence of any such Security Interest, it will be entitled to assume that none exists.

4 Register, Title and Transfers

4.1 Register

The Registrar will maintain outside the United Kingdom a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

4.2 Title

The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder.

4.3 Transfers

Subject to Conditions 4.6 and 4.7 below, a Note may be transferred upon surrender of the Note Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

4.4 Registration and delivery of Note Certificates

Within five business days of the surrender of a Note Certificate in accordance with Condition 4.3 above, the Registrar will register the transfer in question and deliver a new Note Certificate of an identical principal amount to the Notes transferred to each relevant Holder at its specified office or (as the case may be) the specified office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its specified office.

4.5 No charge

The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

4.6 Closed periods

Noteholders may not require transfers to be registered (i) during the period of 15 days ending on the due date for any payment of principal in respect of the Notes or ending on any Record Date and (ii) after the Notes have been called for redemption.

4.7 Regulations concerning transfers and registration

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

5 Interest

5.1 Interest Rate and Interest Payment Dates

Each Note bears interest on its outstanding principal amount from (and including) the Issue Date at the rate of 2.000 per cent. per annum.

Interest shall be payable on the Notes annually in arrear on 14 December of each year from (and including) 14 December 2018 up to (and including) the Maturity Date (each an "**Interest Payment Date**"), except that the interest payable on 14 December 2018 will be in respect of the period from (and including) the Issue Date to (but excluding) 14 December 2018. Thereafter, payment shall be made for each successive period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date.

5.2 Interest Accrual

Each Note will cease to bear interest from (and including) its due date for redemption pursuant to Condition 6, unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.3 Calculation of Interest

The amount of interest which shall be payable in respect of each Calculation Amount on each Interest Payment Date, save for the first Interest Payment Date, will be £20.00. The amount of interest which shall be payable in respect of each Calculation Amount on the first Interest Payment Date will be £15.07.

Save as expressly provided above in respect of the first Interest Payment Date, where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a complete year, the relevant day count fraction shall be determined on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the year in which the relevant period falls (including the first such day but excluding the last).

Interest in respect of any Note shall be calculated per Calculation Amount and shall be equal to the product of the Calculation Amount, the rate of interest referred to in Condition 5.1 and the applicable day count fraction as described above in this Condition 5.3 for the relevant period, rounding the resultant figure to the nearest penny (half a penny being rounded upwards). The amount of interest payable in respect of a Note shall be the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the Note.

6 Redemption, Purchase and Options

6.1 Redemption at Maturity

Each Note shall, unless previously redeemed or purchased and cancelled as provided below, be redeemed on the Maturity Date at its principal amount together with any accrued and unpaid interest thereon to (but excluding) the Maturity Date.

6.2 Redemption following a Tax Event

If immediately prior to the giving of the notice referred to below, the Issuer provides a certificate in accordance with the provisions of the Trust Deed certifying to the Trustee that, as a result of a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of Bermuda or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which Bermuda is a party, or any change in the application or official interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes), which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by way of primary or secondary legislation, on or after 12 March 2018 (each a "**Tax Law Change**"), in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts on the Notes (a "**Tax Event**") and the Issuer cannot avoid the same by taking measures reasonably available to it, then the Issuer may, having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable and shall specify the date for redemption), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date of redemption in accordance with these Conditions; provided that, in the case of a Tax Law Change which is a proposed amendment or a proposed change only, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such Additional Amounts.

Prior to the publication of any notice of redemption pursuant to this Condition 6.2 the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors stating that a Tax Event has occurred and the Issuer cannot avoid the same by taking measures reasonably available to it and (ii) an opinion from a nationally recognised law firm or other tax adviser in Bermuda experienced in such matters to the effect that a Tax Event has occurred. The Trustee shall treat such certificate and opinion as correct, conclusive and sufficient evidence thereof without further enquiry and shall not be liable to any person by reason thereof and such certificate and opinion shall be binding on the Noteholders. Upon expiry of such notice the Issuer shall redeem the Notes.

6.3 Redemption at the Option of the Issuer

The Issuer may, having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable and shall specify the date for redemption (the "**Optional Redemption Date**"), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at the Optional Redemption Price. Upon expiry of such notice the Issuer shall redeem the Notes.

For the purposes of this Condition 6.3:

"**Gross Redemption Yield**" on the Notes and on the Reference Bond will be expressed as a percentage and will be calculated by the Independent Adviser on the basis indicated by the United Kingdom Debt Management Office in the paper "*Formulae for Calculating Gilt Prices from Yields*" page 5, Section one: Price/Yield Formulae "*Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date*" (as published on 8 June 1998 and updated on 15 January 2002 and 16 March 2005 and as further amended or supplemented from time to time);

"**Independent Adviser**" means an investment bank or other independent adviser of recognised standing and with appropriate expertise, nominated by the Issuer and approved by the Trustee;

"**Optional Redemption Price**" means an amount equal to the principal amount of the Notes multiplied by the Redemption Percentage (rounding the resulting figure to the nearest penny, half a penny being rounded upwards), together with accrued and unpaid interest on the Notes to (but excluding) the date of redemption;

"**Redemption Percentage**" means the greater of:

(A) 100 per cent.; and

(B) the price (expressed as a percentage and rounded to three decimal places, with 0.0005 being rounded upwards), as reported in writing to the Issuer and the Trustee by an Independent Adviser, at which the Gross Redemption Yield (determined by reference to the mid-market price) on the Notes on the Requisite Date is equal to the Redemption Rate;

"**Redemption Rate**" means the sum of the Reference Bond Redemption Rate and 0.200 per cent.;

"**Reference Bond**" means the 1.750 per cent. Treasury Stock due September 2022 (ISIN: GB00B7L9SL19), or if such stock is no longer in issue such other United Kingdom government stock as the Trustee and the Issuer (with the advice of an Independent Adviser) may determine (failing such determination, as determined by the Trustee with such advice) to be a benchmark bond, the duration of which most closely matches the then duration of the Notes;

"**Reference Bond Redemption Rate**" means the Gross Redemption Yield (determined by reference to the mid-market price) of the Reference Bond provided that, if for any reason the Reference Bond Redemption Rate is not capable of determination as aforesaid, then the Reference Bond Redemption Rate shall be such rate as shall be determined by an Independent Adviser to be appropriate; and

"**Requisite Date**" means the date which is two Business Days prior to the Optional Redemption Date.

6.4 Purchases

The Issuer and any of its Subsidiaries may, at any time, purchase Notes in the open market or otherwise and at any price. All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may (at the option of the Issuer or the relevant Subsidiary) be held, reissued, resold or surrendered for cancellation.

6.5 Cancellation

All Notes redeemed by the Issuer and all Notes purchased by or on behalf of the Issuer or any of its Subsidiaries and surrendered for cancellation shall be cancelled forthwith. Any Notes so redeemed or surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

6.6 Trustee Not Obliged to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 6 and will not be responsible to Noteholders for any loss arising from any failure by the Trustee to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 6, it shall be entitled to assume that no such event or circumstance exists.

7 Payments

7.1 Method of Payment

(a) **Principal**: Payments of principal shall be made in pounds sterling either by sterling cheque drawn on, or (upon application by a Holder of a Note to the specified office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment) by transfer to a sterling account maintained by or on behalf of the payee with, a bank which processes payments in pounds sterling and (in the case of redemption) upon presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the specified office of the Principal Paying Agent.

(b) **Interest**: Payments of interest shall be made in pounds sterling either by sterling cheque drawn on, or (upon application by a Holder of a Note to the specified office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment) by transfer to a sterling account maintained by or on behalf of the payee with, a bank which processes payments in pounds sterling and (in the case of interest payable on redemption) upon presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the specified office of the Principal Paying Agent.

7.2 Payments subject to Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in any jurisdiction, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder or official interpretations thereof or any law implementing an intergovernmental approach thereto.

7.3 Record Date

Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's specified office on the fifteenth day before the due date of such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7.4 Appointment of Agents

The initial Principal Paying Agent, the Registrar and the Transfer Agents and their initial specified offices are listed below. They act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar and the Transfer Agents and to appoint replacement agents or additional or other Paying Agents and/or Transfer Agents, provided that it will at all times maintain a Principal Paying Agent, a Registrar and a Transfer Agent.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 16.

If any of the Registrar, Transfer Agent or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

7.5 Non-Business Days

If any date for payment in respect of any Note is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Bermuda or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required by law to be made ("**Additional Amounts**"), except that no such Additional Amounts shall be payable with respect to any Note:

(a) **Other connection**: the Holder of which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Bermuda other than the mere holding of the Note; or

(b) **Lawful avoidance of withholding**: the Holder of which could lawfully have avoided (but has not so avoided) such deduction or withholding by complying or procuring that any person who is associated or connected with the Noteholder for the purposes of any tax complies with any statutory requirements or by making or procuring that any such person makes a declaration of non-residence or other similar claim for exemption to any tax authority; or

(c) **Presentation more than 30 days after the Relevant Date**: presented (where presentation is required) for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Noteholder would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth day.

As provided in Condition 7.2, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto, and the Issuer shall not be required to pay any Additional Amounts under this Condition on account of any such deduction or withholding described in this paragraph.

As used in these Conditions, "**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders in accordance with Condition 16 that, upon further presentation of the Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

References in these Conditions to principal and/or interest shall be deemed to include any Additional Amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

9 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default and Enforcement

10.1 Events of Default

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and (subject to Condition 10.2) if so requested by Holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, (but, in the case of the happening of any of the events mentioned in paragraphs (b), (e) or (f) (or, in respect of a Material Subsidiary only, (c), (d) or (g)) or (h) (insofar as the relevant event is analogous to (e) or (f) (or, in respect of a Material Subsidiary only, (d) or (g)) below, only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their principal amount together with accrued and unpaid interest:

(a) *Non-payment:* if default is made for a period of 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of any interest or principal in respect of the Notes or any of them; or

(b) *Breach of other obligation*: if default is made by the Issuer in the performance or observance of any obligation, condition or provision binding upon it under the Notes or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Notes) and (except where such default is, in the opinion of the Trustee, not capable of remedy, in which case no such continuation or notice as is hereinafter mentioned will be required) such default continues for 30 days (or such longer period as the Trustee may permit) after written notice thereof has been given by the Trustee to the Issuer requiring the same to be remedied;

(c) *Cross-acceleration*: If:

(i) any Indebtedness (other than any Indebtedness which comprises Non-recourse Borrowings) of the Issuer or any Material Subsidiary is not paid on its due date (or, in the case of Indebtedness of the Issuer or any Material Subsidiary payable on demand, is not paid within 5 Business Days of such demand) or, in any such case, by the expiry of any originally applicable grace period, or is declared to be, or automatically becomes, due and payable prior to its stated maturity by reason of an event of default (however described); or

(ii) any guarantee or indemnity given by the Issuer or any Material Subsidiary in respect of Indebtedness of any third party is not, when called upon, honoured on the due date or by the expiry of any originally applicable grace period,

provided that the aggregate amount of the relevant Indebtedness, guarantees and indemnities in respect of which any or all of the events mentioned above in this paragraph (c) has occurred is at least £25,000,000 (or its equivalent in any other currency or currencies), and for the purposes of this paragraph (c) there shall be disregarded any Indebtedness in respect of which the liability of the Issuer or any Material Subsidiary (as the case may be) to make payment is being contested in good faith (in which regard, a certificate signed by two Directors and delivered to the Trustee shall be conclusive); or

(d) *Winding-up etc*: any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any Material Subsidiary, or the Issuer or any of its Material Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or shall cease or, following a decision of its board of directors, publicly announce its intention to cease to carry on all or substantially all of its business or operations, in any such case except:

(i) for the purpose of and in connection with a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(ii) in the case of a Material Subsidiary only, whereby all or substantially all of the undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer and/or any one or more of its other Subsidiaries; or

(iii) in the case of a Material Subsidiary (other than Hiscox plc) only, as a result of or in connection with a disposal on an arm's length basis of all or substantially all its undertaking or assets (including the disposal of shares in a Subsidiary); or

(e) *Insolvency etc.*: if:

(i) (A) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, including winding up proceedings pursuant to the Bermuda Companies Act and bankruptcy proceedings pursuant to the Bermuda Bankruptcy Act, or (B) an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, trustee, administrator or other similar insolvency official, or (C) an administrative or other receiver, trustee, administrator or other similar insolvency official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or (in the case of the Issuer) any substantial part of or (in the case of a Material Subsidiary) substantially the whole of the undertaking or assets of any of them, or (D) an encumbrancer takes possession of the whole or (in the case of the Issuer) any substantial part of or (in the case of a Material Subsidiary) substantially the whole of the undertaking or assets of any of them, or (E) a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or (in the case of the Issuer) any substantial part of or (in the case of a Material Subsidiary) substantially the whole of the undertaking or assets of any of them; and

(ii) in any such case (other than the appointment of an administrator) the same is not discharged, stayed or otherwise removed within 60 days;

(f) *Compositions, arrangements etc.*: if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally; or

(g) *Non-payment of debts*: if the Issuer or any Material Subsidiary stops or threatens to stop payment of its debts to its creditors generally or is unable to pay its debts as they fall due within the meaning of section 161(e) of the Bermuda Companies Act; or

(h) *Analogous events*: if any event occurs which, under the laws of any relevant jurisdiction, is analogous to any of the events referred to in paragraphs (d), (e), (f) or (g) above.

10.2 Enforcement

The Trustee may at its discretion and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to recover any amounts due in respect of the Notes which are unpaid or to enforce any obligation, term, condition or provision binding on the Issuer under the Trust Deed or the Notes, provided that the Trustee shall not be bound to take any of the actions referred to in Condition 10.1 or this Condition 10.2 to enforce the obligations of the Issuer under the Trust Deed or the Notes or any other action under or pursuant to the Trust Deed unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become so bound to proceed, (i) fails to do so within a reasonable period, or (ii) is unable for any reason to so do, and such failure or inability shall be continuing.

11 Meetings of Noteholders, Modification, Waiver and Substitution

11.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding.

The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons holding Notes or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia* (i) to amend the dates of maturity or redemption of the Notes or any date for payment of principal or interest in respect of the Notes, (ii) to reduce or cancel the principal amount of the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any interest amount in respect of the Notes, (iv) to vary the currency or currencies of payment or denomination of the Notes, (v) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations of the Issuer or any other person (other than as permitted under Condition 11.3) or (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

Any Extraordinary Resolution duly passed shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed).

11.2 Modification of the Notes, the Trust Deed or the Agency Agreement

For the avoidance of doubt, the Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error and (ii) any other modification (except as mentioned in the Trust Deed or as listed at (i) to (vi) in Condition 11.1), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

Any such modification, authorisation or waiver shall be binding on the Noteholders and unless the Trustee otherwise agrees modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 16.

11.3 Substitution

The Trustee may agree with the Issuer, without the consent of the Noteholders, to the substitution of any person or persons incorporated in any country in the world (the "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed and the Notes provided that:

(a) the Substitute Obligor's obligations in respect of the Notes are unsubordinated;

(b) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed and the Notes, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);

(c) (unless the successor in business of the Issuer is the Substitute Obligor) either:

(i) if the Notes have been rated by one or more Rating Agencies at the request of the Issuer and one or more of such ratings continue to be maintained immediately prior to such substitution, each relevant Rating Agency confirms to the Issuer or announces that such substitution will not result in a withdrawal or downgrade of the credit rating it has assigned to the Notes immediately prior to such substitution or the placing of any such rating on creditwatch or review with a negative outlook; or

(ii) the obligations of the Substitute Obligor under the Trust Deed and the Notes are guaranteed by the Issuer (or the successor in business of the Issuer) on an unsubordinated basis and in a form and manner satisfactory to the Trustee, such guarantor shall not exercise rights of subrogation or contribution against the Substitute Obligor without the consent of the Trustee.

(d) two directors of the Substitute Obligor or other officers acceptable to the Trustee certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected (and the Trustee may rely absolutely on such certification without further enquiry and without liability to any person and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer);

(e) (without prejudice to the rights of reliance of the Trustee under Condition 11.3(d) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;

(f) two directors of the Substitute Obligor certify to the Trustee that such substitution will not give rise to a Tax Event (and the Trustee may rely absolutely on such certification without further enquiry and without liability to any person and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer);

(g) (without prejudice to the generality of Condition 11.3(b) above) the Trustee may in the event of such substitution agree, without the consent of the Noteholders, to a change in the law governing the Trust Deed and/or the Notes, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;

(h) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the territory or any such authority to the taxing jurisdiction of which the Issuer is subject generally (the "**Issuer's Territory**"), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 8 with the substitution for the references in that Condition and in Condition 6.2 to the Issuer's Territory of references to the Substituted Territory whereupon the Trust Deed and the Notes will be read accordingly; and

(i) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

Any such substitution shall be binding on the Noteholders and shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 16.

12 Entitlement of the Trustee

In connection with any exercise of its functions (including but not limited to those referred to in Condition 11), the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise as aforesaid, no Noteholder shall be entitled to claim, whether from the Issuer, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Noteholders except to the extent already provided in Condition 8 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Notwithstanding any provision of these Conditions, nothing in the Trust Deed or these Conditions (including, without limitation, the provisions of Condition 10.1) shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee for its own account under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

13 Indemnification of the Trustee

The Trust Deed contains provisions for the provision of indemnification, security and prefunding to the Trustee and for its relief from responsibility, including provisions relieving it from taking any steps or action, including instituting any proceedings, unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

14 Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

15 Further Issues

The Issuer may, from time to time, without the consent of the Noteholders, create and issue further securities either (i) having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Notes then outstanding or (ii) upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the Notes shall be constituted by the Trust Deed or a deed supplemental to it.

16 Notices

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the Register maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed (being, for so long as the Notes are admitted to listing on the official list of the Luxembourg Stock Exchange, publication in a newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange's website at: www.bourse.lu). Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Submission to Jurisdiction

18.1 Governing law

The Trust Deed, the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

18.2 Submission to jurisdiction

(a) The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed and/or the Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed and/or the Notes (a "**Dispute**") and accordingly each of the Issuer, the Trustee and any Noteholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 18.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

18.3 Appointment of Process Agent

The Issuer irrevocably appoints Hiscox plc at its principal address from time to time (being, as at the Issue Date, 1 Great St. Helen's, London EC3A 6HX, United Kingdom) as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of the same being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

19 Definitions

As used herein:

"**Additional Amounts**" has the meaning given to it in Condition 8;

"**Authorised Denomination**" has the meaning given to it in Condition 1;

"**Bermuda Bankruptcy Act**" means the Bermuda Bankruptcy Act 1989, as amended;

"**Bermuda Companies Act**" means the Bermuda Companies Act 1981, as amended;

"**Bermuda Insurance Act**" means the Bermuda Insurance Companies Act 1978;

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in each of London and Hamilton;

"**Calculation Amount**" means £1,000 in principal amount of the Notes;

"**Directors**" means the directors of the Issuer;

"**Event of Default**" has the meaning given to it in Condition 10.1;

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Group**" means the Issuer together with its subsidiaries from time to time;

"**Holder**" has the meaning given to it in Condition 4.1;

"**Indebtedness**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any other form of borrowed money;

"**Interest Payment Date**" has the meaning set out in Condition 5.1;

"**Issue Date**" means 14 March 2018, being the date of the initial issue of the Notes;

"**Issuer's Territory**" has the meaning given to it in Condition 11.3(h);

a "**Material Subsidiary**" means, at any time:

(i) a Subsidiary of the Issuer whose gross assets or whose profits before interest and tax (as shown in its most recent annual audited accounts and on an unconsolidated basis) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, are equal to) not less than 10 per cent. of the consolidated gross assets or consolidated profits before interest and tax of the Group, as calculated by reference to the then latest audited consolidated accounts of the Group; provided that, in the case of a Subsidiary within the Group acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, the reference to the then latest audited consolidated accounts of the Group for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer; or

(ii) a Subsidiary of the Issuer to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which, immediately prior to such transfer, is a Material Subsidiary; provided that (A) the transferor Subsidiary shall upon such transfer cease to be a Material Subsidiary, and (B) the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (ii) on the date on which the consolidated accounts of the Group for the financial period current at the date of such transfer have been prepared and audited as aforesaid (but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition).

A report by two Directors (whether or not addressed to the Trustee) that, in their opinion, a Subsidiary is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied on by the Trustee without liability to any person and without further enquiry or evidence and, if relied upon by the Trustee, shall be conclusive and binding on all parties;

"**Maturity Date**" means 14 December 2022;

"**Non-recourse Borrowings**" means any Indebtedness to finance the ownership, acquisition, development and/or operation of an asset in respect of which the person or persons to whom any such Indebtedness is or may be owed by the relevant borrower has or have no recourse whatsoever to the Issuer or any Subsidiary of the Issuer for the repayment thereof, other than:

(i) recourse to such borrower for amounts limited to the cash flow or net cash flow from such asset; and/or

(ii) recourse to such borrower for the purpose only of enabling amounts to be claimed in respect of such Indebtedness in an enforcement of any encumbrance given by such borrower over such asset or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure Indebtedness, provided that (A) the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on such enforcement, and (B) such person or persons are not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness, to commence proceedings for the winding-up or dissolution of the borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the borrower or any of its assets (save for the assets the subject of such encumbrance); and/or

(iii) recourse to such borrower generally, or directly or indirectly to the Issuer or any of its Subsidiaries, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof) by the person against whom such recourse is available,

up to an aggregate amount of £100,000,000 (or its equivalent in any other currency) at any time outstanding;

"**Note Certificate**" has the meaning given to it in Condition 1;

“**Noteholder**” has the meaning given to it in Condition 4.1;

“**Permitted Security Interest**” means:

(i) any Security Interest (securing any Relevant Indebtedness or any guarantee or indemnity in respect of any Relevant Indebtedness) upon the whole or any part of any undertaking or asset of the Issuer or of any Material Subsidiary, which asset or undertaking or which Material Subsidiary is acquired into the Group after 14 March 2018, provided that such Security Interest existed at the date of such acquisition, was not granted in contemplation of the acquisition and the amount of the Relevant Indebtedness thereby secured was not increased in contemplation of, or since the date of, the acquisition;

(ii) any Security Interest as shall have been previously approved in writing by the Trustee (which may only be so approved if the Trustee is of the opinion that to do so will not be materially prejudicial to the Noteholders) or by an Extraordinary Resolution of the Noteholders; and

(iii) any renewal or perfection of any Security Interest referred to in paragraph (i) or (ii) above and any Security Interest securing any Relevant Indebtedness (or any guarantee or indemnity in respect of any Relevant Indebtedness) incurred to refinance any Relevant Indebtedness referred to in paragraph (i) or (ii) above, provided that, in any such case, (A) the Security Interest is over the same undertaking(s) or asset(s) and (B) the amount of such Relevant Indebtedness is not increased (other than any increase attributable to any break costs or other costs and expenses arising on the repayment of the existing Relevant Indebtedness or to any up-front fees, original issue discount or other costs and expenses arising on the incurrence of the new Relevant Indebtedness);

“**pounds**”, “**sterling**”, “**£**”, “**p**” or “**pence**” means the lawful currency of the United Kingdom;

“**Rating Agency**” means each of Standard & Poor's Credit Market Services Europe Limited, Moody’s Investors Service Limited and Fitch Ratings Limited (or, in each case, any successor thereto or such other entity within its group which has assigned a credit rating to the Notes at the Issuer’s request);

“**Record Date**” has the meaning given to it in Condition 7.3;

“**Register**” has the meaning given to it in Condition 4.1;

“**Relevant Date**” has the meaning given to it in Condition 8;

“**Relevant Indebtedness**” means any Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which, with the agreement of the issuer thereof, are, or are intended to be, quoted, listed, dealt in or traded on a stock exchange or over-the-counter securities market, other than (i) any Indebtedness which has a stated maturity not exceeding one year and (ii) any Indebtedness which comprises Non-recourse Borrowings;

“**Security Interest**” has the meaning given to it in Condition 3;

“**Subsidiary**” means any entity which is for the time being a subsidiary (within the meaning of Section 1159 of the Companies Act 2006) of the Issuer;

“**Substitute Obligor**” has the meaning given to it in Condition 11.3;

"**Substituted Territory**" has the meaning given to it in Condition 11.3(h);

"**successor in business**" means, with respect to the Issuer, any body corporate which, as the result of any amalgamation, merger, reconstruction, acquisition or transfer:

(i) owns beneficially the whole or substantially the whole of the undertaking, property and assets owned by the Issuer or a successor in business of the Issuer prior thereto; or

(ii) carries on, as successor of the Issuer or a successor in business of the Issuer, the whole or substantially the whole of the business carried on by the Issuer or a successor in business of the Issuer prior thereto;

"**Tax Event**" has the meaning given in Condition 6.2;

"**Tax Law Change**" has the meaning given to it in Condition 6.2;

"**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland; and

"**winding-up**" means, in respect of the Issuer, a winding-up of the Issuer or similar proceedings in respect of the Issuer including, without limitation, by way of reorganisation, arrangement, insolvency or liquidation of the Issuer (including under Part IVA of the Bermuda Conveyancing Act 1983, as amended) in Bermuda or any similar proceedings in any other jurisdiction.

OVERVIEW OF THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Certificates

The Global Note Certificate (as defined in the Trust Deed) will be registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and may be delivered on or prior to the Issue Date.

Upon the registration of the Global Note Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Note Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system approved by the Trustee (an "**Alternative Clearing System**") as the holder of a Note represented by the Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to or to the order of the holder of the Global Note Certificate and in relation to all other rights arising under the Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Note Certificate and such obligations of the Issuer will be discharged by payment to or to the order of the registered holder of the Global Note Certificate in respect of each amount so paid.

Exchange

Interests in the Global Note Certificate will be exchangeable (free of charge to the holder), in whole but not in part, for Individual Note Certificates only if:

(a) Euroclear and Clearstream, Luxembourg are both closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or both announce an intention permanently to cease business or do in fact do so and no Alternative Clearing System is available; or

(b) an Event of Default occurs (as described in Condition 10 (*Events of Default and Enforcement*)),

Any reference herein to Euroclear and/or Clearstream, Luxembourg, shall, wherever the context so permits, be deemed to include a reference to any Alternative Clearing System.

Amendments to Conditions

The Global Note Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Memorandum. The following is a summary of certain of those provisions:

Payments

All payments in respect of Notes represented by the Global Note Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (where "**Clearing System Business Day**" means Monday to Friday (inclusive) except 25 December and 1 January). The calculation of all payments on the Notes will be made in respect of the total aggregate amount of the Notes represented by the Global Note Certificate, together with such other sums and additional amounts (if any) as may be payable under the Conditions, all in accordance with the Conditions and the Trust Deed.

Trustee's Powers

In considering the interests of Noteholders while the Global Note Certificate is held on behalf of, or registered in the name of any nominee for, a Clearing System, the Trustee may have regard to any information provided to it by such Clearing System or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note Certificate and may consider such interests as if such accountholders were the holders of the Notes represented by the Global Note Certificate.

Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders.

Notices

So long as all the Notes are represented by the Global Note Certificate and it is held on behalf of a Clearing System, notices to Noteholders will be given by delivery of the relevant notice to that Clearing System for communication by it to entitled accountholders in substitution for notification as required by the Conditions. A notice will be deemed to have been given to accountholders on the first Business Day following the day on which such notice is sent to the relevant Clearing System for delivery to entitled accountholders.

Electronic Consent and Written Resolution

While the Global Note Certificate is registered in the name of any nominee for a Clearing System, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, to determine whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the Clearing System with entitlements to such Global Note Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is beneficially held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant Clearing System (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

The net proceeds from the issue will be used by the Group for general corporate purposes.

DESCRIPTION OF THE ISSUER AND THE GROUP

Introduction

The Group (also referred to as "**Hiscox**") is an international specialist non-life insurer and reinsurer headquartered in Bermuda. The Issuer, Hiscox Ltd, a Bermuda exempted company with limited liability, is the ultimate parent company of the Group and its equity is listed on the London Stock Exchange (LSE:HSX). The Issuer was incorporated on 6 September 2006 with the registered number 38877 for an unlimited duration. The Issuer's Legal Entity Identifier (LEI) is 5493007JXOLJ0QCY2D70.

As at 27 February 2018 the Issuer had a market capitalisation of £4.0 billion.

As at 28 February 2018, the authorised share capital of the Issuer was £240,000,000 and the Issuer had in issue 294,502,615 fully paid Ordinary Shares of par value 6.5p each ("**Ordinary Shares**"). A total of 7,523,190 Ordinary Shares were held by the Issuer itself. Each Ordinary Share is entitled to one vote per share, apart from the Ordinary Shares held by the Issuer which hold no voting rights. As such, the total number of voting rights in in the Issuer is 286,979,425.

Hiscox is a diversified international insurance group with a consistent, long-held strategy that aims to provide opportunity throughout the insurance cycle and seeks to avoid undue reliance on any one division for the Group's overall profitability. The Group employs more than 2,700 people across 14 countries and 32 offices with operations globally.

Hiscox is active in a number of specialty insurance areas including terrorism, marine, kidnap and ransom, professional indemnity, technology, media, fine art, high value homes, space and property as well as marine and non-marine reinsurance.

The Group operates through a number of underwriting platforms:

- Syndicate 33, one of the largest syndicates at Lloyd's of London ("**Lloyd's**"), of which the Group owns a 72.6 per cent. share and which has a premium income capacity of £1.6 billion for the 2018 year of account[3];
- Syndicate 3624,which is wholly owned by the Group and which has a premium income capacity of £400 million for the 2018 year of account;
- Syndicate 6104, which is backed entirely by external persons (known by Lloyd's as "**Names**") and which takes a pure year of account quota share[4] of Syndicate 33's property catastrophe reinsurance account;
- Hiscox Insurance Company (Bermuda) Limited ("**HIB**");
- Hiscox Insurance Company Limited ("**HIC**"), a UK-based insurer;
- Hiscox SA, a Luxembourg-based insurer
- Hiscox Insurance Company (Guernsey) Limited ("**HICG**");
- Hiscox Insurance Company Inc. a US-based insurer;
- Direct Asia Insurance (Singapore) Pte Ltd; and
- Kiskadee Reinsurance 1 Ltd, Kiskadee Reinsurance 2 Ltd, Hiscox Re ILS Ltd, Cardinal Re Ltd and Blue Jay Reinsurance Ltd, five Bermudian special purpose reinsurance companies writing collateralised reinsurance business supported by capital provided by third party investors in the Group's insurance linked securities business.

[3] "**year of account**" means the year in which an insurance or reinsurance contract that is underwritten by a syndicate is allocated for accounting purposes and into which all premiums and claims arising in respect of that contract are payable.

[4] "**quota share**" means a reinsurance treaty which provides that the reassured shall cede to the reinsurer a specified percentage of all the premiums that it receives in respect of a given section or all of its underwriting account for a given period in return for which the reinsurer is obliged to pay the same percentage of any claims and specified expenses arising on the reinsured account.

Strategy

Hiscox has pursued a strategy of diversification for over 30 years. This strategy strives to:

- use underwriting expertise in Bermuda and London to underwrite larger premium, volatile or complex risks;
- build distribution in the UK, Europe, USA and Asia for specialist retail products; and
- protect and nurture a distinctive culture by recruiting high quality people, and by focusing on organic growth.

This strategy aims to provide opportunities throughout the insurance cycle, and the Group has demonstrated a strong track record of delivering in the short, medium and long term.

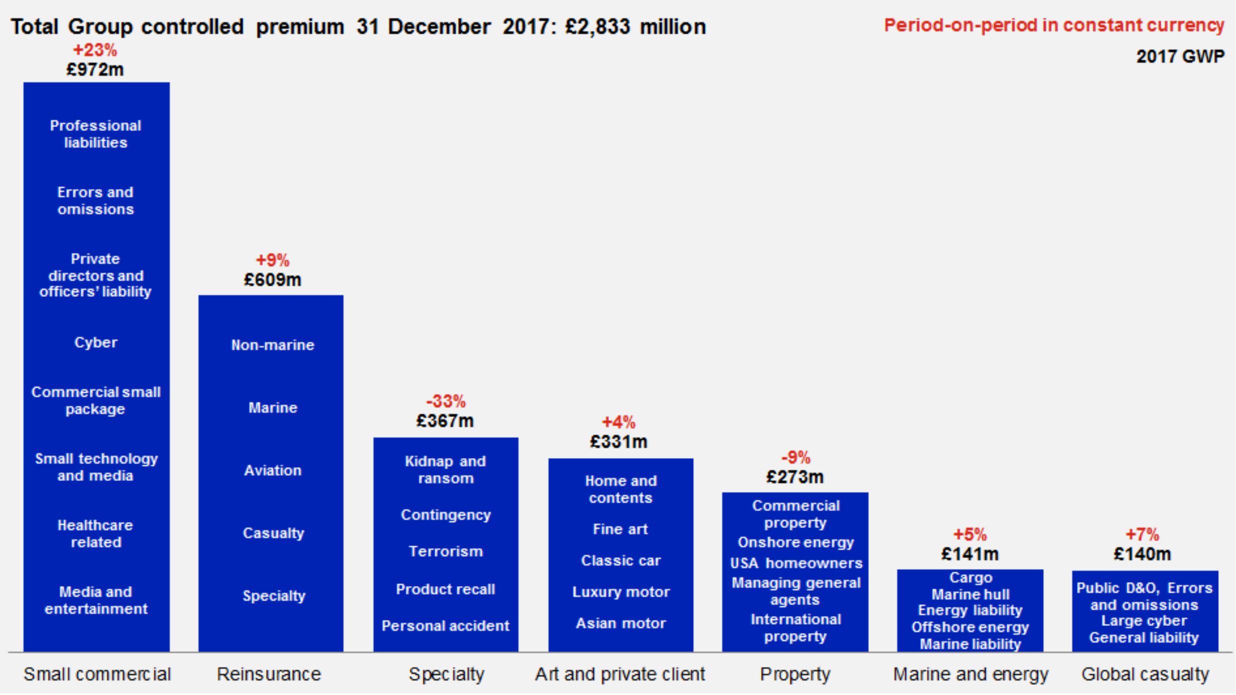
In particular, the Group has steadily built its retail business (through product innovation, geographic expansion and occasional small acquisition) with a view to providing a foundation for relatively stable returns, allowing the Group's more volatile, catastrophe-exposed, bigger ticket insurance and reinsurance businesses to expand and shrink in line with market opportunities. This balance between the retail business and the big-ticket business is core to the Group's strategy.

The Group's strategy is to invest in opportunities to support organic growth or make small acquisitions and it continually monitors the market for opportunities which strengthen its position in specialty areas.

The following table represents the division in the Group's business, as of 31 December 2017, between 'Big-ticket business' and 'Retail business' (each as further outlined below):

Big-ticket business (45%)	**Retail business (55%)**
• Larger premium, globally-traded, catastrophe-exposed business written through the Hiscox London Market and Hiscox Re & ILS.	• Smaller premium, locally-traded, less volatile business written through Hiscox Retail.
• Shrinks and expands according to pricing environment.	• Specialist knowledge and brand as key differentiators.
• Excess profits allow further investment in retail development.	• Profits act as additional capital.

The Group actively manages its business, as described above, by shrinking or expanding in each line of business according to the pricing environment. The following chart demonstrates this active management over the year to 31 December 2017.



To support this active portfolio management the Group monitors pricing rate changes on an ongoing basis. In recent years overall rates have been declining, however post the hurricane activity of 2017 the Group expected an overall rate increase. For the 1 January 2018 renewals season the Group has seen some increase in rates as follows:

- Hiscox London Market
  - 14 out of 16 lines saw rates rise at 1 January renewals
  - Overall rates up 8 per cent.
  - Property rates up 5-30 per cent.
  - Other lines up 0-5 per cent.
  - Terrorism remains competitive
- Hiscox Re & ILS
  - US treaty rates up 10 per cent.
  - Loss-affected accounts up by more than 10 per cent.
  - International treaty rates up 3 per cent.
- Hiscox Retail
  - Rates remain stable

History

The Group traces its origins to 1901 and was a privately-held Lloyd's centred business until the 1990s. It operated a number of underwriting syndicates at Lloyd's and owned a Lloyd's members' agency. In 1993, Hiscox Dedicated

Insurance Fund plc was formed and listed on the London Stock Exchange. It was the first dedicated corporate vehicle providing funds to support the syndicates of one agency only.

In 1995, the Group began to establish a network of European offices by opening in Paris and Munich. These offices were aimed at selling smaller premium retail business and improving the Group's distribution power.

During 1996, the Group acquired the Economic Insurance Company, which was established in 1901, and which became HIC. This provided the Group with the ability to underwrite retail business on a more cost effective basis. In 1997, Hiscox plc was admitted to full equity listing on the London Stock Exchange. HICG was established in 1998 to write offshore business in Guernsey. The European office network was boosted in 2003 when the Group acquired renewal rights from Chubb for their European high net worth business.

In 2005, the Group raised US$500 million of capital through a combination of a rights issue and bank borrowings in order to support the underwriting activities of the newly formed HIB, writing a mix of worldwide reinsurance and Group retail business. This was followed by the opening of Hiscox Inc., an underwriting agency and the Group's first office in the United States, in March 2006, followed a year later by the acquisition of a US admitted carrier which is now Hiscox Insurance Company Inc.

In December 2006, the Issuer, a new Bermudian domiciled holding company, replaced Hiscox plc as the entity listed on the London Stock Exchange. The Issuer was incorporated on 6 September 2006 with limited liability under the laws of Bermuda with registration number 38877. Its address is 4th Floor, Wessex House, 45 Reid Street, Hamilton, HM12, Bermuda and its telephone number is 1-441 278 8300.

In November 2008, the Group opened an office in Miami, giving it access to the growing Latin American insurance markets. Initially this hub only generated kidnap and ransom business but has subsequently expanded to underwrite business in lines including fine art, terrorism, energy and property.

In December 2012, Hiscox entered the insurance linked securities market through a joint venture with Third Point Re. In September 2013, this was extended into the range of Hiscox's insurance linked funds trading under the Kiskadee brand. In April 2014, the Group acquired the 'DirectAsia' group of companies ("**DirectAsia**") and began trading in Asia for the first time through operations in Singapore, Hong Kong and Thailand.

In 2015, the Group added to its capabilities by acquiring a marine leisure managing general agency business, now trading as Hiscox MGA Ltd, allowing the Group to directly access third party capacity. Also in 2015, the Issuer completed an inaugural debt issuance, raising £275 million of subordinated debt to support the Group's operations worldwide.

In 2016, Hiscox disposed of its insurance business in Hong Kong enabling DirectAsia to focus on the core markets of Singapore and Thailand.

In 2017, Hiscox announced the establishment of Hiscox S.A., a Luxembourg-based European carrier which will enable Hiscox to continue to service risks with European exposures following the UK's departure from the European Union. It received its licence to operate in January 2018 from the Luxembourg regulator, the Commissariat aux Assurances.

Growth Track Record

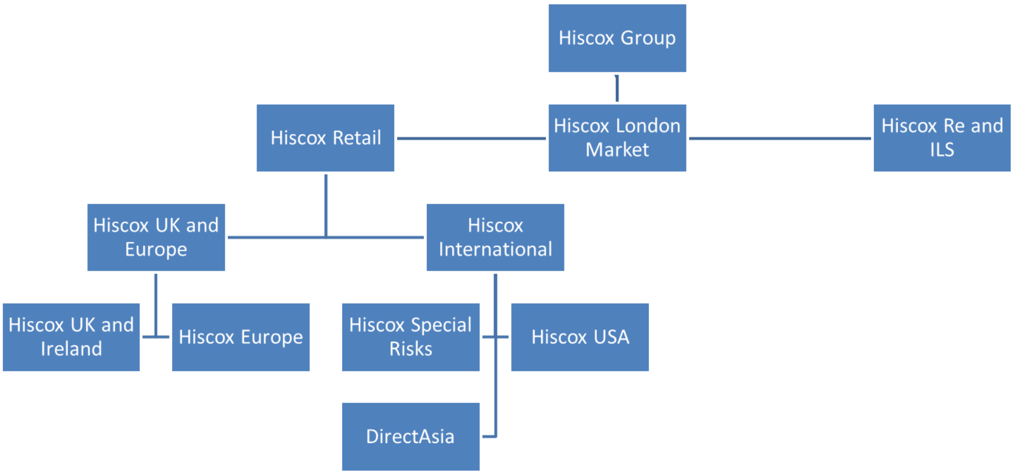
Over the five years to 31 December 2017, Hiscox has:

- increased gross written premiums by 50 per cent.;
- achieved compound dividend growth of 8.4 per cent.;
- returned capital to shareholders of £742 million;
- delivered an average combined ratio of 87.2 per cent.; and
- reported an average return on equity of 15.4 per cent.

Hiscox Business Structure

The Group operates through three main operational divisions: Hiscox Retail, Hiscox London Market and Hiscox Re & ILS. These divisions are also the Group's three principal financial reporting segments and financial information in relation to these reporting segments is set out in note 4 to the 2017 Full Year Results.

Through its retail businesses in the United Kingdom, continental Europe and the United States of America the Group offers a range of specialist insurance for professionals and business customers, as well as homeowners. Through the DirectAsia business the Group provides motor cover for retail customers in Asia. Through Hiscox London Market and Hiscox Re, the Group underwrites internationally traded, bigger ticket business and reinsurance, respectively. More detail on each of these sections is set out below.



Hiscox Retail

Hiscox Retail is the single biggest segment in the Group. Over the last 5 years this segment has grown consistently and profitably.

Hiscox Retail **Consistent Growth and profitability**	**2013**	**2014**	**2015**	**2016**	**2017**
Retail GWP £m	819	891	976	1,181	1,424
Retail policies in force ('000)	379	452	584	696	840
Retail NEP (£m)	711	791	870	1,021	1,230
Retail Combined ratio (excl. FX)	93.7%	92.9%	92.0%	91.8%	94.5%

Hiscox Retail has five business units:

- Hiscox UK and Ireland, which specialises in art, private client and luxury motor insurance, as well as professional liability and property insurance for small- and medium-sized businesses. Hiscox UK & Ireland also provides home and small business insurance directly to consumers. The products offered include directors' and officers' insurance ("**D&O**"), errors and omissions insurance ("**E&O**"), and household and fine art insurance;

- Hiscox USA, which offers professional liability, specialty and property insurance, as well as small business insurance directly to consumers. The products offered include D&O, E&O, property, kidnap and ransom, media and entertainment.

- Hiscox Europe, which provides art and private client insurance as well as professional liability, specialty and property insurance for small and medium-sized businesses. Hiscox France and Hiscox Germany also provide small business insurance directly to consumers. The products offered include D&O, E&O, household, fine art and kidnap and ransom insurance;

- Hiscox Special Risks, which provides specialist insurance and expertise for global risks, bringing together teams from across the Group that focus on special risks including kidnap and ransom and executive security. The products offered include executive security, household, fine art, kidnap and ransom, personal accident and terrorism insurance; and

- DirectAsia, which sells predominantly motor insurance with ancillary lines in travel, healthcare and life. It distributes business through online sales alongside its call centres and operates through offices in Singapore, Hong Kong and Thailand;

In the year ended 31 December 2017, the Hiscox Retail division accounted for over 55 per cent. (2016: 49 per cent.) of the Group's gross written premium written at £1,423.9 million (2016: £1,181.4 million). Over the last five years, Hiscox Retail's gross written premium income has grown at a compound annual growth rate of 14 per cent. Notwithstanding this growth, the Group remains a small participant in most of its target retail segments. In the year ended 31 December 2017, Hiscox Retail contributed profits of £109.9 million (2016: £158.0 million) to the Group, with a combined ratio of 94.6 per cent. (2016: 88.0 per cent.).

Since 2016, small business insurance has been the biggest single product line for the Group, delivering over £970 million in gross written premiums in the year ended 31 December 2017. Profits from Hiscox Retail have covered the Group's dividend for each of the years ended 31 December 2017 and 31 December 2016.

Hiscox UK & Europe

Hiscox UK & Europe, (which comprises the Hiscox UK and Ireland and Hiscox Europe business units) provides commercial insurance for small and medium-sized businesses, typically operating in white-collar industries, and personal lines cover including high-value household, fine art and collectibles, and luxury motor. These products are distributed via brokers, through a growing network of partnerships, and direct to consumers.

Hiscox UK & Ireland

Hiscox UK & Ireland, the Group's most mature retail operation, increased gross written premiums by 11.6 per cent. in the year ended 31 December 2017 to £556.3 million (2016: £498.6 million), with every region contributing to this growth. The broker channel remains a key driver for growth in this segment, with the professional risks and specialty commercial business performing particularly well in 2017.

Hiscox believes there is still plenty of room for growth in existing product areas. Hiscox has attracted new business in 2017 with its broadened appetite for larger risks, and has also expanded the range of professions covered.

In the direct-to-consumer business channel, investment in IT infrastructure and expanded underwriting appetite for bigger risks have had a positive effect on the Group's business in the year ended 31 December 2017. There has been organic growth in core direct commercial business, where Hiscox is taking on more businesses at the 'medium' end of SME, and in direct home, where appetite for larger properties has benefited revenues.

Hiscox believes that the power and distinctiveness of the Hiscox brand is an important driver of growth, and has seen improvements in all key brand measures. Hiscox believes in the long-term benefits of a consistent strategy and on-going investment.

Hiscox Europe

Hiscox Europe had its best year since inception in the year ended 31 December 2017, in terms of both growth and profitability, delivering gross written premiums of £213.3 million (2016: £174.7 million), or 12 per cent. in constant currency. All countries contributed to the underwriting performance, with strong new business and retention. Cyber, specialty commercial and management liability products have continued to be key drivers of growth.

Germany and Spain performed particularly well in 2017. In Germany, a focus on cyber and classic car continued to deliver and the business achieved 95 per cent. retention rates. The Group also extended its reach with a new sales branch in Frankfurt.

In Spain, there has been a focus on growing existing partnerships, through innovation in products and services, as well as the launch of a new cyber product, Cyber Clear.

Under new leadership, Hiscox France returned to growth in 2017 after a challenging 2016, driven by the professions book and a focus on specialty commercial schemes. A continued focus on professionals and specialty commercial business in Benelux has also yielded results.

The mainland Europe business is supported by a shared service centre in Lisbon, home to a team of around 230 people. Operations support is mostly integrated within each individual country to ensure as close an alignment as possible, to overcome the challenges of distance.

Hiscox International

Hiscox International (which comprises the DirectAsia, Hiscox Guernsey and Hiscox USA business units) comprises the specialty and fine art lines written through HICG, and the motor business written via DirectAsia, together with US commercial, property and specialty business written by Syndicate 3624 and Hiscox Insurance Company Inc.

In the year to 31 December 2017, the segment's revenues grew by 28.8 per cent. to £654.3 million (2016: £508.1 million), or 24.8 per cent. at constant currency.

Hiscox USA

Hiscox USA underwrites small-to-mid market commercial risks through brokers, partnerships and directly to businesses online and over the telephone. The business delivered growth in the year ended 31 December 2017 of 28.8 per cent in constant currency to £544.2 million (2016: £400.0 million), with all lines contributing. Hiscox USA proved resilient following the impact of the hurricanes in the United States during the third quarter of the year.

The direct and partnerships division, the fastest growing segment of Hiscox USA, had another strong year in 2017, with an expansion of underwriting appetite within partnerships into adjacent small business segments, such as food trucks and insurance agents. Small business operations in the US continued to expand in 2017 with more than 250,000 policies in force as at 31 December 2017.

Growth in the broker channel business in 2017 was driven predominantly by professional risks and general liability. New market participants in cyber have led to increased competition and some downward pressure on pricing. However, Hiscox believes that its products and expertise enable it to remain competitive in this market.

Hiscox remains a relatively small player in the highly competitive US insurance market, and believes that there is significant opportunity if it can grow its market share. The business has made good progress in building its position in the small business segment, particularly online.

An IT infrastructure project being undertaken to replace the existing policy and claims administration system is progressing as planned, and the direct operations will be the first to benefit from this multi-year investment.

Hiscox Special Risks

The Hiscox Special Risks division underwrites special risks including kidnap and ransom, fine art and executive security from offices in Cologne, London, Los Angeles, Miami, Munich, New York, Paris and St Peter Port.

In the year ended 31 December 2017, in a highly competitive environment the business delivered gross written premiums of £98.7 million (2016: £95.2 million), an increase of 3.7 per cent., or minus 1.2 per cent. in constant currency.

A new Security Incident Response product launched at the start of the year with the aim of differentiating Hiscox and creating a new market.

The Special Risks underwriting centre delivers benefits to the business by enabling underwriters to spend more time underwriting complex risks and pursue new business. The operating model is being refined further with a focus on the US and technological innovation, which Hiscox expects to provide further benefits.

DirectAsia

DirectAsia is a direct-to-consumer business operation in Singapore and Thailand that sells predominantly motor insurance. Hiscox acquired the business in April 2014. In the year ended 31 December 2017, its premiums reduced to £11.4 million (2016: £13.0 million), in line with management expectations and following the sale of the business in Hong Kong in 2016. The Thai business operates as an agency and therefore is not reflected in these figures.

Hiscox London Market

Hiscox has operated in the Lloyd's market since 1901. It provides insurance for customers around the world, using the global licences, distribution network and credit rating available through Lloyd's of London to insure clients throughout the world. Hiscox London Market covers a large range of hazards and leads many of the risks it underwrites.

In a year in which the insurance industry was severely affected by natural catastrophes, Hiscox London Market, which has a focus on catastrophe-exposed risks, delivered a loss before tax of £36.2 million for the year ended 31 December 2017 (2016: profit of £44.0 million), equal to a combined ratio of 111.6 per cent.

The market conditions facing Hiscox London Market have been deteriorating for some time, and as a result of this deterioration, in the year ended 31 December 2017 Hiscox shrank premium written by the business by almost £150 million to £581.7 million (2016: £726.0 million). This decrease was focused on lines such as political risks, healthcare and extended warranty/auto physical damage.

Hiscox had originally planned to continue shrinking this segment during 2018. However, the accumulation of natural catastrophes has caused Hiscox to alter its approach, and a revised plan requesting approval to increase Syndicate 33's capacity from £1.15 billion in 2017 to £1.6 billion in 2018 was submitted to Lloyd's and subsequently approved. As at the date of this Offering Memorandum, whilst rate increases in the first part of 2018 have been positive for loss-affected lines of business including US and Caribbean property and elements of casualty, generally rate increases have not been as strong as anticipated in the first part of 2018, which is expected to impact the level of targeted growth of the Hiscox London Market for the year.

Losses during the second half of 2017 have led to an increase in property pricing in the first part of 2018, particularly in loss-affected accounts. Hiscox aims to expand this element of the business in 2018.

In casualty lines, Hiscox has reduced its business in healthcare and miscellaneous professional indemnity in the first part of 2018, focusing instead on its investment lines of directors and officers', general liability and cyber.

Hiscox MGA

Hiscox MGA underwrites and distributes products where customers' requirements for capacity exceed Hiscox's own risk appetite, or where the team's distribution focus allows Hiscox to access business in local markets around the world. It operates out of London, Paris and Miami.

In 2017 Hiscox MG focused on four core lines of business: yachts and mega-yachts, South American focused property facultative reinsurance and space and terrorism. The team is steadily developing the business, which is an increasingly important distribution arm for the Group.

Hiscox Re & ILS

Hiscox Re & ILS comprises the Group's reinsurance businesses across the world and ILS activity through its flagship Kiskadee Funds and other bespoke single investor mandates. The team's strategy is to underwrite on behalf of Hiscox and third party capital, whether they are insurance companies, other syndicates or capital market investors.

In the year ended 31 December 2017, gross written premiums for Hiscox Re & ILS grew by 9.8 per cent. to £543.7 million (2016: £495.2 million), or 5 per cent. in constant currency. The business delivered a profit before tax of £19.8 million (2016: £115.5 million) and a 101.3 per cent. combined ratio (2016: 53.0 per cent.). The business benefited from non-catastrophe lines, fees on management of third party funds and some releases from catastrophes in prior years.

Hiscox Re expanded its product suite in 2017, with new cyber and flood offerings. FloodXtra, a new product developed using detailed topological and weather analytics, allows Hiscox to target the deregulating US flood market, and the Group will continue to focus on these growing lines of business in 2018.

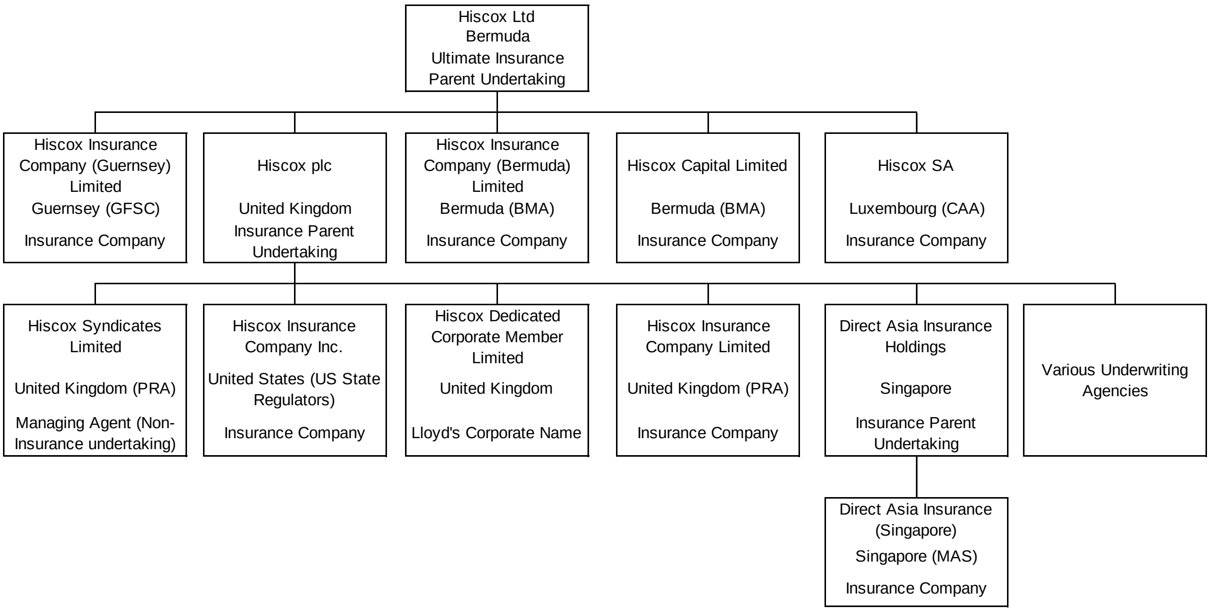
Growth in US catastrophe reinsurance has helped to offset the closure of healthcare business and reductions in retro and casualty lines, where rates were under more pressure in 2017. Property catastrophe reinsurance makes up approximately 60 per cent. of gross written premium for Hiscox Re & ILS. The team's gross underwriting performance outperformed the market in 2017 and as a result Hiscox was able to retain its quota share support from insurers and syndicates, and to replace those whose appetite changed. In 2018, the Hiscox Re team will look to grow in non-catastrophe lines, in particular in cyber and casualty.

Hiscox Re Insurance Linked Strategies Ltd (formerly known as Kiskadee Investment Managers Ltd) ("**Hiscox ILS**"), Hiscox's manager of capital market funds which invest in insurance or reinsurance, entered 2018 with $1.5billion of assets under management.

In 2018, the Hiscox ILS team will also be working to improve the connection between capital market investors and primary insurance to create new products and opportunities.

Hiscox Group structure

Insurance carriers



Syndicate 33

Hiscox Syndicate 33 is one of the largest composite syndicates at Lloyd's. Syndicate 33 underwrites a mixture of reinsurance, property and energy business, as well as a range of specialty lines including contingency and terrorism risks among others. Syndicate 33 trades through the Lloyd's worldwide licences and ratings. The size of the Syndicate is increased or reduced according to the strength of the insurance environment in its main classes.

As at 31 December 2017, Hiscox owned approximately 72.6 per cent. of the syndicate, with the remainder owned by third-party Lloyd's Names. For the 2018 year of account, Syndicate 33's capacity has increased to £1.6 billion (up from £1.15 billion for the 2017 year of account and £1 billion for the 2016 year of account).

Syndicate 3624

Syndicate 3624 is wholly-owned by Hiscox. It began underwriting for the 2009 year of account. The Syndicate has a diversified portfolio of worldwide risks including the growing small-ticket E&O account of Hiscox USA written through its US service company Hiscox Inc. The Syndicate also underwrites "**FTC**" (fire, theft and collision), property, technology and media, healthcare and aviation, some of which is sourced through other service companies in the Group.

Total underwriting capacity of Syndicate 3624 has increased to £460 million for the 2017 year of account (up from £400 million for the 2016 year of account) driven by the strength of the US Dollar.

Syndicate 6104

Syndicate 6104 was set up under a limited tenancy agreement for the 2008 year of account. It is wholly backed by external Names and takes a pure year of account quota share of Syndicate 33's property catastrophe reinsurance account. The arrangement has been extended through to the 2017 year of account and Syndicate 6104's capacity was maintained at £56 million. Syndicate 6104 pays an overrider and profit commission to Syndicate 33.

Hiscox Insurance Company (Bermuda) ("HIB")

Formed by Hiscox in late 2005, HIB was set up as an expansion of the reinsurance operations of Hiscox and as an internal reinsurer of the Group. As at 31 December 2017, net assets exceeded $864 million (31 December 2016: $834 million). In the year ended 31 December 2017, HIB had gross written premiums (external business) of $305 million (2016: $285 million).

Hiscox Insurance Company

Hiscox purchased HIC in 1996, in keeping with its aim of diversifying its activities outside of Lloyd's and writing a focused book of regional specialist risks.

HIC has licences throughout Europe and its operations form the vast majority of the UK and Ireland and European division of Hiscox Ltd. Its principal activity is the transaction of general insurance business, in particular personal and commercial insurance. Personal insurance includes high-value household, fine art and collectibles, as well as luxury motor vehicles. Commercial insurance is focused on small- and medium-sized businesses, particularly for professional indemnity and other liabilities such as employment liability and property risk. HIC has achieved average compound growth in gross premiums written of 11.6 per cent. from 1997 to 2016, with gross premiums written of £701 million in the year ended 31 December 2017 (2016: £604 million). It has also improved its combined ratio during this time, with a combined ratio of 98.0 per cent. at 31 December 2017 (31 December 2016: 94.4 per cent.).

Hiscox SA (Luxembourg)

Hiscox S.A. is a new Luxembourg-based European carrier, established to enable Hiscox to continue to service risks with European exposures following the United Kingdom's departure from the European Union. It received its licence in January 2018 from the Luxembourg regulator, *Commissariat aux Assurances*, and is expected to commence business once it receives full branch authorisation.

Hiscox Insurance Company (Guernsey) (HICG)

Formed by Hiscox in 1998, HICG writes mainly kidnap and ransom and fine art insurance. At 31 December 2017, net assets were $17 million (2016: $15 million).

Hiscox Insurance Company Inc.

Hiscox Insurance Company Inc. was acquired by the Group in 2007 through the purchase of the then parent holding company ALTOHA, Inc. Hiscox Insurance Company Inc. is based in Chicago, Illinois and is an admitted insurance company with licences in all 50 US states and the District of Columbia. Its main business is commercial property and liability cover sold through insurance brokers and on a direct basis. At 31 December 2017, net assets were $97 million (2016: $72 million).

DirectAsia

In March 2014, the Group acquired Direct Asia Insurance (Holdings) Pte Ltd. Having disposed of its insurance business in Hong Kong, DirectAsia underwrites through a subsidiary in Singapore and an agency in Thailand. Its primary business is motor insurance, with ancillary lines in travel, personal accident and healthcare. At 31 December 2017, the insurance company subsidiary had net assets of SGD$15 million (2016: SGD$15 million).

Kiskadee Reinsurance 1 Ltd, Kiskadee Reinsurance 2 Ltd, Hiscox Re ILS Ltd, Cardinal Re Ltd and Blue Jay Reinsurance Ltd

The Kiskadee Diversified Fund Ltd and Kiskadee Select Fund Ltd ("**Kiskadee Funds**") were launched in 2014 and the Blue Jay Fund Ltd was launched in 2016 to provide investment opportunities to institutional investors in property catastrophe reinsurance and insurance-linked strategies. The Group made an initial investment of $50 million in the Kiskadee Funds. The Kiskadee Funds and the Blue Jay Fund are managed by Hiscox Re Insurance Linked Strategies Ltd which is a wholly owned subsidiary of the Group. All of the Blue Jay Fund's and the majority of the Kiskadee Funds' exposures to reinsurance risk are fronted by HIB into three Bermuda Licensed Special Purpose Insurers ("**SPI**"), Kiskadee Reinsurance 1 Ltd, Kiskadee Reinsurance 2 Ltd and Blue Jay Reinsurance Ltd. The Kiskadee Select Fund also accesses the reinsurance markets directly through Hiscox Re ILS Ltd, another SPI. In each case, the SPIs have been funded by the relevant Kiskadee Fund or Blue Jay Fund and write reinsurance on a collateralised basis.

Hiscox Re Insurance Linked Strategies Ltd also manages a segregated account company SPI, Cardinal Re Ltd which writes bespoke portfolios of reinsurance on a collateralised basis supported by third party investor capital.

Group financial performance

For the year ended 31 December 2017, the Hiscox Group delivered profit before tax for the year of £30.8 million (2016: £354.5 million), or £93.6 million (2016: £202.1 million) excluding foreign exchange gains/losses. This result was delivered in a year which saw a number of severe natural catastrophes in the third quarter, including the first Category 5 storm to make US landfall in 25 years, with hurricanes Harvey, Irma and Maria generating losses for the Group of US$225 million.

The Group will be reporting in US Dollars for the financial period commencing 1 January 2018, following a change in functional currency of subsidiary entities, which will reduce the impact of the volatility in the foreign exchange movement in future periods. The Group's investment return for the year improved slightly at 2.0 per cent. (2016: 1.9 per cent.). The Group recorded a post-tax return on equity of 1.5 per cent. (2016: 23.0 per cent.) and earnings per share of 9.3p (2016: 119.8p).

Net asset value per share decreased by 4.8 per cent. to 618.6p as at 31 December 2017 (2016: 649.9p), with net tangible asset value at 570.0p (2016: 605.7p). The Issuer's board of directors (the "**Board**") has declared a final dividend of 19.5p per share, to be paid on 12 June 2018 to shareholders on the register at 11 May 2017, taking the total ordinary dividend per share for the year to 29.0p, an increase of 5.5 per cent. (2016: 27.5p). The Group continues to maintain a progressive dividend policy.

Gross premiums written of £2.5 billion as at 31 December 2017 increased by 6.1 per cent. year-on-year or, on a constant exchange rate basis, 1.9 per cent. Growth continued in Hiscox Retail in 2017, up 20.5 per cent. for the year, which accounted for 56 per cent. of the Group's gross premiums written as at 31 December 2017 – which helped to offset the expected decline in gross premiums written in Hiscox London Market. The Group's combined ratio including foreign exchange movements at 31 December 2017 was 99.9 per cent. (2016: 84.2 per cent.), or 98.8 per cent. (2016: 90.6 per cent.) excluding the impact of foreign exchange. The underwriting performance for each operating segment is detailed as follows.

Hiscox Retail

As at 31 December 2017, Hiscox Retail accounted for 56 per cent. (2016: 49 per cent.) of the Group's gross premiums written at £1,423.9 million (2016: £1,181.4 million). Gross premiums written for Hiscox UK & Ireland were up 11.6 per cent. during the year ended 31 December 2017 to £556.3 million (2016: £498.6 million). Hiscox Europe's gross premiums written also grew, up 22.1 per cent. to £213.3 million (2016: £174.7 million), or 12 per cent. in constant currency. Hiscox USA gross premiums written were up 36.0 per cent. in the year ended 31 December 2017 to £544.1 million (2016: £400.0 million), or 29 per cent. in constant currency. Gross premiums written within Hiscox Special Risks were up to £98.7 million as at 31 December 2017 (2016: £95.2 million), however down 1 per cent. in constant currency compared to 31 December 2016, and DirectAsia contributed £11.4 million of gross premiums written during the year ended 31 December 2017 (2016: £13.0 million).

The net claims ratio increased in the year ended 31 December 2017 to 45.2 per cent. (2016: 38.4 per cent.) with increases in USA and Special Risks. The increased claims ratio also resulted in an increase to the net combined ratio which, excluding the impact of foreign exchange, grew to 94.5 per cent. (2016: 91.8 per cent.). Expense management resulted in the expense ratio reducing to 49.3 per cent. (2016: 53.4 per cent.). Profit before tax stood at £109.9 million as at 31 December 2017 (2016: £158.0 million), and before foreign exchange stood at £110.3 million (2016: £120.7 million).

Hiscox London Market

Gross premiums written in the Hiscox London Market reduced by 19.9 per cent. to £581.7 million in the year ended 31 December 2017 (2016: £726.0 million), in line with expectations as Hiscox continued to navigate ongoing soft market conditions. This represents a 23 per cent. decline (2016: 14.2 per cent. growth) in local currency. The quota share arrangements with Syndicate 6104 remained in place.

The net claims ratio for the year ended 31 December 2017 increased to 70.1 per cent. (2016: 57.4 per cent.) as a result of the hurricane activity. This also impacted on the combined ratio which, excluding foreign exchange movements, increased to 108.7 per cent. (2016: 99.4 per cent.). The expense ratio reduced to 38.6 per cent. (2016: 42.0 per cent.). Loss before tax for the year was £36.2 million (2016: profit of £44.0 million) or, excluding foreign exchange losses, was a loss of £24.5 million (2016: profit of £9.0 million).

Hiscox Re & ILS

Gross premiums written in Hiscox Re & ILS increased by 9.8 per cent. to £543.7 million in the year ended 31 December 2017 (2016: £495.2 million), or 5 per cent. in constant currency. The claims ratio increased to 71.0 per cent. (2016: 39.1 per cent.) as a result of the hurricane activity, as did the combined ratio which, excluding foreign exchange movements, increased to 98.9 per cent. (2016: 64.9 per cent.). Foreign exchange had much less impact on the segment in 2017, but provided a positive impact of 11.9 per cent. to the combined ratio in 2016. The expense ratio was 27.9 per cent. (2016: 25.8 per cent.). Profit before tax reduced to £19.8 million (2016: £115.5 million).

Hiscox Corporate Centre

The central investment portfolio returned £25.5 million (2016: £17.9 million) during the year ended 31 December 2017. Foreign exchange movements resulted in an FX loss of £46.5 million (2016: profit of £57.2 million), due to the Corporate Centre holding a significant proportion of US Dollar assets to support the underwriting activities of the managed syndicates. As a result, the loss before tax was £62.6 million (2016: profit of £37.0 million).

Cash and liquidity

The Group’s primary source of liquidity is from premium and investment income. These funds are used predominantly to pay claims, expenses, reinsurance costs, dividends and taxes, and to invest in more assets.

During 2017, the Group returned capital to its shareholders of £76 million (2016: £113 million). Cash outflows for the year ended 31 December 2017 were £2.4 million (2016: cash outflow of £123.8 million). The Group paid £32.1 million of tax during the year compared with £6.1 million in 2016.

The Group had net cash inflows in the year ended 31 December 2017 from investing activities of £3.0 million (2016: outflow of £31.0 million), with continued underwriting software development. Marketing expenses amounted to £53.6 million during the year (2016: £42.1 million).

Key Performance Indicators

A number of key performance indicators for the Group are set out below for the years ended 31 December 2017 and 31 December 2016:

Group key performance indicators

	2017					2016				
	Hiscox Retail	Hiscox London Market	Hiscox Re & ILS	Corporate Centre	Total	Hiscox Retail	Hiscox London Market	Hiscox Re & ILS	Corporate Centre	Total
Gross premiums written (£m)	1,423.9	581.7	543.7	–	2,549.3	1,181.4	726.0	495.2	–	2,402.6
Net premiums written (£m)	1,298.9	376.2	189.1	–	1,864.2	1,092.0	469.1	226.8	–	1,787.9
Net premiums earned (£m)	1,229.9	435.7	208.9	–	1,874.5	1,020.5	443.1	211.4	–	1,675.0
Investment result (£m)	22.8	11.3	21.7	25.5	81.3	30.4	12.3	10.0	17.9	70.6
Profit/(loss) before tax (£m)	109.9	(36.2)	19.8	(62.6)	30.8	158.0	44.0	115.5	37.0	354.5
Claims ratio (%)	45.2	70.1	71.0	–	54.9	38.4	57.4	39.1	–	44.2
Expense ratio (%)	49.3	38.6	27.9	–	43.9	53.4	42.0	25.8	–	46.4
Foreign exchange impact (%)	0.1	2.9	2.4	–	1.1	(3.8)	(8.7)	(11.9)	–	(6.4)
Group combined ratio (%)	94.6	111.6	101.3	–	99.9	88.0	90.7	53.0	–	84.2

	2017	2016
Financial assets and cash* (£m)	4,412.7	4,409.7
Other assets (£m)	2,794.6	2,232.1
Total assets (£m)	7,207.3	6,641.8
Net assets (£m)	1,754.4	1,818.4
Net asset value per share (p)	618.6	649.9
Net tangible asset value per share (p)	570.0	605.7
Adjusted number of shares in issue (m)	283.6	279.8

*Excluding derivative assets and insurance-linked securities funds.

Major Claims

2017 was one of the most expensive years on record for the insurance industry in terms of natural catastrophes, largely as a result of hurricanes Harvey, Irma and Maria, Hurricane Nate, the Mexico earthquakes and the California wildfires. The total cost of these events to the industry has been estimated at in excess of $140 billion (Source: JLT). Hiscox established net reserves of $225 million to cover its expected losses from these events.

Hixcox aims to take a prudent approach to reserving for catastrophes and individual claims, and saw the release of £252 million in the year ended 31 December 2017 (2016: £213 million) from reserves for prior year claims.

In retail lines, claims activity increased to a more normal level after a benign 2017. In the UK, in line with others in the industry, Hiscox faced a large number of escape of water claims. Across the world Hiscox is investing in retail claims capabilities, having received over 74,000 claims notifications (2016: over 63,000) and paid out £294 million (2016: £248 million).

Marketing

In 2017 the Group spent £54 million on marketing and brand-building activity (2016: £42 million). Initiatives include the "i'mpossible" brand campaign which ran on digital, press, event, radio and "in elevator" mediums in the USA. Accordingly to independent research agency Directions Research, US brand awareness reached 44 per cent. as at 31 December 2017 (2016: 38 per cent.). Hiscox's target is to match the 70 per cent. experienced in the UK as at 31 December 2017 (Source: independent research agency Insitas). The new UK brand idea of "ever onwards" was also launched in the year.

Hiscox continues to activate a range of sponsorship and partnership activity across the Group, predominantly focused on core interest areas of art, classic cars and technology.

IT

The Group is continuing its programme of replacing all core retail systems with new IT systems. In 2017 the UK broker channel moved to the new system and in 2018 the high net worth business is expected to follow suit. The new system allows greater automation of the underwriting process, with attendant efficiency gains the benefit of which should begin to be seen in 2018. The programme is expected to wind down in 2019 at which time core members of the team will switch focus to Hiscox Europe.

In 2017 Hiscox USA began the first phase of its system replacement, entering the second phase in 2018. The business currently has over 250,000 small commercial customers, which Hiscox aims to move to a more robust and digital-friendly platform.

Hiscox is also readying for the implementation of the GDPR, the New York Insurance Department's new cyber regulations, achieving the UK's cyber essentials plus standard across the Group, adapting systems in light of the UK's withdrawal from the European Union and supporting a finance transformation process. Hiscox is committed to completing these programs and other linked initiatives Hiscox, as the Board considers robust modern infrastructure to be essential for the business to trade and grow profitably, notwithstanding the increase in overall expense ratio by an estimated 1 per cent. in the short-term.

Capital

Hiscox monitors its capital requirements based on external risk measures and internal risk appetite.

Capital management

The Board is responsible for monitoring the capital strength of the Hiscox Group and ensuring that its insurance carriers are suitably capitalised for regulatory and ratings purposes, taking into account future needs including growth where opportunities arise.

Capital requirements

Monitoring of the Group's capital requirements is based on both external risk measures, set by regulators and rating agencies, and internal guidelines for risk appetite. A full description of the requirements set by the regulators for the most significant insurance carriers is included in note 3.3 to the Group's 2016 Financial Statements. A brief explanation of the primary internal and external capital constraints at Group level is given below.

The Group measures its capital requirements against its available capital. Available capital is defined by the Group as the total of net tangible asset value and subordinated debt. The subordinated debt issued by the Group is hybrid in nature, which means it counts towards regulatory and rating agency capital requirements.

At 31 December 2017, available capital was £1.89 billion (2016: £1.97 billion), comprising net tangible asset value of £1,617 million (2016: £1,695 million) and subordinated debt of £275 million (2016: £275 million).

The Group can source additional funding from revolving credit and Letter of Credit facilities. Standby funding from these sources comprised US$500 million at 31 December 2017 (2016: US$500 million), of which US$10 million was utilised at 31 December 2017 (2016: US$10 million).

Rating agencies

The Group's ability to attract business, particularly reinsurance, is dependent upon the maintenance of appropriate financial strength ratings from the leading rating agencies: A.M. Best Europe – Rating Services Limited ("**A.M. Best**"), Standard & Poor's and Fitch. These ratings are assigned based on a range of factors, including business model, risk management, framework and financial strength. They are assigned individually to the insurance carriers of the Group, but capital adequacy is also monitored by the rating agencies at the consolidated Group level.

A.M. Best, Standard & Poor's and Fitch have shared their capital models with the Group. These models calculate capital adequacy by measuring available capital, after making various balance sheet adjustments, and comparing it with required capital, which incorporates charges for premium, reserve, investment and catastrophe risk.

For 2017, the Group's highest modelled capital requirement is the Standard and Poor's requirement. This was reduced during 2017 due to Standard & Poor's re-classification of Hiscox's business model from high risk to moderate risk, reflecting the Group's business diversification and its balanced approach between the relatively stable retail business and the more volatile 'big-ticket' business.

The financial strength ratings of the Group's significant insurance company subsidiaries are outlined below:

	A.M. Best	**Fitch**	**Standard & Poor's**
HIC	A (Excellent)	A+ (Strong)	A (Strong)
HIB	A (Excellent)	A+ (Strong)	-
HICG	A (Excellent)	A+ (Strong)	-
Hiscox Insurance Company Inc.	A (Excellent)	-	-
Hiscox SA	-	-	A (Strong)

Syndicate 33 carries an A.M. Best rating of A (Excellent). In addition, the Syndicate also benefits from Lloyd's ratings of A (Excellent) from A.M. Best, A+ (Strong) from Standard & Poor's and AA- (Very strong) from Fitch.

The Issuer and Hiscox plc, holding companies within the Group, are also rated as follows:

		Fitch Ratings		**Standard & Poor's**	
	Rating type	*Rating*	*Outlook*	*Rating*	*Outlook*
Hiscox plc	Long-term Issuer	A-	Stable	-	-
Hiscox Ltd	Long-term Issuer	A-	Stable	BBB+	Stable

Group regulators

As a Bermudian-registered holding company, the Issuer is regulated by the Bermuda Monetary Authority ("**BMA**") under the Bermuda Group Supervisory Framework. The BMA requires the Issuer to monitor its Group solvency capital requirement and provide a solvency return in accordance with the Group Solvency Self Assessment framework ("**GSSA**"), including an assessment of the Group's Bermuda Solvency Capital Requirement ("**BSCR**"). The BSCR model applies factors to premium, reserves and assets/liabilities to determine the minimum capital required to remain solvent throughout the year.

The GSSA is based on the Group's own internally assessed capital requirements and is informed by the newly-introduced Group-wide Hiscox Integrated Capital Model ("**HICM**"), which, together with the BSCR, forms part of the BMA's annual solvency assessment. The HICM provides a consistent view of capital requirements for all segments of the business and at Group level.

Hiscox is also required to publish a Financial Condition Report ("**FCR**"), which sets out details of the measures governing the Group's business operations, corporate governance framework, solvency and financial performance. The FCR is also intended to provide additional information about the Group's business model, enabling the public to make an informed assessment on whether the business is run in a prudent manner.

Internal capital requirements

The Group sets risk limits and tolerances that reflect the amount of risk it is willing to accept. To ensure good risk management, the Group's current exposure by key risk type is monitored against these pre-defined measures throughout the year.

The largest driver of capital is underwriting risk. The Group manages the underwriting portfolio with a view to ensuring that in a one-in-200 aggregate bad year it will lose no more than 12.5 per cent. of core capital plus 100 per cent. of buffer capital (£100 million) with an allowance for expected investment income. A market loss at this remote return period would be unusual and would be expected to bring about increases in the pricing of risk. Capital strength and financial flexibility following this scenario would position the Group to take advantage of any opportunities that might arise. After the payment of the final dividend on 4 June 2018, the available capital will reduce to approximately £1.83 billion, meeting the current regulatory, rating agency and internal capital requirements.

Hiscox is currently estimating its year end 2017 BSCR solvency ratio will exceed 225 per cent. The Group continues to operate with a strong solvency position. In addition, each of the subsequent insurance carriers hold appropriate capital positions on a local regulatory basis.

Based on internal estimates as at 31 December 2017, the Group held capital comfortably in excess of each of its requirements on internal, regulatory and rating agency bases.

Group investments

The table below shows performance indicators of the Group investment portfolio as at 31 December 2017 and 31 December 2016:

Group investment performance

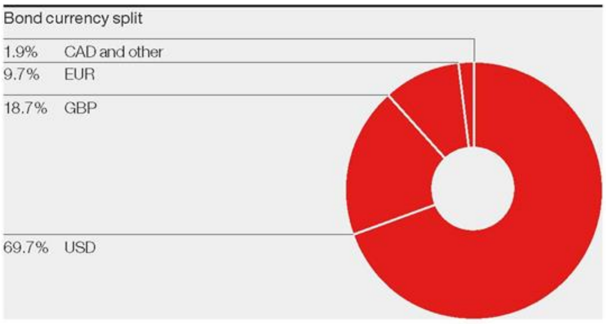
	31 December 2017			31 December 2016		
	Asset allocation %	Return %	Return £000	Asset allocation %	Return %	Return £000
Bonds (£)	13.4	1.2		14.1	2.7	
Bonds (US$)	54.2	1.5		54.6	1.7	
Bonds (Other)	10.2	(0.1)		8.7	1.1	
Bonds total	77.8	1.2	42,079	77.4	1.9	55,709
Equities	7.6	12.9	41,453	6.9	6.2	17,246
Deposits and cash equivalents	14.6	0.5	3,755	15.7	0.3	1,881
Actual return		2.0	87,287		1.9	74,836
Group invested assets			£4,413m			£4,410m

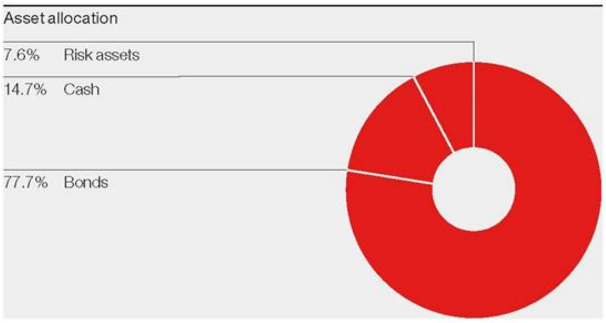
Before fees, derivative positions and investments in insurance-linked securities funds.

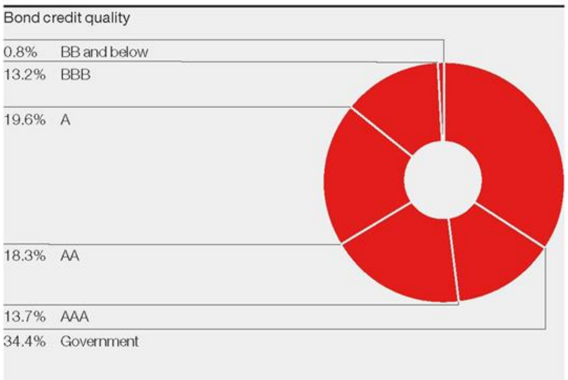
The main objectives of the Hiscox investment portfolio, of providing the liquidity to pay claims and capital to support the underwriting business, were particularly important in the year ended 31 December 2017. Following this strategy the investments in the year ended 31 December 2017, before derivatives and fees, made £87.3 million (2016: £77.8 million) equating to a return of 2.0 per cent. (2016: 1.9 per cent.). Historically, a negative environment for bonds has often translated into a positive market for equities and *vice versa*, and this correlation was seen in 2017. Whilst major government bond benchmarks produced negative or very low returns, a strong year for equities saw the modest allocation to risk assets provide a significant portion of the overall investment performance.

The recovery from the 2008 crisis has taken much longer than expected, with a long and sustained period of low interest rates and economic stimulus. Following initial interest rate rises by key central banks in 2017, the market is currently anticipating a gradual return to a more normal level of interest rates, and Hiscox's bond portfolios have been positioned accordingly. Whilst those in Sterling and Euros start from very low levels, Hiscox has recently been able to invest its US Dollar cashflow at significantly higher yields than it has been used to for some time.

The following charts show the asset allocation, currency split and credit quality of Hiscox's investment portfolio as at 31 December 2017:







Board of Directors

The Directors of the Issuer are listed in the table below together with any significant external appointments:

Name	Function on the Board	Outside Directorships and Principal outside activities
Robert Childs	Non-Executive Chairman	Trustee of Enham (a charity of the disabled), Chairman of The Bermuda Society and Deputy Chairman of Lloyd's.
Bronislaw Masojada	Chief Executive	Board member of the Association of British Insurers and Non-Executive Director of Pool Reinsurance Company Limited, Bajika Investments (Pty) Limited, Heptagon Assets Ltd and Heptagon Bir Ltd.
Hamayou Hussain	Chief Financial Officer	-
Richard Watson	Chief Underwriting Officer	Board Member of Lloyd's Members

Name	Function on the Board	Outside Directorships and Principal outside activities
		Association and Non-Executive Director of White Oak Underwriting Agency Limited.
Lynn Carter	Independent Non-Executive Director	Director of American Express Centurion Bank and Phoenix House Foundation and member of the Bankwork$ advisory board.
Caroline Foulger	Independent Non-Executive Director	Non-Executive Director of the Bank of N.T. Butterfield & Son Limited, Oakley Capital Investments Limited, Catalina Holdings (Bermuda) Ltd, Generation Life Ltd and Generation II Ltd.
Michael Goodwin	Independent Non-Executive Director	Fellow of the Institute of Actuaries of Australia and Non-Executive Director of PartnerRe Asia
Thomas Hürlimann	Independent Non-Executive Director	-
Colin Keogh	Independent Non-Executive Director	Non-Executive Director of M&G Group Limited, Virgin Money Unit Trust Managers Limited, Virgin Money Plc, Virgin Money Holdings (UK) plc and Premium Credit Ltd and Chairman of Premium Credit Limited
Anne MacDonald	Independent Non-Executive Director	Director of Rentrak Corporation.
Robert McMillan	Independent Non-Executive Director	-
Constantinos Miranthis	Independent Non-Executive Director	Fellow of the Institute and Faculty of Actuaries and a member of the American Academy of Actuaries.

The business address of each of the directors for the purposes of this Offering Memorandum is Wessex House, 4th Floor, 45 Reid Street, Hamilton, HM12, Bermuda.

If the external duties of a director conflicts with the Company in any way, the director would be expected to declare the conflict and either recuse themselves from the discussion or not vote on the board resolution concerned.

Risk management

The Group's core business is to take risk where the Group considers it is adequately rewarded, guided by a strategy that aims to maximise return on equity within a defined risk appetite.

The Group's success depends on how well it understands and manages its exposures across key risk types. These consist of strategic risk, insurance (underwriting and reserve) risk, market risk, credit risk, operational risk, regulatory and legal risk and group risk. The Group seeks to ensure that its collective risk knowledge informs every important decision it makes.

Risk strategy

The Group's risk strategy seeks to position it to capture the upside of the risks it pursues and effectively manage the downside of the risks to which it is exposed. The Group's risk strategy is based upon three key principles:

- maintaining underwriting discipline;
- seeking balance and diversity through the underwriting cycle; and
- transparency in approach to risk, allowing it to continually improve awareness and hone its response.

Risk management framework

The Group takes an enterprise-wide approach to managing risk. The risk management framework provides a controlled system for how risk is identified, measured, mitigated, monitored and reported across the Group. It supports innovative and disciplined underwriting across many different classes of insurance by guiding its appetite and tolerance for risk.

Exposures are monitored and evaluated both within the business units and at Group level to assess the overall level of risk being taken and risk mitigation approaches. The Group considers how different exposures and risk types interact, and whether they may result in correlations, concentrations or dependencies. The overall objective is to optimise risk-return decision-making while ensuring total exposure remains within the parameters set by the Board.

The risk management framework is underpinned by the system of internal control, which provides a consistent approach for the design and operation of internal controls to manage key risks.

The risk management framework is regularly reviewed and enhanced to reflect changes to the Group's risk profile, the external environment and evolving practice on risk management and governance. During 2017, Hiscox has commenced a refresh of its system of internal control in light of recent growth.

Risk appetite

Risk appetite sets out the nature and degree of risk the Group is prepared to take to meet its strategic objectives and business plan. It forms the basis of real-time exposure management and is monitored throughout the year.

The risk appetite is set out in two ways:

- in qualitative terms through risk appetite statements, which outline the level of risk Hiscox is willing to assume by risk type and overall; and
- in quantitative terms through risk limits and tolerances, which act as boundaries where actual risk exposure is more actively monitored. Risk tolerance is the maximum threshold the Group does not want to exceed; nearing it would represent a 'red alert' for senior management and the Board.

Risk appetite, which is set for each of the Group's insurance carriers and for the Group as a whole, is reviewed annually. It is flexed to respond to internal and external factors such as the growth or shrinkage of an area of the business, or changes in the underwriting cycle impacting upon capacity and rates.

Risk management across the business

The Group coordinates risk management roles and responsibilities across three lines of defence. Risk is also overseen and managed by formal and informal committees and working groups across the first and second lines of defence. These focus on specific risks such as catastrophe, reserve, investment, credit and emerging risk. The Group Risk and Capital Committee and the Group Underwriting Review Committee make wider decisions on risk.

The role of the Board in risk management

The Board is at the heart of risk governance and is responsible for setting the Group's risk strategy and appetite, and for overseeing risk management (including the risk management framework).

The Risk Committee of the Board advises on how best to manage the Group's risk profile by reviewing the effectiveness of risk management activities and monitoring the Group's actual risk exposure, to inform Board decisions. The Risk Committee relies on frequent updates from within the business and from independent risk experts.

During 2017, the Board looked at a number of risk-related matters:

- the Group's risk profile, compared with its Board-approved risk appetite;
- independent second line of defence model validation findings on the Group's risk and capital models;
- risk reporting focused on topical live issues with actions and mitigation plans;
- regular reporting on the risks determined by the Board to be critical to the Group;
- stress and scenario testing, performed to identify and measure the likelihood and impact of potential plausible but extreme events. The Board considered and challenged the findings and associated action plans for the scenarios, which had been designed to test the resilience of the business plan to major and minor shocks;
- specific risk reviews, providing a deeper understanding of key risks and potential exposures to the business;
- updates to the risk and control register, which summarises the Group's material risk exposures and the key controls in place to mitigate them, as agreed with risk owners;
- updates to Group risk policies, addressing the Group's main risks; and
- the Group Solvency Self-Assessment ("**GSSA**") report, which builds on many of the components described above to summarise the Group's Own Risk and Solvency Assessment ("**ORSA**"), which is described further below.

ORSA process

Hiscox's ORSA process is an evolution of its long-standing risk management and capital assessment processes. It is the self-evaluation of the risk mitigation and capital resources needed to achieve the Group's and individual insurance carriers' strategic objectives on a current and forward-looking basis, given their risk profiles.

The structure of the GSSA report and the insurance carriers' ORSA reports have been further refined in 2017 to streamline the documents and strengthen the narrative relating to conclusions, with procedure-related supporting documentation maintained in an ORSA record.

Role of the Group risk team

The Group risk team is responsible for designing and overseeing the implementation of the risk management framework and continually improving it. The team works with the business units to understand how they maintain the first line of defence and whether they need to make changes in their approach. The team is also responsible for monitoring that the business meets regulatory expectations around enterprise risk management and reporting on risk to the Board and the Risk Committee.

The Group risk team is led by the Group Chief Risk Officer, who reports to the Group Chief Executive Officer and Chair of the Group Risk Committee.

During 2017, the Group invested significantly in further strengthening the breadth of the Group risk team, with the recruitment of a number of additional team members.

Bermudian Law Considerations

Although the Issuer is incorporated in Bermuda, it is designated as non-resident of Bermuda for exchange control purposes by the BMA. Pursuant to its non-resident status, the Issuer may engage in transactions in currencies other than Bermuda dollars and there are no restrictions on its ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to non-Bermuda residents.

The Issuer is incorporated in Bermuda as an "exempted company". Under Bermuda law, exempted companies are companies formed for the purpose of conducting business outside Bermuda from a principal place of business in Bermuda. As an "exempted" company, the Issuer may not, without the express authorisation of the Bermuda legislature or under a licence or consent granted by the Bermuda Minister, participate in certain business transactions, including: (i) the acquisition or holding of land in Bermuda (except that held by way of lease or tenancy agreement which is required for its business and held for a term not exceeding 50 years, or which is used to provide accommodation or recreational facilities for its officers and employees and held with the consent of the Bermuda Minister, for a term not exceeding 21 years); (ii) the taking of any mortgages on land in Bermuda to secure an amount in excess of $50,000; or (iii) the carrying on of business of any kind for which it is not licensed in Bermuda, except in certain limited circumstances such as doing business with another exempted undertaking in furtherance of its business (as the case may be) carried on outside Bermuda.

Neither the Bermuda Registrar of Companies nor any other regulatory body in Bermuda has approved or disapproved of the Notes or passed upon the adequacy of this Offering Memorandum.

Securities may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003, and the Exchange Control Act 1972, and related regulations of Bermuda which regulate the sale of securities in Bermuda. In addition, specific consent is required from the BMA, pursuant to the provisions of the Exchange Control Act 1972 and related regulations, for all issuances and transfers of securities (which includes the Notes) of Bermuda companies, other than in cases where the BMA has granted a general permission. The BMA, in its notice to the public dated 1 June 2005, has granted permission for the issue and subsequent transfer of any securities, other than an equity security, from and/or to a non-resident of Bermuda. As the Notes are not equity securities, the specific permission of the BMA is not required to be obtained prior to any issuance.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

Bermuda tax consideration

On the date of this Offering Memorandum, there is no required withholding or deduction for or on account of tax from source on the Notes under Bermuda law.

Holders of the Notes who are not a resident in or engaged in business through a permanent establishment in Bermuda will not be subject to any taxes or duties in Bermuda on gains realised on the disposal or redemption of a Note or on income from a Note. In addition, no registration, transfer or other similar taxes are imposed under the laws of Bermuda by reason only of the acquisition, ownership or disposal of a Note. A holder will not be deemed to be domiciled or subject to taxation in Bermuda by reason only of holding a Note.

Under current Bermuda law, there is no income, corporate or profits tax or withholding tax, capital gains tax or capital transfer tax payable by the Issuer. The Issuer has obtained from the Bermuda Minister under The Exempted Undertaking Tax Protection Act 1966, as amended, an assurance that, in the event that Bermuda enacts legislation imposing tax computed on profits, income, any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance, then the imposition of any such tax shall not be applicable to the Issuer or to any of its operations or its shares, debentures or other obligations, until 31 March 2035. The Issuer could be subject to taxes in Bermuda after that date. This assurance is subject to the proviso that it is not to be construed so as to prevent the application of any tax or duty to such persons as are ordinarily resident in Bermuda or to prevent the application of any tax payable in accordance with the provisions of the Bermuda Land Tax Act 1967, as amended or otherwise payable in relation to any property leased to the Issuer. The Issuer pays annual Bermuda government fees. In addition, all entities employing individuals in Bermuda are required to pay a payroll tax and there are other sundry taxes payable, directly or indirectly, to the Bermuda government.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement dated 12 March 2018 (the "**Subscription Agreement**"), Barclays Bank PLC, Lloyds Bank plc, The Royal Bank of Scotland plc (trading as NatWest Markets) and UBS Limited (together, the "**Joint Lead Managers**") have agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at the issue price of 99.417 per cent. of their principal amount less certain commissions. The Joint Lead Managers are entitled to terminate and to be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or its territories except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S (as defined in the Securities Act, "**Regulation S**").

The Notes are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Bermuda

The Notes may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 and the Exchange Control Act 1972 (and regulations made thereunder) and the requirements of the related regulations of Bermuda which regulate the sale of securities in Bermuda.

Each Joint Lead Manager has represented, warranted and agreed that no invitation whether directly or indirectly has or will be made to the public in Bermuda to subscribe for the Notes.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

General

No action has been or will be taken by the Issuer or the Joint Lead Managers that would permit a public offering of the Notes or possession or distribution of this document or other offering material relating to the Notes in any jurisdiction where, or in any circumstances in which, action for these purposes is required. This document does not constitute an offer and may not be used for the purposes of any offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

Persons into whose hands this Offering Memorandum comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Notes or have in their possession or distribute such offering material, in all cases at their own expense.

Neither the Issuer nor the Joint Lead Managers represent that the Notes may at any time lawfully be sold in or from any jurisdiction in compliance with any applicable registration requirements or pursuant to an exemption available thereunder or assumes any responsibility for facilitating such sales.

Joint Lead Managers

The Joint Lead Managers and their affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and other members of the Group (including, in some cases, credit agreements, credit lines and other financing arrangements) in the ordinary course of their banking business. The Joint Lead Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

The Joint Lead Managers and their affiliates may provide banking services including financing, to the Issuer, and for which they may be paid fees and expenses. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and/or its affiliates (including the Notes). The Joint Lead Managers may have a lending relationship with the Issuer and its affiliates and may routinely hedge its credit exposure to the Issuer and/or its affiliates consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Issuer or the relevant affiliate, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments (including, without limitation, the Notes).

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 179010828 and an ISIN Code of XS1790108283. The CFI code for the Notes is DYFXXR and the FISN code is HISCOX LTD/2EUR NT 20221214 RESTN.

2. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

3. The yield of the Notes is 2.131 per cent., on an annual basis. The yield is calculated as at the Issue Date on the basis of the issue price and the interest rate of 2.000 per cent. per annum. It is not an indication of future yield.

4. The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately €7,200.

5. Application has been made for the Notes to be admitted to the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF.

6. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 22 February 2018 and of a committee of the board of directors of the Issuer passed on 7 March 2018.

7. The Trust Deed provides that the Trustee may rely on certificates or reports from any auditors or other parties in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document in connection therewith contains any limit on the liability of such auditors or such other party.

8. For so long as the Notes are admitted to listing on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF, any notices to Noteholders will be published in a newspaper of general circulation in a Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange's website at: www.bourse.lu.

9. There has been no significant change in the financial or trading position of the Group since 30 June 2017 (the date of the Issuer's most recent financial statements), nor has there has been any material adverse change in the prospects of the Group since 31 December 2016.

10. There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Issuer is aware which may have, or have had during the period of 12 months prior to the date of this document, a significant effect on the financial position or profitability of the Group.

11. The Offering Memorandum will also be available for inspection on the website of the Luxembourg Stock Exchange at: www.bourse.lu.

12. Copies of the 2015 Financial Statements, 2016 Financial Statements, 1H2017 Interim Statement, the 2017 Full Year Results, this Offering Memorandum, the Trust Deed and the Agency Agreement and the constitutional documents of the Issuer will be available at the specified offices of each of the Paying

Agents (as defined in the Conditions) during normal business hours, so long as any of the Notes is outstanding.

13. KPMG Audit Limited, Registered Auditors with the Chartered Professional Accountants of Bermuda, have audited, and rendered an unqualified audit report on, in accordance with International Standards on Auditing issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board, the consolidated financial statements of the Issuer, for the year ended 31 December 2015. KPMG Audit Limited has no material interest in the Issuer

PricewaterhouseCoopers Ltd., Registered Auditors with the Chartered Professional Accountants of Bermuda, have audited, and rendered an unqualified audit report on, in accordance with International Standards on Auditing issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board, the consolidated financial statements of the Issuer, for the year ended 31 December 2016. PricewaterhouseCoopers Ltd. has no material interest in the Issuer.

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