



## Interim Management Statement

**Hamilton, Bermuda (8 May 2018)** – Hiscox Ltd (LSE:HSX), the international specialist insurer, today issues its Interim Management Statement for the first three months of the year to 31 March 2018.

Gross written premiums grew by 20.3% in constant currency to \$1,155.8 million (2017: \$929.8 million). Hiscox London Market and Hiscox Re & ILS took advantage of the hardening market at the important 1 January renewals. Hiscox Retail continued its good momentum.

Bronek Masojada, Group CEO, commented: “After a costly year for catastrophes in 2017, our London Market and reinsurance businesses mobilised quickly to grasp the opportunity and grew strongly. Sadly, discipline and good sense is receding in the market, so for the rest of the year growth in big-ticket business will be more measured.

“Our long-term strategy of investing in less volatile retail lines continues to provide balance and opportunity for growth.”

### Gross Written Premiums for the period:

	<b>Gross Written Premiums to 31 March 2018</b>	Gross Written Premiums to 31 March 2017	Growth in constant currency	Growth in USD
	<b>US\$m</b>	US\$m	%	%
<b>Hiscox Retail</b>	<b>\$572.9</b>	\$465.1	14.0%	23.2%
<b>Hiscox London Market</b>	<b>\$219.8</b>	\$195.4	8.7%	12.5%
<b>Hiscox Re &amp; ILS</b>	<b>\$363.1</b>	\$269.3	42.0%	34.8%
<b>Total</b>	<b>\$1,155.8</b>	<b>\$929.8</b>	<b>20.3%</b>	<b>24.3%</b>

### Rates

After years of deterioration in big-ticket lines, the first quarter saw some continuation of the positive rate movement experienced in the second half of 2017, however it has not been widespread.

In the London Market, rates have improved most in catastrophe-exposed business, particularly in loss-affected lines. Rates in major property have increased by 20% in aggregate, and US household and commercial property binders have seen increases of up to 10%. Some casualty lines which are under stress have also seen rating growth.

In reinsurance, 2017 price declines have arrested and the positive momentum experienced in the lead-up to 1 January renewals has continued. The US portfolio has seen the most movement, with prices up 9% on average. Rates at 1 April, a key renewal for much of the international book, were generally flat. As we look ahead to further mid-year renewals in June and July, we see little prospect of rate improvement as an abundance of capacity from traditional and alternative sources remains a feature of the market.

Rates in retail business are broadly flat.

### Investments

The investment environment has been challenging in the first quarter. Whilst we have seen a welcome rise in interest rates and we are beginning to see a corresponding increase in investment

income, this is accompanied by the short term adverse effect of mark to market accounting on our fixed income portfolio. We have also experienced a more volatile environment for equities, with many of the global indices falling. The investment return to 31 March 2018 was -0.2% (2017: 0.7%) on a non-annualised basis.

Invested assets totalled \$6.6 billion at the end of March, with asset allocation remaining largely unchanged from the end of last year. The high quality and short duration of our portfolio sees us well positioned to respond to changing macroeconomic conditions and monetary policy moving forward.

## Hiscox Retail

### Gross Written Premiums for the period:

	<b>Gross Written Premiums to 31 March 2018</b>		Gross Written Premiums to 31 March 2017		Growth in constant currency	Growth in USD
	<b>£m/€m</b>	<b>US\$m</b>	£m/€m	US\$m	%	%
Hiscox Retail						
- Hiscox UK & Ireland	<b>£142.1</b>	<b>\$197.7</b>	£125.8	\$155.9	12.9%	26.8%
- Hiscox Europe	<b>€106.5</b>	<b>\$130.9</b>	€99.0	\$104.8	7.6%	24.9%
- Hiscox Special Risks		<b>\$39.7</b>		\$36.9	3.9%	7.6%
- Hiscox USA		<b>\$200.3</b>		\$164.0	22.1%	22.1%
- DirectAsia		<b>\$4.3</b>		\$3.5	13.2%	21.6%
<b>Hiscox Retail total</b>		<b>\$572.9</b>		<b>\$465.1</b>	<b>14.0%</b>	<b>23.2%</b>

### *Hiscox UK & Ireland*

Hiscox UK & Ireland increased gross written premiums by 12.9% in constant currency to \$197.7 million (2017: \$155.9 million), driven by strong contributions from both personal and small business lines and our growing network of partners who offer our products to their customers.

On-going investment in IT is bearing fruit as improved conversion, pricing and service fuelled good growth. The business is also benefiting from the transfer of contingency business, which includes cancellation and event insurance, from Hiscox London Market in January 2018.

Growth in our direct-to-consumer business has largely been driven by our home insurance partnership with Barclays, while customer retention remains above 90%.

The strong performance more than offset the impact of claims from February's cold weather system, the 'Beast from the East'.

In February we launched a new advertising campaign, CyberLive, targeting small business customers. The campaign used real-time cyber attacks fed into live digital posters at prominent stations and roadside sites across the UK to raise awareness of the threat that cyber-crime poses to small businesses.

We continue to build scale in the UK and Ireland, and with sustained investment in systems and processes, we expect to see an incremental benefit to the expense ratio over time.

## ***Hiscox Europe***

Hiscox Europe has had a strong start to the year, growing gross written premiums by 7.6% in constant currency to \$130.9 million (2017: \$104.8 million). All countries in our European business contributed to the growth, with Germany and the Netherlands the stand-out performers, as cyber insurance continues to be a key driver of growth in both countries.

There has been notable growth in specialty commercial and management liability in France and Spain, where our partnership division continues to perform strongly.

Hiscox Europe had a benign claims experience in the first quarter.

## ***Hiscox Special Risks***

Hiscox Special Risks grew by 3.9% in constant currency to \$39.7 million (2017: \$36.9 million), driven by growth in new business.

The team remains disciplined in the face of challenging market conditions, with a relentless focus on innovation in product, process and service, and a commitment to exploring new distribution opportunities around the world.

The Security Incident Response product, which covers a range of security issues such as criminal threats, workplace violence, corporate espionage and cyber extortion, continues to perform well, attracting commercial clients of all sizes.

## ***Hiscox USA***

Hiscox USA continues to deliver strong growth, with gross written premiums up by 22.1% to \$200.3 million (2017: \$164.0 million).

On-going investment in partnerships, brand and marketing has seen above budget growth in new business in the direct and partnerships division, as well as casualty lines in the broker channel.

Retention rates remain high across the portfolio, as customers and brokers are attracted to the quality and speed of service that is enabled by our investment in infrastructure and the quality of our people.

Our new US property MGA will commence trading in May, supported by capacity from Hiscox London Market as well as third-party capital providers through Lloyd's. It will enable us to increase our line size and make us a more material player in the market, whilst transferring the volatility to Lloyd's, which has an appetite for this kind of business. As part of the arrangement, we are moving our existing property portfolio from Hiscox USA into the MGA.

We see plenty of opportunity for growth in the US, where we remain a relatively small player. It should be expected that growth rates, which have regularly been above 30%, will naturally taper as the law of large numbers prevails. This will be amplified by the transfer of the property business to the MGA.

## ***DirectAsia***

DirectAsia grew gross written premiums by 13.2% in constant currency to \$4.3 million (2017: \$3.5 million). Our Thai business operates as an agency therefore is not reflected in these figures.

The good performance has been driven by growth in new business across all product lines in Singapore, where a sustained focus on product innovation and delivery of market-leading service is making inroads in a competitive market. We launched a new travel product earlier in the year, and continued investment in marketing and partnerships is showing encouraging signs.

In Thailand, our latest TV advertising campaign has had a significant impact on brand awareness.

## **Hiscox London Market**

Following a period of contraction in response to challenging market conditions, gross written premiums in our London Market business grew by 8.7% in constant currency to \$219.8 million (2017: \$195.4 million) as we took advantage of opportunities across the portfolio.

We have capitalised where rate improvement has been most pronounced, most notably in major property and US household and commercial property binders. We have also seen good growth in casualty lines, including general liability, and cyber. This growth, however, is tempered by those lines where we have taken the decision to reduce or exit such as aviation hull and liability, as we continue to maintain a disciplined approach. Whilst the rate environment has improved in some lines, the momentum is slowing and pricing discipline in the market is beginning to recede. This may impact the volume of business written this year.

We continue to experience strong demand for our FloodPlus product for homeowners, as awareness of the flood peril spreads in the aftermath of Hurricane Harvey. We plan to launch a commercial FloodPlus product later this year.

In the second quarter the property team will launch BindPlus, an online platform which provides coverholders with fast and flexible access to our household and commercial products through an API or via our own website.

The period has been largely benign for large losses in the London Market, though there has been a slight uptick in attritional property claims.

## **Hiscox Re & ILS**

In our reinsurance and ILS business, gross written premiums increased in constant currency by 42.0% to \$363.1 million (2017: \$269.3 million) as prices improved. The bulk of this increase was written on behalf of our ILS and quota share partners. Net written premiums grew by 31.0%.

Growth in US property catastrophe and excess of loss business, where rate improvement has been most significant, has been hard fought. We will maintain our disciplined approach and grow where returns are attractive. We have seen increasing demand for our suite of risk excess of loss products, where we have been market leaders for some time.

During the period we expanded our cyber offering with a new cyber industry loss warranty (ILW) product – the first of its kind. The cyber ILW helps (re)insurers address uncertainty around cyber tail risk by allowing them to take out coverage based on the total insured industry loss, rather than their own specific loss.

Our material line size and ILS capability continue to differentiate us, enabling us to compete for larger accounts in a highly competitive market and service clients whose risk appetites differ materially from our own.

Assets Under Management in the Hiscox ILS funds now exceed \$1.5 billion, evidence of the sustained demand for our underwriting expertise.

## **Change in reporting currency**

As previously announced, the functional currency of some of our subsidiaries including Syndicate 33 and the reporting currency of the Group changed to US Dollars on 1 January 2018. Ahead of our interim results, we will publish comparative restated data for our final and interim results of 2017.

**ENDS**

## **For further information**

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## **Notes to editors**

### **About The Hiscox Group**

Hiscox is a global specialist insurer, headquartered in Bermuda and listed on the London Stock Exchange (LSE:HSX). Our ambition is to be a respected specialist insurer with a diverse portfolio by product and geography. We believe that building balance between catastrophe-exposed business and less volatile local specialty business gives us opportunities for profitable growth throughout the insurance cycle. It's a long-standing strategy which in 2017 saw the business deliver a profit before tax (excluding foreign exchange) of £93.6 million despite reserving net \$225 million for claims in the most costly year ever for natural catastrophes.

The Hiscox Group employs over 2,700 people in 14 countries, and has customers worldwide. Through the retail businesses in the UK, Europe, Asia and the US, we offer a range of specialist insurance for professionals and business customers as well as homeowners. Internationally traded, bigger ticket business and reinsurance is underwritten through Hiscox London Market and Hiscox Re & ILS.

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