



Hiscox Ltd interim results
For the six months ended 30 June 2016

“A good first half”

	H1 2016	H1 2015
Gross premiums written	£1,288.5m	£1,096.3m
Net premiums earned	£767.5m	£709.8m
Profit before tax	£206.0m	£135.1m
Earnings per share	70.4p	43.7p
Interim dividend per share	8.5p	8.0p
Tangible net asset value per share	545.3p	462.8p
Group combined ratio	80.7%	82.5%
Return on equity (annualised)	28.3%	19.9%
Investment return (annualised)	2.3%	1.8%
Foreign exchange gains/(losses)	£87.3m	£(15.7)m

Highlights

- Hiscox Retail continues to perform well, and was the biggest contributor to profit in the first half.
- Hiscox USA delivered growth of 32.8% in local currency.
- Hiscox London Market grew by 9.7% in local currency, benefiting from new classes of business and expertise in niche areas.
- Hiscox Re delivered another strong performance, due to good risk selection, new products and income from our ILS business.
- Profit before tax excluding foreign exchange gain or loss £118.7 million (2015: £150.8 million).

Bronek Masojada, Chief Executive Officer, Hiscox Ltd, commented:

“Our retail businesses continue to grow in strength and profitability. Hiscox London Market and Hiscox Re have been disciplined in tough markets. Brexit has caused volatility and Sterling weakness, resulting in a foreign exchange gain which has benefited the bottom line. As this good result illustrates, our strategy, our people and our brand can deliver opportunities.”

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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 2015 helped generate gross premiums written of £1,944.2 million and a profit before tax of £216.1 million.

The Hiscox Group employs over 2,200 people in 14 countries, and has customers worldwide. Through the retail businesses in the UK, Europe and the US, we offer a range of specialist insurance for professionals and business customers as well as homeowners. Internationally traded, bigger ticket business and reinsurance is underwritten through Hiscox London Market and Hiscox Re.

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.



Chairman's statement

It has been a good half year, with the Group delivering a pre-tax profit of £206.0 million (2015: £135.1 million) and growing gross written premium by 17.5% to £1,288.5 million (2015: £1,096.3 million). This result is flattered by the impact of significant currency movements. Our underlying combined ratio has deteriorated reflecting a very tough trading environment. Our strategy of building retail businesses to offset the volatility of internationally traded lines continues to be effective, with Hiscox Retail the biggest contributor to profit in the first half. Although the year has started well, we remain cautious as we are on the cusp of the hurricane season.

Results

The half year result to 30 June 2016 was a pre-tax profit of £206.0 million (2015: £135.1 million), £118.7 million excluding foreign exchange gains/losses (2015: £150.8 million). Gross written premiums increased to £1,288.5 million (2015: £1,096.3 million) or 13.0% growth in local currencies. Net earned premiums were £767.5 million (2015: £709.8 million). The impact of foreign exchange was a profit of £87.3 million (2015: loss of £15.7 million). The net combined ratio was 80.7% (2015: 82.5%), excluding foreign exchange gains/losses 88.4% (2015: 80.3%). Earnings per share were 70.4p (2015: 43.7p) and net tangible assets per share grew to 545.3p (2015: 462.8p). The annualised return on equity was 28.3% (2015: 19.9%).

Dividend, balance sheet and capital management

The Board of Hiscox Ltd has declared an interim dividend for 2016 of 8.5p per share (2015: 8.0p) an increase of 6.3%. The record date for the dividend will be 5 August and the payment date will be 9 September.

The Board proposes to offer a scrip dividend alternative subject to the terms and conditions of Hiscox Ltd's 2016 Scrip Dividend Scheme. The last date for receipt of scrip elections will be 12 August and the reference price will be announced on 22 August. Details of how to elect are provided on the Company's website.

During the period the Group paid a second interim dividend of 32p per share (comprising a final dividend equivalent of 16p and an additional return of capital of 16p). Net asset value per share has increased by 8.6% from the year end.

As we have previously said, while the Group continues to maintain a progressive regular dividend policy, returning capital to shareholders is not a long-term strategy and going forward the focus will be on pursuing opportunities for profitable growth.

Leaving the European Union

There is a great deal of uncertainty about what is going to happen now the UK has voted to leave the European Union. We are preparing for a range of outcomes, depending on whether we remain in the single market or need to navigate new trading arrangements.

We believe this represents a structural rather than strategic challenge for the Group. Hiscox has always had an international view and Hiscox Europe is well-established. Excluding the UK, we employ 355 people in Europe and, generate gross written premiums of £260 million in the EU. Both are very important to us. Over the coming months and years we will work to understand future trading arrangements, and if necessary set up a new EU-based insurance company.

Traditionally, market dislocation has provided opportunity for those who are fleet of foot. We are a global business, with carriers in key markets that can take advantage of the changing environment. In time this may give us opportunities, for example supporting small MGAs by giving their clients access to the London Market.

Rates

Overall trading conditions remain tough with rating pressure affecting most markets. Where well-rated business is harder to find, we are happy to shrink where we deem it necessary.

In our retail businesses rates in casualty are flat to softening but are slightly up in personal lines.



In specialty lines such as kidnap and ransom and contingency, we are seeing fierce competition. However we benefit from market-leading positions, excellent underwriting expertise and long-term relationships. We are also committed to finding new ways to reach new markets.

Conditions are most challenging in the London Market. Aviation, energy and big ticket property business has experienced rate pressure for some time and that contagion is now spreading to other lines. We still see good opportunities in our binding authority business (US small ticket household and commercial property), although rates here are also softening.

Hiscox Re has reported rate reductions for some years but there are signs of this slowing at the important 1 June and 1 July renewals.

Hiscox Retail

The Hiscox Retail segment comprises Hiscox UK and Europe, and Hiscox International.

Gross written premiums	£581.1 million (2015: £510.5 million)
Profit before tax	£92.3 million (2015: £61.6 million)
Profit before tax excluding FX gains/losses	£68.2 million (2015: £73.5 million)
Combined ratio	84.1% (2015: 88.7%)

Hiscox UK and Europe

This division provides personal lines cover – from high-value household, fine art and collectibles to luxury motor – and commercial insurance for small and medium-sized businesses, typically operating in white collar industries. These products are distributed via brokers and through a growing network of partnerships. For some simple risks we distribute policies direct-to-consumer in the UK, France and Germany.

Gross written premiums	£345.6 million (2015: £316.3 million)
Profit before tax	£65.2 million (2015: £45.8 million)
Profit before tax excluding FX gains/losses	£47.5 million (2015: £56.4 million)
Combined ratio	79.9% (2015: 86.8%)

Hiscox UK and Europe delivered another good result despite challenging trading conditions. We are pleased to have grown by 9.3% and to have achieved a combined ratio that is better than our target range of 90-95%. It was another relatively quiet period for claims and a focus on finding efficiencies through updated IT infrastructure and new e-trading solutions is paying off.

Hiscox UK and Ireland

Gross written premium grew by 9.3% to £244.4 million (2015: £223.6 million). Growth was driven by professions and specialty commercial lines in our broker channel where we have expanded our appetite for larger risks. Our direct-to-consumer home business also performed well, benefiting from our new IT system's ability to tailor pricing. Our market-leading position in media, entertainment and events, and specialised claims handling team, continue to set us apart, achieving double-digit growth in the period.

Product innovation remains critical and helps to differentiate us in these markets. In high net worth home, we launched a new renovation and extension product designed to provide homeowners with additional protection when undertaking sizable building works. Hiscox Trader – our e-trading solution for commercial brokers – has also helped us make efficiencies to the way we quote and process small risks. In time we expect to add to the six products already on the system.

We were the first insurer to cede risks into Flood Re, much to the credit of our UK underwriting and operational teams, and we are already benefiting from the access this gives us to new customers.

There have been a number of claims but our exposure remains small. This includes the storms that battered parts of the UK in June.



Hiscox Europe

Gross written premiums in local currency grew by 7.5% to €132.6 million (2015: €123.3 million) and by 9.2% to £101.2 million (2015: £92.7 million) in Sterling. Growth was mainly driven by commercial lines business in Germany and Spain.

Our German operations are doing very well. Here, core homeowner and small business products continue to deliver, while a new focus on classic cars, the expansion of our cyber business, and new products launched for online shops and IT freelancers all help to differentiate us.

In France, income was reduced by the cancellation of an unprofitable home surveyors' scheme. In Spain, all lines are growing, with a particularly good performance in professional indemnity and directors and officers' business.

We had minimal exposure to Storm Elvira and our European operations continue to benefit from low loss levels.

Hiscox International

This division comprises Hiscox Special Risks, Hiscox USA and DirectAsia.

Gross written premiums	£235.5 million (2015: £194.2 million)
Profit before tax	£27.1 million (2015: £15.8 million)
Profit before tax excluding FX gains/losses	£20.7 million (2015: £17.2 million)
Combined ratio	89.7% (2015: 92.1%)

Hiscox Special Risks

Hiscox Special Risks underwrites kidnap and ransom, security risks, personal accident, classic car, jewellery and fine art risks. Hiscox Special Risks has teams in London, Guernsey, Cologne, Munich, Paris, New York, Los Angeles and Miami.

This business delivered gross written premiums of £44.9 million (2015: £53.7 million). Conditions continue to be highly competitive; with contraction in oil and mining, and consolidation in other markets affecting premium as business travel to high risk areas decreases. Despite the drop in income, profitability remains good due to careful underwriting and effective expense management. The team is also exploring new markets and products, and new ways to distribute their valuable expertise.

It has been another benign period for claims.

Hiscox USA

Hiscox USA underwrites small-to-mid market commercial risks through brokers, other insurers and directly to businesses online and over the telephone.

Hiscox USA continues to be a major area of opportunity within the Group and has achieved strong growth year-on-year, increasing gross written premiums by 40% to £183.4 million (2015: £131.0 million), or 32.8% in local currency. All product lines contributed, and the performance of our direct and partnerships division continues to be particularly strong with customer numbers now over 110,000.

As experienced across a number of our divisions, conditions in bigger ticket business such as commercial property and terrorism remain competitive, and though we continue to actively seek out profitable opportunities we remain disciplined in these areas.

We expanded our cyber offering with Hiscox CyberClear, a product aimed at US small and medium-sized enterprises with less than \$1 billion in annual revenue. This complements our existing offering for larger businesses and, combined, these products are doing very well – giving us profitable opportunities in a growing market.

The US has embarked on a project to replace its core IT system which will allow us to grow and achieve efficiencies over time.

Claims for the period have been in line with expectations.

DirectAsia

DirectAsia is a direct-to-consumer business in Singapore, Hong Kong and Thailand that sells predominantly motor insurance. Hiscox acquired the business in April 2014.



DirectAsia achieved gross written premiums of £7.2 million (2015: £9.5 million) as the team navigates its way through competitive markets in Singapore. As a relatively new brand in Thailand, our marketing efforts are driving growth and we hope to capitalise on this good performance.

In March we announced the sale of the Hong Kong division, with IT separation on track and regulatory approval pending. This will allow us to focus on our core Singapore and Thailand markets, where we see greater potential.

Hiscox London Market

This segment uses the global licences, distribution network and credit rating available through Lloyd's to insure clients throughout the world.

Gross written premiums	£342.7 million (2015: £298.1 million)
Profit before tax	£37.1 million (2015: £21.2 million)
Profit before tax excluding FX gains/losses	£19.9 million (2015: £24.8 million)
Combined ratio	85.3% (2015: 90.6%)

Premium income grew by 15.0% to £342.7 million (2015: £298.1 million). Our newer classes of business (flood, cargo, product recall and US general liability) are performing well. Along with personal accident, these lines are offsetting reductions in some of the more challenged areas such as marine and energy, aviation and big-ticket property.

The specialist automotive and equipment business we write through WhiteOak has been an important contributor to growth in the past. We are increasing rates in some areas and being selective in others as conditions demand.

Our leadership position in US general liability and directors and officers' business boosts the expertise in the market, helping to attract new business into London. During the period we also launched our Cyber Threat Protect product which aims to simplify cyber cover for clients and has been well received.

Hiscox MGA continues to develop, establishing a presence in Paris that will give us greater access to the Mediterranean yacht market. In Miami, the property and terrorism businesses are developing well and we are exploring opportunities to extend our casualty offering in Latin America.

Our London Market business has experienced a number of claims. Notable losses include the Alberta wildfires, Houston floods, and earthquakes in Japan and Ecuador which result in a combined £9.1 million net loss. We also have some exposure to the Jubilee Oil Field claim, reported to be the largest energy market claim since Deepwater Horizon, this and other large losses are reserved at £16.1 million.

Hiscox London Market was awarded Insurance Team of the Year at Reactions London Market Awards 2016, in recognition of the work of our cyber and liability teams, as well as Marketing Team of the Year.

Hiscox Re

The Hiscox Re segment comprises the Group's reinsurance businesses in London, Paris and Bermuda, Insurance Linked Security (ILS) activity and Bermuda healthcare business.

Gross written premiums	£364.7 million (2015: £287.8 million)
Profit before tax	£54.6 million (2015: £59.6 million)
Profit before tax excluding FX gains/losses	£41.8 million (2015: £59.4 million)
Combined ratio	56.0% (2015: 45.5%)

Gross written premiums for Hiscox Re were £364.7 million (2015: £287.8 million), an increase of 20.6% in local currency, the result of new product successes and business written under Kiskadee.

Hiscox Re experienced less aggressive rate reductions at the important 1 June and 1 July renewals, and benefited from opportunities to write well-rated business at the June Florida renewals as well as growth in our key client partnerships.



Kiskadee Investment Managers' assets under management have now reached US\$1 billion.

Hiscox Re had limited exposure to the natural catastrophes listed earlier. The net impact of these losses is £5.4 million. Other large losses are being reserved at net £7.0 million.

Investments

The investment performance for the first six months of the year has exceeded our expectations largely due to the gains in bond portfolios following events in the last week of June. The investment result before derivatives was £42.0 million (2015: £27.9 million), 2.3% on an annualised basis (2015: 1.8%). Following the £91 million return of capital to shareholders in April, assets under management at 30 June 2016 were £3,946 million (2015: £3,032 million) boosted by positive cashflow and the impact of sterling weakness.

After a volatile start to the year a degree of calm returned to investment markets in the second quarter until the unexpected outcome of the UK referendum. The immediate response was a marked decline in bond yields, a dramatic sector rotation in equity markets and a sharp sell off in Sterling. As a result our bond portfolios have generated stronger returns than we anticipated at the beginning of the year. The risk assets however recorded a small decline in value as investors switched rapidly out of sectors that have performed well for us in recent years in favour of those such as oil, mining and consumer staples where many of the funds we invest in have been underweight.

Bond investors have clearly concluded in the short-term that the Brexit vote will herald a period of low growth in developed economies. The prospect of a rise in US interest rates this year has now all but disappeared whilst the Bank of England is expected to provide further stimulus by cutting official rates and possibly resuming quantitative easing. In Europe the stock of bonds with negative yields has got larger and more negative. Modest but positive returns from our bond portfolios therefore remains our objective. We take a long-term view with our allocation to risk assets which represent 6.9% of the portfolio. Despite the uncertainty increasing following the referendum result, we continue to advocate low risk over no risk with the corresponding return assumptions.

Outlook

As previously announced, in September we will welcome Aki Hussain as our new Group Chief Financial Officer. Aki will be an excellent addition to our senior team, bringing extensive financial services experience, strong regulatory exposure, and a fresh perspective. I would like to take this opportunity to thank John Worth, our interim CFO, for his great contribution over the last twelve months.

The speed of change in the UK political landscape over the last few weeks has been dizzying. We see the demand for insurance undiminished and our ability to meet our clients' needs unimpaired. We've been operating on the continent for over 20 years, and we plan to grow and prosper along with our customer and business partners. We may have to restructure to face European competition but we have time, resource and appetite for the change.

The balance and diversity of our business has long been a key driver of the Group's profitability. Our retail operations in the UK, Europe, US and Asia have plenty of room for profitable growth, and in our big-ticket internationally-traded business we will continue to find new opportunities where others find the conditions more challenging.

Robert Childs
25 July 2016



Additional performance measures

The Group has identified additional performance measures (APM) that are not defined in accordance with Generally Accepted Accounting Principles (GAAP), being International Financial Reporting Standards (IFRS), and may not necessarily have standardised meanings for ease of comparability across other organisations in the industry. These non-GAAP measures are used within these interim financial statements. These APMs are : return on equity, investment return, combined ratio, foreign exchange gains/(losses) and profit excluding foreign exchange gains/(losses). These are standard measures used across the industry, and allow the reader of the half year report to compare across peer companies.

Return on Equity (ROE)

As is common within the financial services industry, the Group uses ROE as one of its key performance metrics. Whilst the measure enables the Group to compare itself against other peer companies in the immediate industry, it is also a key measure internally where it is used to compare the profitability of business segments, and underpins the performance related pay and shared based payment structures, as discussed within the remuneration policy report in the annual Report and Accounts. The ROE is shown in note 10, along with an explanation of the calculation.

Investment return

Investment return is a performance measure that enables comparability across organisations for the performance of their investment portfolio. Together with the asset valuations shown and asset mix, may assist the user of the financial statements to assess the likelihood of future returns and its impact on the profit of the Group. The Group calculates the investment return as investment income, plus net realised gains on financial investments at fair value through profit and loss and net fair value gains on financial investments at fair value through profit or loss, together being the 'Investment result – financial assets', divided by the weighted average of investments and cash throughout the period based on monthly valuations. Note 11(ii) provides the necessary information to facilitate this calculation.

Combined ratio

The combined ratio is a common measure enabling comparability across the insurance industry, that measures the relevant underwriting profitability of the business by reference to its costs as a proportion of its net earned premium. The Group calculates the combined ratio as if we owned all of the business, including the 27.5% of Syndicate 33 that the Group does not own. The Group does this to enable comparability from period to period as the business mix may change in a segment between insurance carriers, and this enables us to measure all of our underwriting businesses on an equal measure. The calculation is discussed further in note 8, operating segments.

The combined ratio excluding foreign exchange gains is calculated as the sum of the claims ratio and the expense ratio.

Foreign exchange gains/(losses)

Foreign exchange gains and losses are being highlighted due to their impact on the income statement of the Group. The Group will measure its underlying result excluding these gains and losses for more comparability between each period, and this enables the reader of these financial statements to do the same. The results are in relation to the translation of assets and liabilities on the balance sheets of subsidiary companies in currencies other than their functional currency at the appropriate period end date and represents the movement in a converted value compared to the value when originally transacted. The movement in the US Dollar and the Euro are the main contributors to these amounts.

Profit excluding foreign exchange gains/(losses)

This represents the profit before tax after deducting foreign exchange gains or adding back foreign exchange losses in the relevant period. This enables the reader of these financial statements, and the Group, to measure the comparability of underlying profitability without the volatility of these positions. To obtain the value, the reader of these financial statements should remove the foreign exchange gains/(losses), as identified in the income statement, from the profit before tax.

Condensed consolidated interim income statement

For the six month period ended 30 June 2016

	Note	6 months to 30 June 2016 £000	6 months to 30 June 2015 £000	Year to 31 Dec 2015 £000
Income				
Gross premiums written	8	1,288,478	1,096,299	1,944,220
Outward reinsurance premiums		(399,368)	(236,215)	(372,376)
Net premiums written		889,110	860,084	1,571,844
Gross premiums earned		1,014,461	882,169	1,828,334
Premiums ceded to reinsurers		(246,920)	(172,346)	(393,318)
Net premiums earned		767,541	709,823	1,435,016
Investment result	11	39,907	29,356	35,381
Other income	12	18,549	2,513	17,156
Total income		825,997	741,692	1,487,553
Expenses				
Claims and claim adjustment expenses		(449,941)	(308,965)	(685,897)
Reinsurance recoveries		121,572	55,622	113,444
Claims and claim adjustment expenses, net of reinsurance		(328,369)	(253,343)	(572,453)
Expenses for the acquisition of insurance contracts		(192,299)	(173,651)	(344,283)
Operational expenses	12	(176,429)	(160,210)	(361,215)
Foreign exchange gains/(losses)	20	87,323	(15,678)	15,153
Total expenses		(609,774)	(602,882)	(1,262,798)
Results of operating activities		216,223	138,810	224,755
Finance costs	13	(10,206)	(4,406)	(9,662)
Share of profit of associates after tax		4	671	1,007
Profit before tax		206,021	135,075	216,100
Tax expense	14	(8,395)	(5,695)	(6,205)
Profit for the period (all attributable to owners of the Company)		197,626	129,380	209,895
Earnings per share on profit attributable to owners of the Company				
Basic	16	70.4p	43.7p	72.8p
Diluted	16	68.2p	41.9p	70.5p

The notes to the condensed consolidated interim financial statements are an integral part of this document.



Condensed consolidated interim statement of comprehensive income

For the six month period ended 30 June 2016, after tax

	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
	£000	£000	£000
Profit for the period	197,626	129,380	209,895
Other comprehensive income			
Items never reclassified to profit and loss:			
Actuarial (losses)/gains on defined benefit plan	(36,081)	21,930	28,236
Income tax relating to components of other comprehensive income	7,786	(5,268)	(6,762)
	(28,295)	16,662	21,474
Items that may be reclassified to profit and loss:			
Exchange differences on translating foreign operations	56,383	(8,443)	34,478
Income tax relating to components of other comprehensive income	-	-	-
	56,383	(8,443)	34,478
Other comprehensive income net of tax	28,088	8,219	55,952
Total comprehensive income for the year (all attributable to owners of the Company)	225,714	137,599	265,847

The notes to the condensed consolidated interim financial statements are an integral part of this document.



Condensed consolidated interim balance sheet

At 30 June 2016

	Note	30 June 2016 £000	30 June 2015 £000	31 Dec 2015 £000
Assets				
Intangible assets		130,653	119,331	126,222
Property, plant and equipment		47,019	34,289	46,509
Investment in associates		13,523	11,341	13,525
Asset held for sale	3	12,010	-	-
Deferred tax		38,452	33,063	35,147
Deferred acquisition costs		344,308	274,727	271,517
Financial assets carried at fair value	18	3,305,812	2,633,210	2,921,585
Reinsurance assets	15	793,606	577,303	538,810
Loans and receivables including insurance receivables		865,068	693,730	619,563
Current tax asset		1,311	4,952	3,243
Cash and cash equivalents		685,859	746,371	727,880
Total assets		6,237,621	5,128,317	5,304,001
Equity and liabilities				
Shareholders' equity				
Share capital		19,042	19,002	19,030
Share premium		16,069	12,129	15,231
Contributed surplus		89,864	89,864	89,864
Currency translation reserve		147,561	48,257	91,178
Retained earnings		1,394,301	1,244,561	1,312,660
Equity attributable to owners of the Company		1,666,837	1,413,813	1,527,963
Non controlling interest		866	866	866
Total equity		1,667,703	1,414,679	1,528,829
Employee retirement benefit obligation		43,414	6,574	75
Deferred tax		20,109	26,372	29,814
Insurance liabilities	15	3,618,881	2,985,706	3,048,362
Financial liabilities	18	284,877	273,745	275,679
Current tax		9,253	12,550	4,884
Trade and other payables		593,384	408,691	416,358
Total liabilities		4,569,918	3,713,638	3,775,172
Total equity and liabilities		6,237,621	5,128,317	5,304,001

The notes to the condensed consolidated interim financial statements are an integral part of this document.



Condensed consolidated interim statement of changes in equity

For the six month period ended 30 June 2016

	Share capital	Share premium	Contributed surplus	Currency translation reserve	Retained earnings	Non controlling interest	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2016	19,030	15,231	89,864	91,178	1,312,660	866	1,528,829
Profit for the period (all attributable to owners of the company)	-	-	-	-	197,626	-	197,626
Other comprehensive income/(expense) net of tax (all attributable to owners of the company)	-	-	-	56,383	(28,295)	-	28,088
Employee share options:							
Equity settled share based payments	-	-	-	-	10,669	-	10,669
Proceeds from shares issued	12	838	-	-	-	-	850
Deferred and current tax on employee share options	-	-	-	-	1,260	-	1,260
Shares purchased by Trust	-	-	-	-	(9,945)	-	(9,945)
Dividends paid to owners of the Company	-	-	-	-	(89,674)	-	(89,674)
Balance at 30 June 2016	19,042	16,069	89,864	147,561	1,394,301	866	1,667,703

The notes to the condensed consolidated interim financial statements are an integral part of this document.
The equity attributable to owners of the Company is £1,666,837,000 at 30 June 2016.



Condensed consolidated interim statement of changes in equity

For the six month period ended 30 June 2015

	Share capital	Share premium	Contributed surplus	Currency translation reserve	Retained earnings	Non controlling interest	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2015	19,913	10,417	89,864	56,700	1,276,446	866	1,454,206
Profit for the period (all attributable to owners of the company)	-	-	-	-	129,380	-	129,380
Other comprehensive income/(expense) net of tax (all attributable to owners of the company)	-	-	-	(8,443)	16,662	-	8,219
Employee share options:							
Equity settled share based payments	-	-	-	-	8,822	-	8,822
Proceeds from shares issued	19	814	-	-	-	-	833
Deferred and current tax on employee share options	-	-	-	-	2,778	-	2,778
E/F Share scheme:							
Return of capital, special distribution	-	(32)	-	-	(141,422)	-	(141,454)
Final dividend equivalent	-	-	-	-	(48,105)	-	(48,105)
Share consolidation and subdivision	(930)	930	-	-	-	-	-
Balance at 30 June 2015	19,002	12,129	89,864	48,257	1,244,561	866	1,414,679

The equity attributable to owners of the Company was £1,413,813,000 at 30 June 2015.



Condensed consolidated interim statement of changes in equity

For the year ended 31 December 2015

	Share capital	Share premium	Contributed surplus	Currency translation reserve	Retained earnings	Non controlling interest	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2015	19,913	10,417	89,864	56,700	1,276,446	866	1,454,206
Profit for the year (all attributable to owners of the company)	-	-	-	-	209,895	-	209,895
Other comprehensive income net of tax (all attributable to owners of the company)	-	-	-	34,478	21,474	-	55,952
Employee share options:							
Equity settled share based payments	-	-	-	-	17,726	-	17,726
Proceeds from shares issued	29	1,400	-	-	-	-	1,429
Deferred and current tax on employee share options	-	-	-	-	5,761	-	5,761
E/F Share Scheme:							
Return of capital, special distribution	-	(32)	-	-	(141,422)	-	(141,454)
Final dividend equivalent	-	-	-	-	(48,105)	-	(48,105)
Share consolidation and subdivision	(930)	930	-	-	-	-	-
Shares purchased by Trust	-	-	-	-	(6,712)	-	(6,712)
Shares issued in relation to Scrip dividends	18	2,516	-	-	-	-	2,534
Dividends paid to owners of the Company	-	-	-	-	(22,403)	-	(22,403)
Balance at 31 December 2015	19,030	15,231	89,864	91,178	1,312,660	866	1,528,829

The notes to the condensed consolidated interim financial statements are an integral part of this document.
The equity attributable to owners of the Company was £1,527,963,000 at 31 December 2015.



Condensed consolidated interim cash flow statement

For the six month period ended 30 June 2016

	Note	6 months to 30 June 2016 £000	6 months to 30 June 2015 £000	Year to 31 Dec 2015 £000
Profit before tax		206,021	135,075	216,100
Adjustments for:				
Interest and equity dividend income		(23,280)	(21,343)	(40,951)
Interest expense	13	10,206	4,406	9,662
Net fair value (gains)/losses on financial assets and liabilities		(16,302)	(5,949)	8,538
Depreciation, amortisation and impairment		7,299	7,905	22,734
Charges in respect of share based payments		10,669	8,822	17,726
Other non-cash movements		(944)	1,389	(782)
Effect of exchange rate fluctuations on cash presented separately		(16,774)	11,769	(971)
Changes in operational assets and liabilities:				
Insurance and reinsurance contracts		126,910	(107,190)	47,125
Financial assets carried at fair value		(271,426)	189,270	(43,374)
Financial liabilities carried at fair value		9,198	264,306	(7,093)
Other assets and liabilities		3,475	(196,980)	56,877
Cash paid to the defined benefit pension scheme		-	-	-
Interest received		19,368	21,189	40,768
Equity dividends received		174	790	1,027
Interest paid		(3,180)	(3,649)	(8,453)
Current tax paid		(5,484)	(23,924)	(27,757)
Cash derecognised on loss of control	3	(17,477)	-	(342,655)
Cash flows from subscriptions received in advance		-	35,032	123,000
Net cash flows from operating activities		38,453	320,918	71,521
Cash flow from the purchase and sale of subsidiaries		-	(6,171)	(7,375)
Cash flow from the sale and purchase of associates		-	-	(2,089)
Cash flows from the purchase of property, plant and equipment		(158)	(10,057)	(19,272)
Cash flows from the purchase of intangible assets		(11,307)	(8,475)	(30,952)
Net cash flows from investing activities		(11,465)	(24,703)	(59,688)
Proceeds from the issue of ordinary shares		850	833	1,429
Shares repurchased		(9,945)	-	(6,712)
Proceeds from long-term debt issue, net of fees		-	-	273,909
Distributions paid to owners of the Company	17	(89,674)	(189,559)	(209,428)
Net cash flows from financing activities		(98,769)	(188,726)	59,198
Net (decrease)/increase in cash and cash equivalents		(71,781)	107,489	71,031
Cash and cash equivalents at 1 January		727,880	650,651	650,651
Net (decrease)/increase in cash and cash equivalents		(71,781)	107,489	71,031
Effect of exchange rate fluctuations on cash and cash equivalents		29,760	(11,769)	6,198
Cash and cash equivalents at end of period	21	685,859	746,371	727,880

The notes to the condensed consolidated interim financial statements are an integral part of this document.



Notes to the condensed consolidated interim financial statements

1. Reporting entity

Hiscox Ltd (the 'Company') is a public limited company registered and domiciled in Bermuda. The condensed consolidated interim financial statements for the Company as at, and for the six months ended, 30 June 2016 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates. The Chairman's statement accompanying these condensed consolidated interim financial statements forms the Interim Management Report for the half year ended 30 June 2016.

The Directors of Hiscox Ltd are listed in the Group's 2015 Report and Accounts. A list of current Directors is maintained and available for inspection at the registered office of the Company located at 4th Floor, Wessex House, 45 Reid Street, Hamilton, HM 12, Bermuda.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the Listing Rules issued by the Financial Conduct Authority. The information presented herein does not include all of the disclosures typically required for full consolidated financial statements. Consequently these financial statements should be read in conjunction with the full consolidated financial statements of the Group as at, and for the year ended, 31 December 2015 which are available from the Company's registered office or at www.hiscoxgroup.com. Except where otherwise indicated, all amounts are presented in Pounds Sterling and rounded to the nearest thousand.

After making enquiries, the Directors have an expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason the condensed consolidated interim financial statements have been prepared on a going concern basis and are prepared on the historical cost basis except that pension scheme assets included in the measurement of the employee retirement benefit obligation, and certain financial instruments including derivative instruments are measured at fair value.

Taxes on income for the interim period are accrued using the estimated effective tax rate that would be applicable to estimated total annual earnings.

KPMG Audit Limited, being the independent auditors at that time, have reported on the Group's full consolidated financial statements as at, and for the year ended, 31 December 2015. The report of the independent auditors was not qualified. KPMG Audit Limited resigned as independent auditors on 19 May 2016 and PricewaterhouseCoopers Ltd were appointed in their place. The amounts presented for the 30 June 2016 and 30 June 2015 periods are unaudited.

These condensed consolidated interim financial statements were approved on behalf of the Board of Directors by the Chief Executive, B E Masojada and the Chairman, R S Childs. Accordingly the Half Yearly Report to the London Stock Exchange was approved for issue on Monday, 25 July 2016.

3. Basis of consolidation

On 9 March 2016 the Group reached an agreement to sell the Hong Kong entities of the DirectAsia business to Well Link Group Holdings Limited. The transaction is subject to regulatory approval from the Office of the Commissioner of Insurance (OCI) in Hong Kong.

From 9 March 2016, the Group no longer has the ability to use its power over the entities to affect the exposure, or rights to the variable returns. The Group therefore has determined that the Hong Kong entities no longer meets the criteria for consolidation as defined by IFRS 10. As the Group has determined that it continues to have significant influence over the entities, it has recognised the Hong Kong entities as associates under IAS28. As a result of the above, we have derecognised the assets and liabilities relating to the two Hong Kong entities at the carrying amount and the Group's investment is recognised as an asset held for sale in accordance with IFRS 5. Below is a table disclosing the impact to the consolidated financial statements following the deconsolidation on 10 March 2016.

	£000
Total assets no longer recognised in the consolidated balance sheet	(20,662)
Total liabilities no longer recognised in the consolidated balance sheet	9,941
Total currency translation reserve no longer recognised in the consolidated balance sheet	221
Asset held for sale recognised in the consolidated balance sheet	11,327
Profit recognised in other income in the consolidated income statement	827

The asset held for sale is shown as a separate line item on the consolidated interim balance sheet. At period end rates for June 2016, the amount reflected is £12.0 million. The Group has determined that the accounting policy for this asset is for it to be measured at fair value less costs to sell.



4. Accounting policies and methods of computation

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at, and for the year ended, 31 December 2015. The consolidated financial statements as at, and for the year ended, 31 December 2015 were compliant with International Financial Reporting Standards as adopted by the European Union and in accordance with the provisions of the Bermuda Companies Act 1981. The Interim Report is compliant with IAS 34 Interim Financial Reporting as adopted by the European Union.

In preparing these interim financial statements, Management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

5. Financial, insurance and other risk management

The Group's financial, insurance and other risk management objectives and policies are consistent with that disclosed in note 3 of the full consolidated financial statements as at, and for the year ended, 31 December 2015. The principal risks and uncertainties are unchanged and may be summarised as underwriting risk, reserving risk, reliability of fair values, equity price risk, interest rate risk, liquidity risk, credit risk, currency risk and capital risk. The Group recognises that following the decision of the UK to leave the European Union, it may face greater volatility in credit, currency and liquidity risk whilst uncertainty remains.

The Group continues to monitor all aspects of its financial risk appetite and the resultant exposure taken with caution, and has consequently suffered insignificant defaults on investments held, and other third-party balances during the period under review.

As detailed in note 18, the Group's investment allocation is broadly comparable to that at 31 December 2015 as outlined in the Group Report and Accounts. The Group also continues to be mindful of the processes required for establishing the reliability of fair values obtained for some classes of financial assets affected by ongoing periods of diminished liquidity. In order to assist users, the Group has disclosed the measurement attributes of its investment portfolio in a fair value hierarchy in note 19 in accordance with IFRS 13 Fair Value Measurement.

The Group remains susceptible to fluctuations in rates of foreign exchange, in particular between Pound Sterling and the US Dollar.

Strong treasury management has ensured that the Group's balance sheet remains well capitalised and its operations are financed to accommodate foreseen liquidity demands together with a high level of capital sufficient to meet future catastrophe obligations even if difficult investment market conditions were to prevail for a period of time.

6. Seasonality and weather

Historically the Group's most material exposure to catastrophe losses on certain lines of business such as reinsurance inwards and marine and major property risk have been greater during the second half of the calendar year, broadly in line with the most active period of the North Atlantic hurricane season. In contrast, a majority of gross premium income written in these lines of business occurs during the first half of the calendar year. The Group actively participates in many regions and if any catastrophic events do occur, it is likely that the Group will share some of the market's losses. Consequently, the potential for significantly greater volatility in expected returns remains during the second half of the year. Details of the Group's recent exposures to these classes of business are disclosed in the Group's 2015 Report and Accounts.

7. Related party transactions

Transactions with related parties during the period are consistent in nature and scope with those disclosed in note 37 of the Group's 2015 Report and Accounts.

8. Operating segments

The Group's operating segment reporting follows the organisational structure and management's internal reporting systems, which form the basis for assessing the financial reporting performance of, and allocation of resource to each business segment. From 1 January 2016, the kidnap and ransom business written by Hiscox Insurance Company Limited, Hiscox Insurance Company Inc. and Syndicate 33 by Europe, USA and London Market respectively, has been transferred to Special Risks, which also includes Hiscox Guernsey. The figures represented below have been restated in the prior periods as appropriate. The Group's four primary business segments are identified as follows:

Hiscox Retail brings together the results of the UK and Europe, and Hiscox International being the US, Special Risks and Asia retail business divisions.

Hiscox UK and Europe underwrite European personal and commercial lines of business through Hiscox Insurance Company Limited, together with the fine art and non-US household insurance business written through Syndicate 33. In addition, Hiscox UK includes elements of specialty and international employees and officers' insurance written by Syndicate 3624, and Hiscox Europe excludes the kidnap and ransom business written by Hiscox Insurance Company Limited.



Hiscox International comprises the specialty and fine art lines written through Hiscox Insurance Company (Guernsey) Limited, and the motor business written via DirectAsia, together with US commercial, property and specialty business written by Syndicate 3624 and Hiscox Insurance Company Inc. via the Hiscox USA business division. It also includes the European kidnap and ransom business written by Hiscox Insurance Company Limited and Syndicate 33.

Hiscox London Market comprises the internationally traded insurance business written by the Group's London based underwriters via Syndicate 33, including lines in property, marine and energy, casualty and other specialty insurance lines, excluding the kidnap and ransom business. In addition, the segment includes elements of business written by Syndicate 3624 being auto physical damage, auto extended warranty and aviation business.

Hiscox Re is the Reinsurance division of the Hiscox Group, combining the underwriting platforms in Bermuda, London and Paris. The segment comprises the performance of Hiscox Insurance Company (Bermuda) Limited with the reinsurance contracts written by Syndicate 33. In addition, the healthcare and casualty reinsurance contracts written in the Bermuda hub on Syndicate capacity are also included.

Corporate Centre comprises the investment return, finance costs and administrative costs associated with Group management activities. Corporate Centre also includes the majority of foreign currency items on economic hedges and intragroup borrowings, further details of these can be found in note 13 of the Group's Report and Accounts for the year ended 31 December 2015. Corporate Centre forms a reportable segment due to its investment activities which earn significant external returns.

All amounts reported below represent transactions with external parties only. In the normal course of trade, the Group's entities enter into various reinsurance arrangements with one another. The related results of these transactions are eliminated on consolidation and are not included within the results of the segments. This is consistent with the information used by the chief operating decision-maker when evaluating the results of the Group. Performance is measured based on each reportable segment's profit before tax.

6 months ended 30 June 2016

	Hiscox Retail	Hiscox London Market	Hiscox Re	Corporate centre	Total
	£000	£000	£000	£000	£000
Gross premiums written	581,065	342,665	364,748	-	1,288,478
Net premiums written	528,200	216,188	144,722	-	889,110
Net premiums earned	470,391	198,154	98,996	-	767,541
Investment result	15,325	10,142	7,658	6,782	39,907
Other income	7,517	4,518	5,815	699	18,549
Total income	493,233	212,814	112,469	7,481	825,997
Claims and claim adjustment expenses, net of reinsurance	(174,651)	(109,714)	(44,004)	-	(328,369)
Expenses for the acquisition of insurance contracts	(125,309)	(62,374)	(4,616)	-	(192,299)
Operational expenses	(125,038)	(20,846)	(21,095)	(9,450)	(176,429)
Foreign exchange gains	24,039	17,215	12,803	33,266	87,323
Total expenses	(400,959)	(175,719)	(56,912)	23,816	(609,774)
Results of operating activities	92,274	37,095	55,557	31,297	216,223
Finance costs	-	-	(919)	(9,287)	(10,206)
Share of profit of associates after tax	4	-	-	-	4
Profit before tax	92,278	37,095	54,638	22,010	206,021
100% ratio analysis*					
Claims ratio (%)	36.5	54.3	45.0	-	42.9
Expense ratio (%)	52.9	40.5	24.8	-	45.5
Combined ratio excluding foreign exchange impact (%)	89.4	94.8	69.8	-	88.4
Foreign exchange impact (%)	(5.3)	(9.5)	(13.8)	-	(7.7)

Combined ratio (%)^	84.1	85.3	56.0	-	80.7
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6 months ended 30 June 2015, restated

	Hiscox Retail	Hiscox London Market	Hiscox Re	Corporate centre	Total
	£000	£000	£000	£000	£000
Gross premiums written	510,497	298,051	287,751	-	1,096,299
Net premiums written	481,799	207,797	170,488	-	860,084
Net premiums earned	433,805	169,849	106,169	-	709,823
Investment result	11,522	5,412	6,329	6,093	29,356
Other income	4,175	2,382	(4,226)	182	2,513
Total income	449,502	177,643	108,272	6,275	741,692
Claims and claim adjustment expenses, net of reinsurance	(148,921)	(84,248)	(20,174)	-	(253,343)
Expenses for the acquisition of insurance contracts	(113,949)	(50,537)	(9,165)	-	(173,651)
Operational expenses	(113,599)	(18,155)	(18,539)	(9,917)	(160,210)
Foreign exchange (losses)/gains	(11,959)	(3,655)	243	(307)	(15,678)
Total expenses	(388,428)	(156,595)	(47,635)	(10,224)	(602,882)
Results of operating activities	61,074	21,048	60,637	(3,949)	138,810
Finance costs	-	(26)	(1,015)	(3,365)	(4,406)
Share of profit of associates after tax	515	156	-	-	671
Profit/(loss) before tax	61,589	21,178	59,622	(7,314)	135,075
100% ratio analysis*					
Claims ratio (%)	34.0	49.2	18.3	-	35.7
Expense ratio (%)	51.9	39.2	26.9	-	44.6
Combined ratio excluding foreign exchange impact (%)	85.9	88.4	45.2	-	80.3
Foreign exchange impact (%)	2.8	2.2	0.3	-	2.2
Combined ratio (%)^	88.7	90.6	45.5	-	82.5



Year ended 31 December 2015, restated

	Hiscox Retail £000	Hiscox London Market £000	Hiscox Re £000	Corporate centre £000	Total £000
Gross premiums written	989,787	571,021	383,412	-	1,944,220
Net premiums written	936,576	410,280	224,988	-	1,571,844
Net premiums earned	887,982	366,360	180,674	-	1,435,016
Investment result	17,361	6,841	4,664	6,515	35,381
Other income	9,004	7,520	(149)	781	17,156
Total income	914,347	380,721	185,189	7,296	1,487,553
Claims and claim adjustment expenses, net of reinsurance	(343,391)	(180,765)	(48,297)	-	(572,453)
Expenses for the acquisition of insurance contracts	(234,110)	(104,581)	(5,592)	-	(344,283)
Operational expenses	(250,513)	(47,955)	(40,694)	(22,053)	(361,215)
Foreign exchange losses/(gains)	(8,364)	6,862	8,327	8,328	15,153
Total expenses	(836,378)	(326,439)	(86,256)	(13,725)	(1,262,798)
Results of operating activities	77,969	54,282	98,933	(6,429)	224,755
Finance costs	-	(52)	(1,472)	(8,138)	(9,662)
Share of profit of associates after tax	661	346	-	-	1,007
Profit/(loss) before tax	78,630	54,576	97,461	(14,567)	216,100
100% ratio analysis*					
Claims ratio (%)	37.9	49.0	26.0	-	39.6
Expense ratio (%)	54.1	39.8	25.4	-	46.1
Combined ratio excluding foreign exchange impact (%)	92.0	88.8	51.4	-	85.7
Foreign exchange impact (%)	0.9	(2.2)	(4.8)	-	(0.7)
Combined ratio (%)^	92.9	86.6	46.6	-	85.0

* The Group's percentage participation in Syndicate 33 can fluctuate from year to year and consequently, presentation of the ratios at the 100% level removes any distortions arising therefrom.

^ The combined ratio is made up of the aggregation of the claims ratio, the expense ratio and the impact of foreign exchange. The claims ratio is calculated as claims and claim adjustment expenses, net of reinsurance, as a proportion of net premiums earned. The expense ratio is calculated as the total of expenses for the acquisition of insurance contracts, and operational expenses as a proportion of net premiums earned. The foreign exchange impact ratio is calculated as the foreign exchange gains or losses as a proportion of net premiums earned. All ratios are calculated using the 100% results. Costs allocated to the Corporate Centre are non-underwriting related costs and are not included within the combined ratio.

The tables presented below contain the net earned premium, claims, expenses and foreign exchange items at 100% ownership, to enable calculation of the underlying ratios included in the operating segments.

Period ended 30 June 2016

	Hiscox Retail £000	Hiscox London Market £000	Hiscox Re £000	Corporate centre £000	Total £000
Net premium earned	483,613	246,989	113,409	-	844,011
Claims and claim adjustment expenses, net of reinsurance	(176,779)	(134,091)	(51,083)	-	(361,953)



Expenses for the acquisition of insurance contracts	(124,671)	(75,236)	(4,652)	-	(204,559)
Operational expenses	(131,198)	(24,735)	(23,479)	-	(179,412)
Foreign exchange gains	25,825	23,412	15,673	-	64,910

Period ended 30 June 2015, restated

	Hiscox Retail £000	Hiscox London Market £000	Hiscox Re £000	Corporate centre £000	Total £000
Net premium earned	446,954	213,023	121,453	-	781,430
Claims and claim adjustment expenses, net of reinsurance	(152,041)	(104,746)	(22,180)	-	(278,967)
Expenses for the acquisition of insurance contracts	(118,398)	(60,742)	(11,931)	-	(191,071)
Operational expenses	(113,660)	(22,777)	(20,763)	-	(157,200)
Foreign exchange losses	(12,540)	(4,638)	(325)	-	(17,503)

Year ended 31 December 2015, restated

	Hiscox Retail £000	Hiscox London Market £000	Hiscox Re £000	Corporate centre £000	Total £000
Net premium earned	913,296	461,064	206,669	-	1,581,029
Claims and claim adjustment expenses, net of reinsurance	(346,251)	(225,740)	(53,787)	-	(625,778)
Expenses for the acquisition of insurance contracts	(242,703)	(126,262)	(6,322)	-	(375,287)
Operational expenses	(250,829)	(57,497)	(46,115)	-	(354,441)
Foreign exchange (losses)/gains	(8,404)	10,342	9,893	-	11,831

9. Net asset value per share

	30 June 2016		30 June 2015		31 Dec 2015	
	Net asset value (total equity) £000	NAV per share pence	Net asset value (total equity) £000	NAV per share pence	Net asset value (total equity) £000	NAV per share pence
Net asset value	1,667,703	591.7	1,414,679	505.5	1,528,829	545.0
Net tangible asset value	1,537,050	545.3	1,295,348	462.8	1,402,607	500.0

The net asset value per share is based on 281,862,040 shares (30 June 2015: 279,875,668; 31 December 2015: 280,516,658), being the shares in issue at 30 June, less those held in treasury and those held by the Group Employee Benefit Trust. Net tangible assets comprise total equity excluding intangible assets.

10. Return on equity

	6 months to 30 June 2016 £000	6 months to 30 June 2015 £000	Year to 31 Dec 2015 £000
Profit for the period	197,626	129,380	209,895
Opening total equity	1,528,829	1,454,206	1,454,206
Adjusted for the time weighted impact of capital distributions and issuance of shares	(38,154)	(91,892)	(146,028)
Adjusted opening total equity	1,490,675	1,362,314	1,308,178

Annualised return on equity (%)	28.3	19.9	16.0
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The return on equity is calculated by using profit for the period divided by the adjusted opening total equity. The adjusted opening total equity represents the equity on 1 January of the relevant year as adjusted for time weighted aspects of capital distributions and issuing of shares or treasury share purchases during the period. The time weighted positions are calculated on a daily basis with reference to the proportion of time from the transaction to the end of the period. We annualise the ROE by using a standard compound formula for the half year periods, being the profit for the period divided by the adjusted opening total equity, to the power of 2 to annualise for a full year comparison.

11. Investment result

i. Analysis of investment result

The total investment result for the Group before taxation comprises:	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
	£000	£000	£000
Investment income including interest receivable	23,280	21,343	40,951
Net realised gains on financial investments at fair value through profit or loss	325	2,064	2,968
Net fair value gains/(losses) on financial investments at fair value through profit or loss	18,353	4,450	(10,239)
Investment result – financial assets	41,958	27,857	33,680
Fair value (losses)/gains on derivative financial instruments	(2,051)	1,499	1,701
Total result	39,907	29,356	35,381

Investment expenses are presented within other expenses (note 12).

ii. Annualised investment return

	6 months to 30 June 2016		6 months to 30 June 2015		Year to 31 Dec 2015	
	£000		£000		£000	
	Return £000	Yield %	Return £000	Yield %	Return £000	Yield %
Debt and fixed income securities	43,581	3.2	15,038	1.3	21,585	0.9
Equities and shares in unit trusts	(2,737)	(2.0)	11,910	9.3	10,410	4.0
Deposits with credit institutions/cash and cash equivalents	1,114	0.3	909	0.4	1,685	0.4
	41,958	2.3	27,857	1.8	33,680	1.0
Weighted average assets (£m)	3,629		3,099		3,219	

12. Other income and operational expenses

	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
	£000	£000	£000
Agency related income	6,443	4,987	9,117
Profit commission	6,189	3,386	10,000
Other underwriting income	2,986	(6,374)	(4,196)
Other income	2,931	514	2,235
Other income	18,549	2,513	17,156
Wages and salaries	65,947	56,564	124,466
Social security costs	9,487	11,126	21,884
Pension cost – defined contribution	3,775	4,071	8,432
Pension cost – defined benefit	80	749	1,825
Share based payments	10,669	8,822	17,726
Marketing expenses	23,130	19,276	44,499
Investment expenses	1,825	1,826	4,267
Depreciation, amortisation and impairment	7,299	7,905	22,734
Other expenses	54,217	49,871	115,382
Operational expenses	176,429	160,210	361,215

In accordance with IAS 32 any changes in the fair value of the Third party investment in Kiskadee Funds, classified as a financial liability, are recognised as fair value gains or losses through profit or loss (note 18). The Group recognised a loss of £6,374,000 for the period to 30 June 2015 and 31 December 2015, which is included in other underwriting income above.

Wages and salaries have been shown net of transfers to acquisition and claims expenses.

13. Finance costs

	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
	£000	£000	£000
Interest charge associated with long-term debt	8,399	-	1,754
Interest and expenses associated with bank borrowing facilities	839	1,120	2,156
Interest and charges associated with Letters of Credit	311	2,457	5,363
Interest charges on experience account	657	829	389
	10,206	4,406	9,662

As at 30 June 2016, the total amount drawn by way of Letter of Credit to support the Funds at Lloyd's requirement was \$10.0 million (30 June 2015: \$529.5 million, 31 December 2015: \$71.9 million).

14. Tax expense

The Company and its subsidiaries are subject to enacted tax laws in the jurisdictions in which they are incorporated and domiciled. The amounts charged in the condensed consolidated income statement comprise the following:

	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
	£000	£000	£000
Current tax			
Expense for the year	14,618	11,121	9,906
Adjustments in respect of prior years	(1,279)	(595)	(264)
Total current tax	13,339	10,526	9,642
Deferred tax			
Credit for the year	(5,140)	(4,473)	(1,849)
Adjustments in respect of prior years	196	(358)	(490)
Effect of rate change	-	-	(1,098)
Total deferred tax	(4,944)	(4,831)	(3,437)
Total tax charged to the income statement	8,395	5,695	6,205

The Group records its income tax expense based on the expected effective rate for the full year.

15. Insurance liabilities and reinsurance assets

	30 June 2016	30 June 2015	31 Dec 2015
	£000	£000	£000
Gross			
Claims and claim adjustment expenses outstanding	2,280,309	1,908,893	2,038,096
Unearned premiums	1,338,572	1,076,813	1,010,266
Total insurance liabilities, gross	3,618,881	2,985,706	3,048,362
Recoverable from reinsurers			
Claims and claim adjustment expenses outstanding	454,270	357,218	365,477
Unearned premiums	339,336	220,085	173,333
Total reinsurers' share of insurance liabilities	793,606	577,303	538,810
Net			
Claims and claim adjustment expenses outstanding	1,826,039	1,551,675	1,672,619
Unearned premiums	999,236	856,728	836,933
Total insurance liabilities, net	2,825,275	2,408,403	2,509,552

Net claims and claim adjustment expenses include releases of £96.1m (30 June 2015: £122.6m, 31 December 2015: £205.9m) of reserves established in prior reporting periods.

The development of net claims reserves by accident years are detailed below.

Insurance claims and claims expenses reserves – net at 100%

Accident year ending 31 December**	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Estimate of ultimate claims costs as adjusted for foreign exchange*: at end of accident year**	756,977	863,318	763,110	892,505	1,121,217	889,481	843,392	883,851	936,929	513,493	8,464,273
one period later**	692,220	770,186	633,716	782,569	1,037,040	782,051	744,001	769,898	914,126	-	7,125,807
two periods later**	670,914	769,546	605,889	737,191	995,996	724,471	666,825	732,327	-	-	5,903,159
three periods later**	638,379	724,123	606,786	718,095	994,407	698,527	653,267	-	-	-	5,033,584
four periods later**	636,257	691,158	596,208	695,817	986,539	697,969	-	-	-	-	4,303,948
five periods later**	610,408	678,239	593,782	691,420	981,494	-	-	-	-	-	3,555,343
six periods later**	603,670	669,650	580,711	675,443	-	-	-	-	-	-	2,529,474
seven periods later**	588,895	655,523	577,956	-	-	-	-	-	-	-	1,822,374
eight periods later**	584,002	652,550	-	-	-	-	-	-	-	-	1,236,552
nine periods later**	582,329	-	-	-	-	-	-	-	-	-	582,329
Current estimate of cumulative claims	582,329	652,550	577,956	675,443	981,494	697,969	653,267	732,327	914,126	513,493	6,980,954
Cumulative payments to date	(548,874)	(628,489)	(522,429)	(602,173)	(843,708)	(529,754)	(483,475)	(427,662)	(306,526)	(91,107)	(4,984,197)
Liability recognised at 100% level	33,455	24,061	55,527	73,270	137,786	168,215	169,792	304,665	607,600	422,386	1,996,757
Liability recognised in respect of prior accident years at 100% level											113,111
Total net liability to external parties at 100%											2,109,868

* The foreign exchange adjustment arises from the retranslation of the estimates at each date using the exchange rate ruling at 30 June 2016.

** With the exception of the most recent development data for each accident year, which only relates to the six months ending 30 June 2016, the term period refers to one full calendar year.

Reconciliation of 100% disclosures above to Group's share - net

Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current estimate of cumulative claims	582,329	652,550	577,956	675,443	981,494	697,969	653,267	732,327	914,126	513,493	6,980,954
Less: attributable to external Names	(117,215)	(118,745)	(95,494)	(96,026)	(136,654)	(77,444)	(66,552)	(76,527)	(103,889)	(50,479)	(939,025)
Group share of current ultimate claims estimate	465,114	533,805	482,462	579,417	844,840	620,525	586,715	655,800	810,237	463,014	6,041,929
Cumulative payments to date	(548,874)	(628,489)	(522,429)	(602,173)	(843,708)	(529,754)	(483,475)	(427,662)	(306,526)	(91,107)	(4,984,197)
Less: attributable to external Names	109,325	114,554	84,848	83,488	112,669	53,645	47,209	44,802	25,765	8,300	684,605
Group share of cumulative payments	(439,549)	(513,935)	(437,581)	(518,685)	(731,039)	(476,109)	(436,266)	(382,860)	(280,761)	(82,807)	(4,299,592)
Liability for 2007 to 2016 accident years recognised on Group's balance sheet	25,565	19,870	44,881	60,732	113,801	144,416	150,449	272,940	529,476	380,207	1,742,337
Liability for accident years before 2007 recognised on Group's balance sheet											83,702
Total Group liability to external parties included in the balance sheet, net[†]											1,826,039

[†] This represents the claims element of the Group's insurance liabilities and reinsurance assets.

16. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held in treasury as own shares.

	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
Profit for the period attributable to owners of the Company (£000)	197,626	129,380	209,895
Weighted average number of ordinary shares in issue (thousands)	280,835	295,787	288,209
Basic earnings per share (pence per share)	70.4p	43.7p	72.8p

Diluted

Diluted earnings per share is calculated by adjusting the assumed conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, share options and awards. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
Profit for the period attributable to owners of the Company (£000)	197,626	129,380	209,895
Weighted average number of ordinary shares in issue (thousands)	280,835	295,787	288,209
Adjustment for share options (thousands)	8,824	12,806	9,603
Weighted average number of ordinary shares for diluted earnings per share (thousands)	289,659	308,593	297,812
Diluted earnings per share (pence per share)	68.2p	41.9p	70.5p

Diluted earnings per share has been calculated after taking account of outstanding options and awards under employee share option and performance plan schemes and also options under save as you earn schemes.

17. Dividends paid to owners of the Company

	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
	£000	£000	£000
Second interim dividend for the year ended:			
31 December 2015 of 32.0p (net) per share	89,674	-	-
Interim dividend for the year ended:			
31 December 2015 of 8.0p (net) per share	-	-	22,403
	89,674	-	22,403

The second interim dividend equivalent for the year ended 31 December 2015 was comprised of a final dividend equivalent of 16p per share, and an additional return of capital of 16p per share. No scrip dividend alternative was offered.

The interim dividend for the year ended 31 December 2015 was paid in cash of £20,202,000 and 274,455 shares for the scrip dividend.

An interim dividend of 8.5p (net) per ordinary share has been declared payable on 9 September 2016 to shareholders registered on 5 August 2016 in respect of the six months to 30 June 2016 (30 June 2015: 8.0p (net) per ordinary share). A scrip dividend alternative will be offered to the owners of the Company. The dividend was declared in Bermuda on 22 July 2016 and accordingly has not been included as a distribution or liability in this interim consolidated financial information in accordance with IAS 10 Events after the balance sheet date.

18. Financial assets and liabilities

i. Analysis of financial assets carried at fair value

	30 June 2016 £000	30 June 2015 £000	31 Dec 2015 £000
Debt and fixed income securities	2,980,654	2,356,908	2,615,014
Equities and shares in unit trusts	270,669	263,865	259,705
Deposits with credit institutions	9,051	7,318	6,684
Total investments	3,260,374	2,628,091	2,881,403
Insurance linked funds	44,983	5,033	40,045
Derivative financial instruments	455	86	137
Total financial assets carried at fair value	3,305,812	2,633,210	2,921,585

ii. Analysis of financial liabilities carried at fair value

	30 June 2016 £000	30 June 2015 £000	31 Dec 2015 £000
Third-party investment in Kiskadee Funds	-	273,745	-
Derivative financial instruments	761	-	16
Total financial liabilities carried at fair value	761	273,745	16

iii. Analysis of financial liabilities carried at amortised cost

	30 June 2016 £000	30 June 2015 £000	31 Dec 2015 £000
Long-term debt	273,964	-	273,909
Accrued interest on long-term debt	10,152	-	1,754
Total financial liabilities carried at amortised cost	284,116	-	275,663

iv. Investment and cash allocation

	30 June 2016		30 June 2015		31 Dec 2015	
	£000	%	£000	%	£000	%
Debt and fixed income securities	2,980,654	75.5	2,356,908	69.9	2,615,014	72.4
Equities and shares in unit trusts	270,669	6.9	263,865	7.8	259,705	7.2
Deposits with credit institutions/cash and cash equivalents	694,910	17.6	753,659	22.3	734,564	20.4
Total	3,946,233		3,374,432		3,609,283	

Following a significant inflow of capital from third-party investors during 2015, the Group determined that it no longer meets the criteria for consolidation of the Kiskadee Funds and SPLs from 1 July 2015 as defined by IFRS 10. As a result, from that date the assets and liabilities of the Kiskadee Funds as well as the two SPLs have been derecognised at their carrying amounts and the Group's investment in the Kiskadee Funds is recognised as a financial asset measured at fair value through profit and loss.

This investment is classified as insurance linked funds in the table above. No further subscriptions or redemptions were made into these funds by the Group in 2016.



On 24 November 2015, the group issued £275.0 million 6.125% fixed-to-floating rate callable subordinated notes due 2045, with a first call date of 2025.

The notes bear interest from and including 24 November 2015 at a fixed rate of 6.125% per annum annually in arrears starting 24 November 2016 up until the first call date in November 2025, and thereafter at a floating rate of interest equal to three-month LIBOR plus 5.076% payable quarterly in arrears on each floating interest payment date. The Group will be exposed to interest rate risk on its long-term debt.

On 25 November 2015 the notes were admitted for trading on the London Stock Exchange's regulated market. The notes were rated BBB- by S&P as well as by Fitch.

The interest accrued on the long-term debt was £10.2 million at the balance sheet date (30 June 2015 : £nil; 31 December 2015 : £1.8 million) and is included in financial liabilities.

v. Investment and cash allocation by currency

	30 June 2016 %	30 June 2015 %	31 Dec 2015 %
Sterling	24.0	19.7	26.5
US Dollars	61.9	65.9	60.3
Euro and other currencies	14.1	14.4	13.2

19. Fair value measurements

In accordance with IFRS 13 Fair Value Measurement, the fair value of financial instruments based on a three-level fair value hierarchy that reflects the significance of the inputs used in measuring the fair value, is set out below:

As at 30 June 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Debt and fixed income securities	800,260	2,180,394	-	2,980,654
Equities and shares in unit trusts	-	258,216	12,453	270,669
Deposits with credit institutions	9,051	-	-	9,051
Insurance linked fund	-	-	44,983	44,983
Derivative financial instruments	-	455	-	455
Total	809,311	2,439,065	57,436	3,305,812
Financial Liabilities				
Derivative financial instruments	-	761	-	761
Total	-	761	-	761

As at 30 June 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Debt and fixed income securities	634,161	1,722,747	-	2,356,908
Equities and shares in unit trusts	-	250,691	13,174	263,865
Deposits with credit institutions	7,318	-	-	7,318
Insurance linked fund	-	-	5,033	5,033
Derivative financial instruments	-	86	-	86
Total	641,479	1,973,524	18,207	2,633,210

Financial Liabilities



Third-party investment in Kiskadee Funds	-	-	273,745	273,745
Total	-	-	273,745	273,745

As at 31 December 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Debt and fixed income securities	836,950	1,778,064	-	2,615,014
Equities and shares in unit trusts	-	246,065	13,640	259,705
Deposits with credit institutions	6,684	-	-	6,684
Insurance linked fund	-	-	40,045	40,045
Derivative financial instruments	-	137	-	137
Total	843,634	2,024,266	53,685	2,921,585

Financial Liabilities

Derivative financial instruments	-	16	-	16
Total	-	16	-	16

The levels of the fair value hierarchy are defined by the standard as follows:

- level 1 - fair values measured using quoted prices (unadjusted) in active markets for identical instruments;
- level 2 - fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on market observable data;
- level 3 - fair values measured using valuation techniques for which significant inputs are not based on market observable data.

The fair values of the Group's financial assets are based on prices provided by investment managers who obtain market data from numerous independent pricing services. The pricing services used by the investment managers obtain actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

Investments in mutual funds, which are included in equities and shares in unit trusts, comprise a portfolio of stock investments in trading entities which are invested in various quoted investments. The fair value of shares in unit trusts are based on the net asset value of the fund reported by independent pricing sources or the fund manager.

Included within Level 1 of the fair value hierarchy are certain government bonds, treasury bills, long-term debt and exchange traded equities which are measured based on quoted prices in active markets.

Level 2 of the hierarchy contains certain government bonds, US government agencies, corporate securities, asset backed securities and mortgage backed securities. The fair value of these assets are based on the prices obtained from both investment managers and investment custodians as discussed above. The Group records the unadjusted price provided and validates the price through a number of methods including a comparison of the prices provided by the investment managers with the investment custodians and the valuation used by external parties to derive fair value. Quoted prices for US government agencies and corporate securities are based on a limited number of transactions for those securities and as such the Group considers these instruments to have similar characteristics as those instruments classified as Level 2. Also included within Level 2 are units held in traditional long funds and long and short special funds and over the counter derivatives.

Level 3 contains investments in a limited partnership and unquoted equity securities and an insurance linked fund which have limited observable inputs on which to measure fair value. Unquoted equities, including equity instruments in limited partnerships, are carried at fair value. Fair value is determined to be net asset value for the limited partnerships, and for the equity holdings it is determined to be the latest available traded price. The effect of changing one or more of the inputs used in the measurement of fair value of these instruments to another reasonably possible assumption would not be significant. At 30 June 2016, the insurance linked fund of £44,983,000 (30 June 2015 : £nil; 31 December 2015: £40,045,000) represents the Group's investment in Kiskadee Funds.

The fair value of the Kiskadee Funds is estimated to be the net asset value as at the balance sheet date. The net asset value is based on the fair value of the assets and liabilities in the Funds. Significant inputs and assumptions in calculating the fair value



of the assets and liabilities associated with reinsurance contracts written by the Kiskadee Funds include the amount and timing of claims payable in respect of claims incurred and periods of unexpired risk. The Group has considered changes in the net asset valuation of the Kiskadee Funds if reasonably different inputs and assumptions were used and has found no significant changes in the valuation.

In certain cases, the inputs used to measure the fair value of a financial instrument may fall into more than one level within the fair value hierarchy. In this instance, the fair value of the instrument in its entirety is classified based on the lowest level of input that is significant to the fair value measurement.

During the period, there were no significant transfers made between Level 1, Level 2 or Level 3 of the fair value hierarchy. The following table sets forth a reconciliation of opening and closing balances for financial instruments classified under Level 3 of the fair value hierarchy:

30 June 2016

	Financial assets			Financial liabilities
	Equities and shares in unit trusts £000	Insurance linked fund £000	Total £000	Third party investment in Kiskadee Funds £000
Balance at 1 January	13,640	40,045	53,685	-
Fair value gains or losses through profit or loss	(603)	979	376	-
Foreign exchange gains	334	3,959	4,293	-
Purchases	652	-	652	-
Settlements	(1,570)	-	(1,570)	-
Closing balance	12,453	44,983	57,436	-
Unrealised gains and losses in the period on securities held at the end of the period	(645)	979	334	-

30 June 2015

	Financial assets			Financial liabilities
	Equities and shares in unit trusts £000	Insurance linked fund £000	Total £000	Third party investment in Kiskadee Funds £000
Balance at 1 January	13,678	22,888	36,566	7,033
Fair value gains or losses through profit or loss	(452)	4	(448)	6,374
Foreign exchange gains and losses	(17)	401	384	(3,968)
Purchases	-	-	-	264,306
Settlements	(35)	(18,260)	(18,295)	-
Closing balance	13,174	5,033	18,207	273,745
Unrealised gains and losses in the year on securities held at the end of the year	(3,480)	(438)	(3,918)	6,374

20. Impact of foreign exchange related items

The net foreign exchange gains/(losses) for the year include the following amounts:

6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
£000	£000	£000

Exchange gains/(losses) recognised in the consolidated income statement	87,323	(15,678)	15,153
Exchange gains/(losses) classified as a separate component of equity	56,383	(8,443)	34,478
Overall impact of foreign exchange related items on net assets	143,706	(24,121)	49,631

The above excludes profit or losses on foreign exchange derivative contracts which are included within the investment result.

Net unearned premiums and deferred acquisition costs are treated as non monetary items in accordance with IFRS. As a result, a foreign exchange mismatch arises caused by these items being translated at historical rates of exchange prevailing at the original transaction date and not being retranslated at the end of each period. The impact of this mismatch on the income statement is shown below.

	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
	£000	£000	£000
Opening balance sheet impact of non-retranslation of non-monetary items	3,450	1,608	1,608
Gains/(losses) included within profit representing the non-retranslation on non-monetary items	15,666	(8,516)	1,842
Closing balance sheet impact of non-retranslation of non-monetary items	19,116	(6,908)	3,450

21. Condensed consolidated interim cash flow statement

The purchase, maturity and disposal of financial assets and liabilities, including derivatives, is part of the Group's insurance activities and is therefore classified as an operating cash flow.

Included within cash and cash equivalents held by the Group are balances totalling £162,434,000 (30 June 2015: £104,082,000; 31 December 2015: £125,626,000) not available for use by the Group outside of the Lloyd's Syndicates within which they are held. Additionally, £76,217,000 (30 June 2015: £nil; 31 December 2015: £172,000,000) is pledged cash against Funds at Lloyd's.



Directors' responsibilities statement

The Directors confirm, to the best of our knowledge, that the Chairman's statement and condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and the Interim Statement includes a fair review of the information required by sections 4.2.7R and 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, being:

1. an indication of important events during the first six months of the current financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
2. related-party transactions that have taken place in the first six months of the current year and that have materially affected the consolidated financial position or performance of Hiscox Ltd during that period, and any changes in the related party transactions described in the last annual report that could have such a material effect.

The individuals responsible for authorising the responsibility statement on behalf of the Board are the Chief Executive, B E Masojada and the Chairman, R S Childs. Accordingly the Half Yearly Report to the London Stock Exchange was approved for issue on Monday, 25 July 2016.