Financial condition report

Hiscox Ltd including:

Hiscox Insurance Company (Bermuda) Limited
Hiscox Capital Ltd

For the year ended
31 December 2019

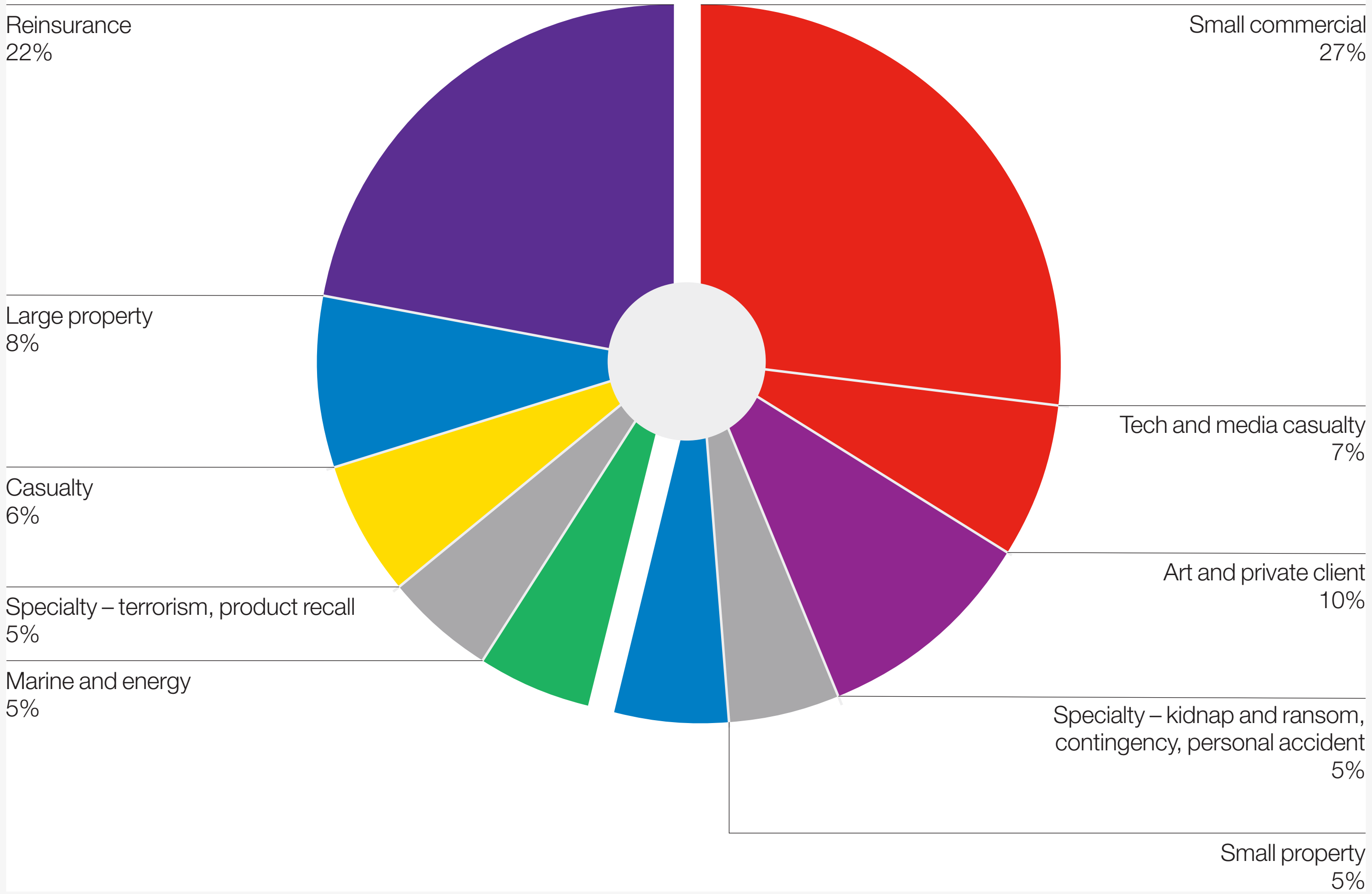
Hiscox is a diversified international insurance group with a powerful brand, strong balance sheet and plenty of room to grow. We are listed on the London Stock Exchange, headquartered in Bermuda and currently have over 3,100 staff across 14 countries and 35 offices.

Our products and services reach every continent, and we are one of the only insurers to offer everything from small business and home insurance to reinsurance and insurance-linked securities.

Strategic focus
Total Group controlled income for 2019
100% = $4,530 million

Big-ticket business
- Larger premium, globally traded, catastrophe-exposed business written mainly through Hiscox London Market and Hiscox Re & ILS.
- Shrinks and expands according to pricing environment.
- Excess profits allow further investment in retail development.

Retail business
- Smaller premium, locally traded, relatively less volatile business written mainly through Hiscox Retail.
- Growth between 5-15% per annum.
- Pays dividends.
- Specialist knowledge differentiates us and investment in brand builds strong market position.
- Profits act as additional capital.



Executive summary

In accordance with its Insurance (Public Disclosure) Rules 2015 the Bermuda Monetary Authority (BMA) requires Bermudian insurers to publish annually a Financial Condition Report (FCR). The purpose of the FCR is to provide stakeholders, including policyholders, regulators and shareholders with additional information on the financial condition of the insurer over and above that contained in the annual financial statements.

The FCR contains qualitative and quantitative information of Hiscox's business and performance, governance structure, risk profile, solvency valuation, and capital management.

Business and performance summary

The ultimate parent of the Hiscox Group (Hiscox) is Hiscox Ltd, which is incorporated in Bermuda and has a FTSE 250 listing on the London Stock Exchange. Hiscox Ltd and its subsidiaries, including: Hiscox Insurance Company (Bermuda) Limited (HIB) and Hiscox Capital Ltd (HCL) comprise the Hiscox Group, which is supervised by the BMA.

Hiscox's principal activity is the transaction of general insurance business, in particular personal and commercial insurance, as well as reinsurance. Personal insurance includes: high-value household, fine art and collectibles as well as luxury motor vehicles. Commercial insurance is focused on small- and medium-sized businesses, particularly for professional indemnity and other liabilities such as employment liability, property risks and specialist lines of business.

Governance structure summary

There is an established system of governance with clear segregation of duties and delegation of responsibilities to various committees reporting to the Hiscox Ltd Board of Directors. Similarly, HIB and HCL have formalised committee structures. Ultimate responsibility resides with the Boards of Directors of each of these companies. Each Board meets at least four times a year and is provided with appropriate and timely information to enable it to review business strategy, trading performance, business risks and opportunities, solvency and regulatory compliance.

Hiscox operates a three lines of defence model, which establishes clear duties, roles and responsibilities in order to manage the full range of risks to which it is exposed. There are clear reporting lines to the Board at all levels within the organisation to ensure that information is appropriately communicated.

Capital management summary

The Group operates with a strong solvency position. The amount of available capital held at year end 2019 is $2.28 billion*, comfortably meeting regulatory, rating agency and internal capital requirements. Our year-end 2019 BSCR solvency ratio is 208%, which includes the first stage of the change to the BSCR standard formula being phased in over a three-year period beginning in 2019. The changes are expected to reduce the Group's BSCR solvency coverage ratio by an estimated ten percentage points per annum over the next two years.

As the Group's premium base continues to grow and become more diversified, the Group has elected to recognise geographic diversification within its premium and reserves in the BSCR standard formula. The resulting diversification benefit has offset the impact of the changes in the formula. The Group expects to partially mitigate the impact of changes to the BSCR standard formula through ongoing capital generation and optimisation activities over the remaining two years of the transition period.

The Group monitors its capital requirements based on both external risk measures, set by regulators and the rating agencies, and its own internal guidelines of risk appetite. Hiscox has a robust capital position and financial flexibility to deploy resources as needed across the Group.

Decisions on optimal capital levels are an integral part of Hiscox's business planning and forward-looking assessment of risk processes, which cover a three-year time horizon.

There were no material changes to Hiscox's governance structure and capital management approach during the reporting period. Further details are included in this report.

*$2.28 billion available capital, comprising net tangible asset value of $1.912 million and subordinated debt of $364 million.

Geographic locations

The Hiscox Group has over 3,100 people in 14 countries. Our operations span every continent and we are not overly reliant on any one of our divisions for the Group's overall profit.

A. Business and performance

A.1. Business

The Hiscox Group ('Hiscox'), headquartered in Hamilton, Bermuda, comprises Hiscox Ltd and its subsidiaries (see Appendix I). Hiscox Ltd's ordinary shares are listed on the London Stock Exchange. In addition to Hiscox Ltd, Hiscox Insurance Company (Bermuda) Limited and Hiscox Capital Ltd, Class 4 and Class 3B insurers, respectively, are registered and domiciled in Bermuda.

As at 31 December 2019, Hiscox Ltd had been notified of the following interests of 5% or more of voting rights in its ordinary shares:

Massachusetts Financial Services Company	12.91%
Fidelity Management & Research	6.86%

Insurance supervisor and group supervisor

Hiscox Ltd, HIB, and HCL are supervised by the Bermuda Monetary Authority (BMA). The contact details are as follows:

The Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton
Bermuda

Lead supervisor: Kofi Takyi
Email: ktakyi@bma.bm
Phone: +1 441 295 5278 ext. 303

Approved auditor

The Group's auditor is PricewaterhouseCoopers Ltd. (Bermuda). The contact details are as follows:

PricewaterhouseCoopers Ltd.
Washington House
4th Floor, 16 Church Street
Hamilton HM 11
Bermuda

Engagement partner: Arthur Wightman
Email: arthur.wightman@bm.pwc.com
Phone: +1 441 295 2000

A.2. Performance

Underwriting performance

Hiscox is a specialist insurer with a diverse portfolio of business by geography and product. HIB and HCL underwrite a variety of reinsurance business. The following represents the (re)insurance business written for the period by business segment on a Group and legal entity basis.

Line of business	Hiscox Ltd 2019 GWP ($000)	Hiscox Ltd 2018 GWP ($000)	HIB 2019 GWP (US$000)	HIB 2018 GWP (US$000)	HCL 2019 GWP ($000)	HCL 2018 GWP ($000)
Property catastrophe	551,480	512,687	426,521	387,798	11,775	26,407
Property	1,160,443	1,032,505	149,213	84,087	131,561	129,723
Personal accident	34,491	53,139	–	–	11,186	19,792
Aviation	5,733	7,657	–	–	1,426	1,372
Credit/surety	13,169	14,632	2,120	–	3,147	3,691
Energy offshore/marine	193,281	168,604	–	–	75,767	58,886
US casualty	376,595	331,914	1,498	1,336	151,557	113,975
US professional	711,999	502,946	42,076	42,117	–	–
US specialty	(418)	34	27,111	18,975	986	516
International motor*	63,223	58,883	31,982	–	(8,121)	(923)
International casualty non-motor	815,337	1,032,893	380,123	274,494	92,228	88,418
Retro property	105,403	62,447	93,743	65,700	–	–
Total	4,030,736	3,778,341	1,154,387	874,507	471,512	441,857

Source: BSCR – Schedule IV.
*HCL 2019 includes premium adjustment on auto extended warranty business in run off.

The following represents the (re)insurance business written for the period by geographical region on a Group and legal entity basis.

Hiscox Ltd

Geographical location	2019 GWP ($000)	2018 GWP ($000)
North America	2,003,639	1,925,936
United Kingdom	774,270	746,292
Europe (excluding UK)	518,660	460,570
Worldwide*	434,608	416,371
Other**	299,559	229,172
Total	4,030,736	3,778,341

Subsidiary	HIB		HCL	
Geographical location	2019 GWP ($000)	2018 GWP ($000)	2019 GWP ($000)	2018 GWP ($000)
Africa and Middle East	3,005	2,293	5,178	4,795
Australia and New Zealand	21,400	16,205	8,342	7,495
Asia	114,573	52,919	14,754	12,962
Central and South America, Caribbean	15,162	10,471	10,854	9,472
United Kingdom	162,974	162,253	21,385	20,098
Europe (excluding UK)	286,676	104,238	22,535	20,426
North America	370,425	382,030	305,627	294,356
Worldwide*	180,172	144,098	82,837	72,253
Total	1,154,387	874,507	471,512	441,857

*Represents policies that provide global coverage. **All other geographic locations not specified above.

Investment performance

The following represents the market values and performance of our investment portfolio on a Group and legal entity basis:

Hiscox Ltd	2019 Market value ($000)	2018 Market value ($000)	2019 Performance ($000)	2018 Performance ($000)	2019 Performance %	2018 Performance %
Debt and fixed income securities	4,989,878	4,574,629	161,832	57,507	3.4	1.3
Equities and units in unit trusts	486,395	398,055	61,377	(27,513)	13.3	(6.2)
Deposits with credit institutions/ cash and cash equivalents	1,115,880	1,289,215	7,890	12,494	0.7	0.8
Total	6,592,153	6,261,899	231,099	42,488	3.6	0.7

Source: GAAP financial statements.

HIB	2019 Market value ($000)	2018 Market value ($000)	2019 Performance ($000)	2018 Performance ($000)	2019 Performance %	2018 Performance %
Debt and fixed income securities	1,023,655	1,235,858	38,251	16,916	3.4	1.3
Equities and units in unit trusts	135,487	129,240	14,663	(10,097)	11.0	(7.4)
Deposits with credit institutions/ cash and cash equivalents	315,550	213,452	1,776	1,156	0.7	0.7
Total	1,474,692	1,578,550	54,690	7,975	3.6	0.5

Source: GAAP financial statements.

HCL	2019 Market value ($000)	2018 Market value* ($000)	2019 Performance ($000)	2018 Performance ($000)	2019 Performance %	2018 Performance %
Debt and fixed income securities	500,571	424,793	53,251	21,741	11.5	4.5
Equities and units in unit trusts	121,790	97,048	22,670	(4,992)	20.7	(4.9)
Deposits with credit institutions/ cash and cash equivalents	36,477	94,692	13	1,220	–	2.3
Total	658,838	616,533	75,934	17,969	11.5	2.9

*For HCL, 2018 return on deposits with credit institutions/cash and cash equivalents is included in return on debt securities.
Source: GAAP financial statements.

Material expenses

The Group's material expenses are driven by claims, acquisition and operational expenses. Claims activity in 2019 has increased as the Group experienced the third year of catastrophe events and some adverse development on big-ticket lines and in Hiscox USA. Acquisition costs continue to increase reflecting the Group's investment in marketing, which supports our retail business growth strategy.

	Hiscox Ltd		HIB		HCL	
	2019 ($000)	2018 ($000)	2019 ($000)	2018 ($000)	2019 ($000)	2018 ($000)
Net claims and claims adjustment expenses	1,576,148	1,225,830	423,765	339,622	460,537	311,789
Net acquisition costs	660,991	641,686	125,004	28,188	19,200	18,147
Other expenses (excluding foreign exchange and finance costs)	593,500	607,518	9,994	9,932	58,488	70,497
Total	2,830,639	2,475,034	558,763	377,742	538,225	400,433

Source: Hiscox Ltd Annual Report and Accounts; HIB and HCL BSCR – Form 2 SFS.

B. Governance structure

B.1. Board and executive

Hiscox has established and continues to maintain a sound corporate governance framework that includes principles on levels of authority, accountability, responsibility, compliance and oversight. Hiscox's governance framework has regard for international best practice on effective corporate governance. Hiscox Ltd, HIB and HCL (collectively, the Companies) also comply with the BMA's Insurance Code of Conduct under Section 4 of the Insurance Act 1978 and the Insurance (Group Supervision) Rules 2011, as applicable. The Companies are further guided by the BMA Guidance Note on Corporate Governance March 2005.

Ultimate responsibility for the sound and prudent governance of the Companies rests with the respective Boards of Directors (Boards). The Ltd Board consists of the Non Executive Chairman, the Group Executives and Independent Non Executive Directors. Details of the Board members and their experience can be found in Appendix II. The Boards are responsible for ensuring that corporate governance policies and practices are developed and applied in a prudent manner.

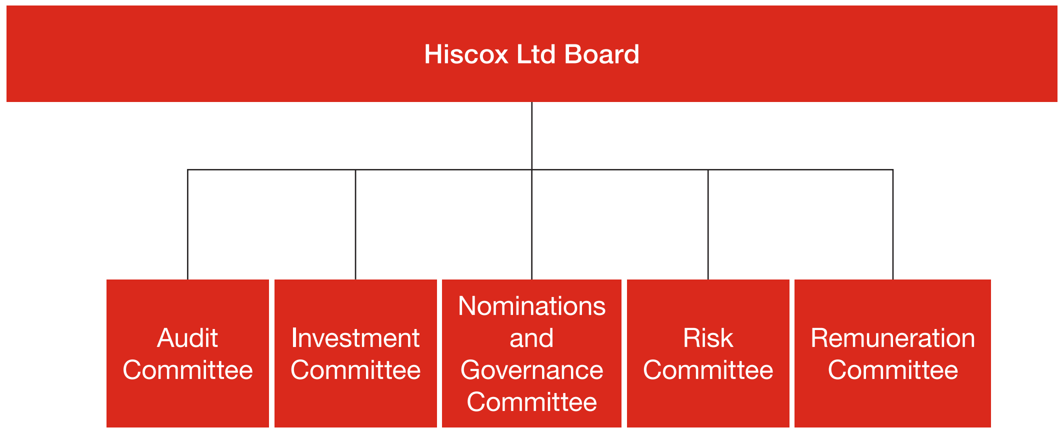
To guide the Boards' responsibilities, the Companies have documented Bye-Laws, Board Terms of Reference, Board Committee Terms of Reference and organisational charts.

The Boards generally meet four times a year and operate within the established governance framework, with established Terms of Reference.

The Boards are supplied with appropriate and timely information to enable them to review business strategy, trading performance, business risks and opportunities. The Boards undertake to review annually the effectiveness of the Companies' governance frameworks together with the Board's own effectiveness and performance.

The Ltd Board has appointed and authorised a number of committees to manage aspects of the Group's affairs including financial reporting, internal control and risk management. Each committee operates within established written Terms of Reference and each committee Chairman reports directly to the Board.

Structure of the Committees to the Board



The Audit Committee
The Audit Committee of Hiscox Ltd comprises the Non Executive Directors and meets four times a year. The Committee as a whole is considered to have competence relevant to the sector in which the Company operates. The Committee operates according to Terms of Reference published on the Group's website and assists the Board on matters of financial reporting, risk management and internal control and to determine the external auditor's fees. HIB also has an Audit Committee which generally meets four times a year.

The Committee monitors the scope, results and cost effectiveness of the internal and external audit functions, the independence and objectivity of the external auditors, and the nature and extent of non-audit work undertaken by the external auditors together with the level of related fees. The Audit Committee receives reports from the auditors who also attend meetings of the Committee to report on the status of their audit and any findings. This allows the Committee to monitor the effectiveness of the auditors during the year. Senior management and external auditors attend Audit Committee meetings at the discretion of the Chairman, as appropriate.

The Investment Committee
The Investment Committee has oversight of the Group's investments. It comprises the Independent Non Executive Directors, the Chief Executive, the Chief Financial Officer, and is chaired by Robert Childs, who is also Chairman of Hiscox Ltd Board. The Committee approves the investment strategy and overall risk appetite. It meets four times a year and makes appropriate recommendations to the Board.

The Nominations and Governance Committee
The Nominations and Governance Committee comprises the Non Executive Directors and is chaired by Robert Childs, who is also Chairman of the Hiscox Ltd Board. The Committee meets four times a year. The Committee's role is to monitor the structure, size and composition of the Hiscox Ltd Board and, when Board vacancies arise, to nominate for approval by the Board, appropriate candidates to fill those roles. The Group believes that opportunity should be limited only by an individual's ability and drive. The Committee considers diversity, including gender diversity, when recommending appointments to the Board.

The Committee has a policy in place to ensure that the candidate pool for each new appointment includes at least one female and one ethnic minority candidate, but does not consider it appropriate to set quotas for diversity.

The Committee also has a role in considering the succession planning for Executive Directors and senior managers, and to make recommendations on the succession planning for the Chairman and the Chief Executive and other members of the senior management group.

The Nominations and Governance Committee has assumed responsibility for the review of potential conflicts, therefore a specific Conflicts Committee is no longer required.

The Risk Committee
The Risk Committee of the Board oversees the Group's risk management framework and advises the Board on how best to manage the Group's risk profile. The Committee meets four times per year. The Committee comprises the Non Executive Directors. As part of the annual risk management cycle, HIB also has a Risk Committee, which generally meets four times per year.

The Remuneration Committee
The Remuneration Committee comprises the Independent Non Executive Directors and meets four times a year. The Remuneration Committee takes care to recognise and manage conflicts of interest when receiving views from Executive Directors or senior management or consulting the Chief Executive about its proposals. No Executive is permitted to be present when the Committee discusses his or her remuneration. Executive Directors are subject to malus and clawback provisions in relation to their remuneration.

B.2. Management and governance structure

The Executive Committee
The Executive Committee comprises Senior Executives and meets regularly. It makes recommendations to the Board and approves various matters.

The Committee considers senior appointments and remuneration outside the scope of the Nominations and Governance Committee, considers operational policy, takes decisions on annual budgets, business plans, mergers and acquisitions, considers significant issues raised by management and approves exceptional spend within the limits established by the Board. Below this there are local management teams that drive the local businesses.

Corporate governance
Hiscox Ltd is required by Listing Rules applicable to overseas entities with a premium listing on the London Stock Exchange, to make prescribed disclosures in respect of its corporate governance arrangements. This includes an annual statement confirming its compliance with the UK Corporate Governance Code (the Code) and disclosure of its governance arrangements against a set of principles and provisions contained in the Code.

The Boards have unlimited access rights to the respective company information and have the authority to seek independent counsel as required.

It is the responsibility of the Boards to ensure the effectiveness of the governance framework, redefining the framework where necessary. Action may be delegated to Board Committees, management or individual staff members. The Boards regularly monitor the Companies' risk profiles and assess against established strategies and objectives.

The roles and activities of the Chairman and Chief Executive are distinct and separate. The Chairman is responsible for running an effective Board including oversight of corporate governance and meets periodically with the Senior Independent Director. The Chief Executive has responsibility for running the Group's business.

The Hiscox Ltd Board comprises the Non Executive Chairman, three Executive Directors, and seven Independent Non Executive Directors, including a Senior Independent Director. The Board has appointed and authorised a number of Committees to manage aspects of the Group's affairs including financial reporting, internal control and risk management. Each Committee operates within established written terms of reference and each Committee Chairman reports to the Board on the Committee's activities.

B.3. Remuneration

Hiscox has a single remuneration policy which is applicable to all legal entities and therefore applies to all members of staff supplying intra-group services, including Executive Directors.

The primary objective of Hiscox Group is to deliver strong shareholder returns across the cycle and consistently grow dividends and net asset value per share, while providing innovative insurance solutions to meet customer needs. The aim is to achieve this by building a diversified business which gives flexibility throughout the cycle.

When setting targets for its business units, the Group seeks to motivate strong performance but in a manner which encourages sustainable behaviours in line with the defined risk appetite of individual entities including HIB and HCL. The variable pay elements for staff supplying services to HIB and HCL are structured with these strategic objectives in mind.

Return on equity (ROE) and growth of net asset value per share are key measures of performance. From 2018, vesting of the long-term incentive plan has been subject to growth of net asset value per share plus dividends. The use of ROE measures ensure profitability measures also take into account the capital base utilised in the generation of profits, while growth in net asset value is a key strategic goal and is clearly linked to the delivery of long-term shareholder returns. The structure of the incentive arrangements and the targets set and assessed are intended to be inherently risk-adjusted taking into account exposure to current and future risk.
The bonus and incentive funding mechanism is set at a level which is deemed by the Board's Remuneration Committee to be fully affordable and not produce outcomes which would compromise financial stability.

B.4. Fitness and propriety requirement

The Nominations and Governance Committee monitors the composition of the Group Board and considers its diversity, balance of skills, experience, independence and knowledge to ensure that it remains appropriate.

Fitness and propriety is assessed for any prospective Directors prior to their joining the Board and there is a formal induction process for new Directors. Induction training for new Directors of Hiscox Ltd includes an overview of the Code requirements, and on an annual basis a report is made to the Hiscox Ltd Audit Committee on the Companies' compliance with The Code.

Existing Directors are provided with the opportunity to attend training sessions. Hiscox considers an appropriate Board member to have a balance of skills, experience, independence and knowledge. The evaluation typically includes a review focused on these four areas. The evaluation also reviews how the Board has worked together overall as a unit.

Senior Executives are assessed both when an individual is initially appointed and on an ongoing basis. The initial assessment is conducted during the hiring stage through the interview process. Ongoing assessments are conducted via the Group's formal performance and development review process.

B.5. Risk management and solvency self-assessment

Hiscox has an enterprise–wide approach to managing risk that applies across the Group including Hiscox Ltd, HIB and HCL, as described in the risk management framework policy.

The overall objective of risk management is to optimise risk-return decision-making while ensuring that the total exposure remains within the parameters set by the respective boards. The risk management framework provides a formal structure for risk governance and risk-based decision-making as well as a controlled and consistent approach for how risk is identified, measured, mitigated, monitored and reported across the Group. This enables exposures to be regularly monitored and evaluated against the respective boards' risks appetite and limits to assess the overall level of risk being taken, with consideration given to how different exposures and risk types interact and whether they may result in correlations, concentrations or dependencies.

Risk policies addressing each main risk type describe the specific approaches to identify, measure, manage and report on these risk exposures and are reviewed on an annual basis.

The risk management framework is reviewed regularly in light of changes to the Group's risk profile, the external environment and evolving industry practice on risk management and governance.

The Group risk team is responsible for designing, facilitating the implementation of and maintaining the risk management framework. The team is also responsible for disseminating expectations around enterprise risk management to the business and for reporting on risk to the respective boards and risk committees. The risk team is led by the Group CRO, who reports to the Group CEO and Chair of the Hiscox Ltd Risk Committee. Responsibility for the implementation of the risk management framework resideswith the CEO of each of the operating entities.

Key exposures are identified, measured, managed and reported during the course of the year for Hiscox Ltd, HIB and HCL using various processes and tools.

These include:
- using qualitative and quantitative approaches to assess risk exposure (in aggregate and by risk type) against Board-approved risk appetite and limits;
- performing independent model validation on the Group's risk and capital models to assess modelling methodology, approach, limitations and output;
- risk reporting focused on topical live issues with actions and mitigation plans;
- stress and scenario testing, performed to identify and measure the likelihood and impact of potential events;
- specific risk reviews that provide a deeper understanding of key risks and potential exposures to the business;
- the risk and control register, which sets out the material risks for each entity, the key controls in place to mitigate them, and owners accountable for the management of each risk and operation of each control;
- the risk and control self-assessment (RCSA) process conducted at least annually, reviewing the risk and control register for completeness and accuracy. Each risk owner is required to review their risks and score them for inherent and residual (post controls) risk. Actions are put into place with risk owners where gaps are identified.

The Board and management teams for Hiscox Ltd, HIB and HCL review a number of these processes and tools during the year.

Risk management framework

Risk identification, including risk definition and risk owner

Risk identification is achieved by clearly defining an exposure (e.g. identifying the potential drivers and consequences of the risk) and identifying a risk owner responsible for managing the exposure. Material risks and the controls used to mitigate them are documented in the risk and control register (RCR).

The RCR details current key risk exposures including a qualitative assessment of the probability and impact, risk mitigation/controls and related monitoring and reporting processes. The RCR is periodically reviewed and updated as Hiscox Ltd identifies and assesses the material risk exposures and the appropriateness and effectiveness of the risk management framework and system of internal control.

Risk appetite

Risk appetite communicates the nature and degree of risk the respective boards are prepared to take to meet their strategic objectives and business plan. Hiscox Ltd's risk appetite framework allows clear monitoring and management of risk exposure in relation to the Board's willingness to take on risk.

Risk measurement

Risk measurement is the assessment of actual risk exposures using various methods including risk and capital models, stress and scenario testing, reverse stress testing, and expert judgement. This enables the prioritisation of risk and mitigating actions.

Risk mitigation

After risks are formally assessed, a decision is made on how to mitigate them to reduce exposure or maintain it at an acceptable level. Determining the most appropriate response involves understanding the associated costs and benefits.

Risk mitigation involves implementing and maintaining internal controls and other techniques to manage, reduce or eliminate risk exposures. Applying controls to reduce the likelihood or impact of a risk occurring is one of the available methods to respond to risks, in addition to accepting the risk without further action, taking action to avoid the risk completely, or transferring all or some of the risk – most commonly to other insurers.

Risk monitoring

Hiscox operates a number of practices and tools to monitor risk exposures, trends, effectiveness of controls and changes across the company.

Monitoring of risks occurs at various levels across the Group, including at functional and management level. Critical risks and other significant exposures are monitored at Board and Committee level on a regular basis, with more frequent monitoring occurring at the business and functional levels.

Risk reporting

Hiscox employs a broad risk reporting system to raise awareness of risks across the business.

Risk reporting describes the methods and forums used to communicate and discuss risk and control exposures and issues, including the escalation routes that support appropriate risk governance.

Material risk types and critical risks are formally reported to management, the Board and Board Risk Committee regularly, with more frequent reporting at the business and functional levels.

Risk management framework

Risk management and solvency self-assessment systems implementation
The Group's Own Risk and Solvency Assessment (ORSA) process (outlined in the figure below) applies to Hiscox Ltd, HIB and HCL, culminating in the Group Solvency Self Assessment (GSSA) report for Hiscox Ltd and Commercial Insurer Solvency Self Assessment (CISSA) report for HIB on at least an annual basis. The ORSA for HCL focuses on the management and governance for the provision of corporate capital.

The ORSA process is defined as the set of ongoing practices and business decisions that each entity engages in to identify, assess, manage, monitor and report the risks it is exposed to and to determine its corresponding capital needs on a current and forward-looking basis, in light of its business plan, risk profile, risk appetite and limits. As such, it is a core component of the risk management framework. The ORSA also stresses the risk profile on a current and forward-looking basis.

ORSA capital for the Group and HIB is based on Hiscox's own internally assessed capital requirements and is informed by the Group's risk and capital models, that together with the Bermuda Solvency and Capital Return (BSCR) form part of the BMA's annual solvency assessment.

ORSA capital for HCL is based on an assessment of the capital requirements for Hiscox's Dedicated Corporate Member's (HDCM) Funds at Lloyd's (FAL) at the start of the underwriting year.

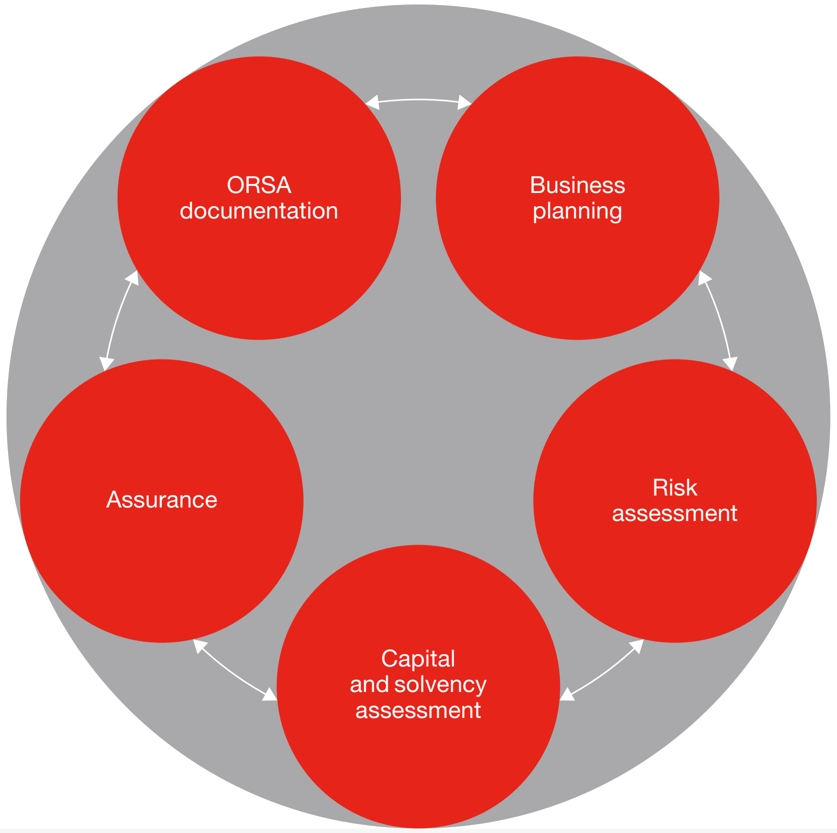
The Board sets risk limits and tolerances, aligned to risk appetite that reflect the amount of risk that it is willing to accept as a business. These limits are set based on the proportion of core capital that the Board is willing to risk in taking a related strategy or business plan 'bet'. Current risk exposure (in aggregate and by the key risk type) is monitored against these pre-defined limits throughout the year.

Both the risk management framework and ORSA process are implemented and embedded in operations across the Group including Hiscox Ltd, HIB and HCL. Risk management roles and responsibilities, including how they relate to each of these, are coordinated across a 'three lines of defence model'.

There are also a number of (formal and informal) committees and working groups across the first and second lines of defence that facilitate the management and oversight of risk. These focus on specific risks such as exposure management, reserve, investment, credit, capital and liquidity and emerging risks. There is also a Group Risk and Capital Committee (GRCC) and Group Underwriting Review Committee (GURC) that oversee and make wider Group decisions on risk.

The respective Boards are at the heart of Hiscox's risk governance, are responsible for setting risk strategy and appetite, and for overseeing risk management, including the implementation and design of the risk management framework.

ORSA governance



Oversight of risk management practices is delegated by the Hiscox Ltd and HIB boards to risk committees that advise the boards on how best to manage the entities' risk profiles. The Risk Committees monitor actual exposure to inform forward-looking strategic and tactical decisions, and review the effectiveness of risk management activities. The Risk Committees rely on frequent updates from Group Risk, from within the business and from independent risk experts.

Relationship between the solvency self-assessment, solvency needs, and capital and risk management systems
The ORSA process is a formal continuous process encompassing the strategy and business plan, the composition and dynamics of the current and forward-looking risk profile, the quality and quantity of capital needed to support these plans, and the robustness of each entity's current and prospective solvency and liquidity.

The ORSA seeks to identify and measure all material risks, and aids in the decision-making process regarding which risks each entity seeks to eliminate, transfer or retain within its agreed risk appetite and tolerance. The ORSA also facilitates the identification of contingent sources of liquidity and capital support to ensure strategic objectives are achieved.

The ORSA process is evidenced during the course of the year as part of the risk monitoring and reporting that is presented to the Board and/or Risk Committee. ORSA reports are formally reviewed and approved by senior management, the Group CRO and the respective Risk Committees. They are approved by the respective boards.

Three lines of defence model

First line of defence
Owns risk and controls

Responsible for ownership and management of risks on a day-to-day basis. Consists of everyone at every level in the organisation, as all have responsibility for risk management at an operational level.

Second line of defence
Assesses, challenges and advises on risk objectively

Provides independent oversight, challenge and support to the first line of defence. Includes the Group risk team and the compliance team.

Third line of defence
Provides independent assurance of risk control

Provides independent assurance to the Board that risk control is being managed in line with approved policies, appetite, frameworks and processes, and helps verify that the system of internal control is effective. Consists of the internal audit function.

B.6. Internal controls

System of internal control

The below diagram illustrates the five components of the system of internal control. These are all reinforced by the roles of the Board in owning, steering and overseeing the effective design and implementation of the system of internal control within the formal risk governance framework.

The control environment is the collective set of standards, processes and structures that provide the basis for establishing and maintaining internal control across Hiscox Ltd, HIB and HCL.

The business faces a variety of risks from both external and internal sources. Risk assessment is the process by which the Group identifies and assesses the material risks which could influence the achievement of its objectives.

Control activities are the actions that individuals take to implement and operate internal controls to reduce the impact or likelihood of the risk and keep exposure within appetite. They are performed at various stages within business processes and across the technology environment. They may be preventative, directive, detective or corrective in nature and encompass a range of both manual and automated activities.

Information on the risk environment is routinely shared with the business. Management uses information from both internal and external sources to support decision making and ensure the functioning of the system of internal control and reports this to the Board and Risk Committee as appropriate, to enable them to discharge their oversight responsibilities.

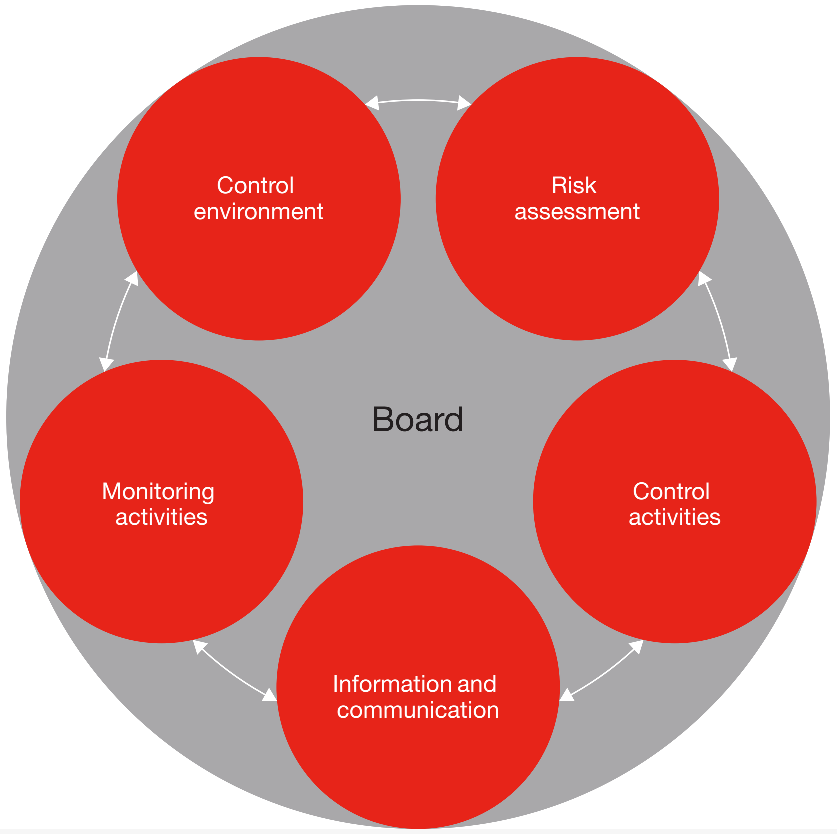
Risks and controls are monitored by risk and control owners through normal day-to-day business operations. Risk Committees are held quarterly to monitor risk exposures. On an annual basis key risks and controls are assessed and confirmed as appropriate by the risk owners as part of the risk and control register (RCR) review and update process. The Group's system of internal control comprises the internal control framework, administrative and accounting procedures, transparent reporting arrangements at all levels (implemented through the three lines of defence model) and the compliance function. In addition, internal audit provides an annual assessment to the Board and Audit Committee on internal control.

The internal control framework and the management of internal controls to mitigate risk exposures are integral components of the Hiscox Risk Management Framework. Underpinning this, the Group's policies for each material risk type include details of roles and responsibilities in relation to the ownership or performance of key controls. The internal control framework is documented in the risk and control register, with an assessment being performed at least annually through the risk and control self-assessment (RCSA) process.

Compliance function

Hiscox Group's compliance function is independent of any business unit and is, with risk management, the second line of defence in the Hiscox Group's risk management framework.

System of internal control



It has four key functions: regulatory policy and advisory; compliance monitoring; second-line regulatory reporting oversight and communication with regulatory supervisors It advises on the design and enhancement of internal controls to ensure regulatory compliance and operates some internal controls itself.

The compliance function provides regular reports to the boards on the management of compliance risk and the impact of any future changes in the regulatory environment on the Company. The compliance function is also responsible for the creation and implementation of internal regulatory policies and for monitoring the adherence to these policies. In carrying out its duties, the compliance function is entitled to full and unrestricted access to all of the Group's activities and to the boards.

Internal audit

The Group internal audit function provides objective and independent assurance advice to the Ltd Board, the Group Audit Committee (GAC) and the boards of its subsidiaries over the processes and systems of internal control and risk management in operation across the Group. Its work is based on an internal audit plan of reviews which is developed using a risk-based approach. In carrying out its duties and responsibilities, internal audit is entitled to full and unrestricted access to all of the Group's activities, records, property and information and full and free access to the GAC.

Internal audit is independent of the activities that it audits in order to ensure unbiased judgments and impartial advice to the GAC and to management.

In order to ensure this independence and objectivity, the internal audit team members report directly to the Head of Group Internal Audit, whose primary reporting line is to the Chair of the Group Audit Committee for matters relating to internal audit and to the Group CFO for other administrative matters.

Actuarial function

The actuarial function is responsible for co-ordinating the estimation of reserves (e.g. ensuring that the methodologies and underlying models used for this purpose are appropriate); assessing the sufficiency and quality of the data used; monitoring claims experience and comparing those against the amounts predicted by the actuarial models; and providing opinions on the Group's underwriting policy and reinsurance arrangements.

The Group actuarial function is made up of qualified individuals who have expert knowledge of actuarial and financial mathematics, led by the Hiscox Group Chief Actuary. It is operationally independent from the revenue-generating management and administrative functions for the purposes of forming and formulating actuarial views and opinions. Potential conflicts of interests are mitigated by ensuring adequate segregation of responsibilities, distinct reporting lines and the use of external parties where necessary. In carrying out its duties and responsibilities, the actuarial function is entitled to:

- full and unrestricted access to all of the Group's relevant activities, records, property and information;
- allocate and apply resources, scope of work and techniques, set frequencies and select appropriate subjects in order to meet its objectives;
- the assistance of staff across the Group where necessary to fulfil its objectives.

Outsourcing

Hiscox Ltd, HCL and HIB have adopted the Hiscox Group outsourcing policy. The outsourcing policy sets out the responsibilities and considerations for when outsourcing services, together with the associated reporting and monitoring arrangements to be implemented where outsourcing is used.

The purpose of the outsourcing policy is to set out the strategy and process for selecting and managing outsourced services, governed by this policy, that satisfy all applicable regulatory requirements whilst optimising the value obtained from service providers. Furthermore, the policy provides an approach that addresses the need to identify, assess and manage the potential operational risks of outsourcing resulting from significant changes to people, processes and systems.

The outsourcing policy has been developed to ensure that prudent selection and management methods are employed for outsourced arrangements and by providing a good practice guide.

The process covers:

- identification of potential suppliers;
- the obligations of the contracted parties;
- monitoring and management of the contract; and
- orderly exit from the contract.

The Group has not outsourced any control functions (i.e. actuarial, risk management, compliance and internal audit). The provision of all staff required to operate the business is conducted through Group service companies.

C. Risk profile

Hiscox's material risks and how these are mitigated

The key risk types that Hiscox is exposed to in its activities consist of strategic risk, underwriting risk, reserve risk, market risk, liquidity risk, credit risk, operational risk and group risk (including concentration risk).

Risks are monitored by the first and second lines to ensure exposures remain within agreed risk appetite and limit. Breaches in appetite or significant control deficiencies are escalated to senior management and the respective Board and/or Risk Committee for action.

A combination of proprietary and external models and qualitative measures are used to measure and quantify these risks. Changes in risk exposure are expected over time and result from internal drivers (e.g. strategic decisions) and external factors (e.g. market conditions).

Risks are controlled and mitigated in several ways, and monitored and reported across each of the three lines of defence. Significant exposures across each of the main risk types and how they are managed are detailed as follows.

C.1. Underwriting risk

Risk description

The predominant risk to which the business is exposed is insurance risk, which is assumed mainly through the underwriting process. Insurance risk is defined as 'the possibility that insurance premiums and/or reserves are ultimately insufficient to fully settle claims and associated expenses'.

Within the risk and control register, it is sub-categorised into i) underwriting risk, and ii) reserve risk.

Underwriting risk

Underwriting risk encompasses people, process and system risks directly related to underwriting.

Key underwriting risk exposures include:

Risk type	Risk grouping	Risk name	Risk definition
Insurance	Underwriting	Underwriting exposure management	Insurance exposures accumulate to an unacceptable level, are not fully understood or materialise unexpectedly (including the risk of inadequate reinsurance coverage).
		Pricing	Failure to price policies adequately or make commercial risk selection decisions within appetite.
		Authority breach	Accepting risks outside of agreed underwriting parameters or where authority limits have been breached.
		Contract or policy wordings	Policy wordings are vague, incorrect and/or do not adequately reflect exposure assumed (including the risk of non-affirmative cover).

Underwriting risk arises from poorly managed exposure, inappropriate underwriting models, loss experience not emerging as expected, changes in market conditions, poor staff training and monitoring.

Reserve risk

Reserve risk is defined as the risk that reserves set in the financial statements ('booked reserves') in respect of insurance claims are ultimately insufficient to fully settle these claims and their associated expenses. This definition includes claims from all policy exposure earned at the relevant balance sheet date.

Key reserve risk exposures include:

Risk type	Risk grouping	Risk name	Risk definition
Insurance	Reserves	Claims reserves	Unsuitable case reserves (e.g. over- or under-reserving) and/or insufficient technical reserves in place to meet: —— incurred losses and associated expenses; —— future losses and expenses from earned exposure already incepted. (N.B. This individual risk is jointly assigned to the reserves and claims risk groupings).

Reserve risk arises as a result of the business's core underwriting operations in that it needs to make financial provisions for earned unpaid claims, defence costs and related expenses to cover its ultimate liability both from reported claims and from 'incurred but not yet reported' (IBNR) claims. There is the possibility that the financial provisions or reserves held to cover the earned ultimate liabilities are not sufficient for its exposures, which could affect earnings, capital and possibly survival.

Risk mitigation

Examples of some key controls in place include:
- underwriting, claims and reserving reviews;
- underwriting and claims authority letters;
- underwriting exposure monitoring; and
- Group Underwriting Review Committee of underwriting strategy and performance against plan.

Peer reviews are in place for underwriting, claims and reserving, to act as an independent check that staff have acted within their authority and according to defined processes. Trends from peer reviews are reported to underwriting management to highlight control weaknesses and training needs.

Underwriting authority letters and claims authorities set out the parameters within which underwriting and claims staff can operate. For example, authority limits will be based on experience and restricted to certain lines of business, with referrals to a more senior underwriter for approval before binding a risk where necessary. Ensuring that underwriters operate within defined parameters helps to monitor its exposure to risk geographically and by line of business.

C.2. Market risk

Risk description

Market risk is the threat of unfavourable or unexpected movements in the value of assets and/or the income expected from them, owing to movements in market prices (e.g. generating negative investment returns).

Within the risk and control register, market risk is sub-categorised into i) foreign exchange risk and, ii) investment risk.

Key market risk exposures include:

Risk type	Risk grouping	Risk name	Risk definition
Market	Foreign exchange	FX risk	Foreign exchange risk arises from having to convert assets from one currency to another in order to cover liabilities due (e.g. claims).
		Investment risk	Probability of loss over a 12-month period for a given investment strategy, or the exposure to inappropriate assets/asset classes, or operating outside of authorised strategic or tactical asset allocation (SAA/TAA) limits.

Hiscox chooses to assume market risk in order to maximise the return on assets while ensuring that funds are available to pay claims when required. Liquidity risk mitigation includes diversification of the investment portfolio to ensure in the majority of circumstances claims can be paid without impacting the value of invested assets.

Risk mitigation

Hiscox has established controls to manage and mitigate its key market risks. Examples of some key controls in place for market risks include:
- currency matching and asset-liability matching strategy;
- minimum cash limits; and
- investment manager performance management.

Matching the currency of assets with the currency of liabilities reduces the likelihood of not being able to pay claims due to currency fluctuations. Matching the maturity of assets with the expected timing of liabilities helps to maximise returns on the investment portfolio, and preserve liquidity, which helps to avoid liquidating assets before they are due to mature.

Hiscox has a minimum amount of cash that must be retained at all times. This helps to ensure planned and unforeseen liabilities can be covered in a timely manner, without impacting the investment portfolio.

The business uses external investment companies to manage its portfolio. The investment managers must operate within defined constraints set by Hiscox Ltd, and they provide regular updates on performance, which is reported to management and the investment group.

C.3. Credit risk

Risk description

Credit risk is defined as the risk of loss or adverse financial impact due to default by counterparties to which the business is exposed. It is expressed in terms of exposure to default, probability of default and loss given default, and is included in the capital model.

Key credit risk exposures include:

Risk type	Risk grouping	Risk name	Risk definition
Credit	Credit	Counterparty default (reinsurer)	Default or downgrade of reinsurance counterparty (external).
		Counterparty default (broker)	Default or downgrade of broker counterparty (external).
		Counterparty default (other)	Default of counterparties other than reinsurers and brokers (e.g. banks, investment managers, other custodians).

Risk mitigation

Hiscox has established controls to manage and mitigate its key credit risks. Examples of some key controls in place for credit risks include:

- reinsurance counterparty limits;
- broker exposure monitoring; and
- bank counterparty limits and exposure monitoring.

C.4. Liquidity risk

Risk description

The characteristics of liquidity risk mean that it should be viewed across three different time horizons:

- *short-term – cash required in the coming months to cover normal trading activity including payment of known claims, expenditure and salaries;*
- *medium-term – cash required to meet medium-term funding requirements including tax and dividend payments and planned project and capital expenditure; and*
- *long-term – cash required to support the longer term ambitions of the business including underwriting capital to meet growth ambitions and funding to support potential future stress scenarios such as catastrophe losses.*

Key liquidity risk exposures include:

Risk type	Risk grouping	Risk name	Risk definition
Liquidity	Liquidity	Liquidity risk	Inability to meet cash requirements from available resources within appropriate/required timescales.

Liquidity risk arises from the need to pay insurance claims and other liabilities, which may have an uncertain timing or quantum. The business has to balance the liquidity of assets with their return and quality.

Risk mitigation

There are established controls in place to manage and mitigate key liquidity risks. Examples of some key controls in place for liquidity risks include:

- minimum cash limits; and
- stress and scenario testing.

The Group has minimum cash requirements that must be retained at all times. The business also conducts stress and scenario testing to challenge the liquidity adequacy of the balance sheet. Any deficiencies are pro-actively identified and can be addressed accordingly.

C.5. Operational risk

Risk description

Operational risk is defined as the risk of direct or indirect loss resulting from internal processes/controls, people, systems or external events.

Operational risk is inherent in all activities undertaken and can be categorised into the following key elements:

- people: the management of human resources including employee behaviour and performance;
- systems: complex information technology (IT) systems are required to process large amounts of data in relatively short timeframes to facilitate timely service levels to customers; and
- processes: daily business operations generally involve a significant number of individual processes to enable the business to function efficiently.

Key operational risk exposures include:

Risk type	Risk grouping	Risk name	Risk definition
Operational	People	Retention and organisational gaps	Loss of implicit knowledge and experience of key individuals or teams, or failure to recruit the necessary number or calibre of human resources.
		Employment reputation/ compliance	Failure to ensure employment and compensation practices are in line with market standards and are appropriate in the context of employment law.
		Performance management	Ineffective (e.g. inefficient and reactive) management and/or monitoring of employee underperformance.
		Financial crime (excl. sanctions)	Failure to implement or maintain the processes and procedures necessary for the detection and prevention of fraud and financial crime, both internal and external.
	Systems	IT/systems failure	Major IT, systems or service failure (e.g. systems are disrupted, unavailable or insecure).
		Data security	Failure to implement or maintain the systems and processes necessary to protect the confidentiality, integrity or availability of information and data.
		Project risk/change management	Projects and/or change initiatives are not delivered to plan, budget or specification or the risks inherent to the project are not appropriately managed.
		Outsourcing	Ineffective or inadequate oversight of individual outsourced arrangements and/or the overall outsourcing portfolio; including both intra-group and external arrangements.
		Business continuity	Failure to restore the delivery of services, operations or premises to acceptable predefined levels following a disruptive incident.
	Processes	Financial misstatement	The risk that financial statements have been misstated to a material degree, as a result of error or fraud.
		Reserving process	Ineffective processes, controls and systems in place to effectively manage and monitor reserves.
		Claims management	Ineffective management of claims (e.g. customer experience and appropriateness of decisions).
		Underwriting operations	The processes, controls and systems in place to support and monitor individual underwriting decisions are insufficient/ineffective.

Operational risk is an unavoidable part of doing business, as no person, system or process is 100% reliable.

Risk mitigation

The Group has established controls to manage and mitigate its key operational risks.

Examples of some key controls in place for operational risks include:

People risks
- Succession planning.
- Onboarding process.

System risks
- IT disaster recovery plans.
- IT security.

Processes risks
- Project framework.
- Business continuity plan (BCP) testing.
- Underwriting and claims guidelines.
- Information Security Committee monitoring of data security and privacy.

In relation to people risks, there are defined succession plans in place for senior management, and a talent pool is maintained to ensure succession for a wider range of key roles from a longer term perspective. This helps to preserve knowledge and reduce the likelihood of gaps in management.

Hiscox has an onboarding process to ensure that all new staff have sufficient knowledge and support to carry out their role. This includes completing regulatory training and familiarisation with Hiscox policies.

System risks are controlled through access restrictions to network and systems. The system is protected against external threats through firewalls and email scanning. There are also varying levels of authority granted depending on roles.

A disaster recovery plan is in place and tested regularly to ensure the IT infrastructure can withstand a more severe incident without causing major disruption to the business.

Controls around process risks include a project framework to ensure a consistent approach and adequate governance around projects.

Business continuity planning and testing provide comfort that the business can continue to operate in challenging circumstances such as an office fire or flood.

Claims underwriting guides help to ensure that a consistent approach is taken to managing and reserving for claims. This reduces subjectivity in the level of reserves retained for claims with similar attributes.

C.6. Other material risks

Risk description

Other material risks include strategic risk, regulatory and legal risk and Group risk.

Strategic risk

Strategic risks are defined as the possibility of adverse outcomes that may result from strategic 'bets'/ business initiatives taken or not taken by the Group. This may include business expansion or contraction, mergers and acquisitions, public positioning, reputation and brand building and subsequent Board oversight of such activities.

Hiscox's continuing success depends on how well it understands its clients, markets and the various external factors affecting the business. Having an ineffective strategy could have widespread repercussions on profitability, capital, market share, growth and reputation.

Key strategic risk exposures include:

Risk type	Risk grouping	Risk name	Risk definition
Strategic	Strategic	Strategy evolution and execution	Ineffective business plans and strategies, decision making, resource allocation or adaptation to changes in the business environment.
		Management of financial performance	Management of finances (including expenses) is not suitably tracked or controlled and infringes overall profitability.
		Capital management	Holding of inadequate or inappropriate capital resources vs. risk profile, regulatory capital or rating agency capital requirements, and/or inefficient use of capital.
		Conduct risk	Failure to pay due regard to the interests of customers or failure to treat them fairly at all times.
		Technology strategy	Outdated technology strategy or solutions in place to support business growth and harness relevant emerging technologies.
		Management of conflicts of interest	Actual or perceived conflicts of interest between Group entities or with third party capital providers causing failure to fulfil its duties to stakeholders.

Regulatory and legal risk

The insurance industry is a highly regulated sector and, as such, is exposed to continuous regulatory change. This can affect the level of capital that firms are required to hold or require changes to how they are set up operationally from time to time. Regulatory and legal risk captures the risk of failing to act in accordance with existing and emerging regulatory and legal requirements, or of deteriorations in the quality of the Group's relationship with its key regulators.

Key regulatory and legal risk exposures include:

Risk type	Risk grouping	Risk name	Risk definition
Regulatory and legal	Regulatory and legal	Regulatory risk	Failure to act in accordance with relevant regulatory requirements in all relevant jurisdictions or deterioration in the quality of relationship with one or more regulators.
		Sanctions	The risk of direct or indirect engagement, including financial transactions, with sanctioned entities (individuals, businesses or countries).
		Tax governance	Failure to act in accordance with relevant taxation laws or adapt to changes in taxation.
		Legal risk	Failure to act in accordance with relevant legal requirements in all relevant jurisdictions.
		Privacy and data protection	The potential loss of control over personal data.

Group risk

The insurance industry is a highly regulated sector and, as such, is exposed to continuous regulatory change. This can affect the level of capital that firms are required to hold or require changes to how they are set up operationally from time to time. Regulatory and legal risk captures the risk of failing to act in accordance with existing and emerging regulatory and legal requirements, or of deteriorations in the quality of the Group's relationship with its key regulators.

Key Group risk exposures include:

Risk type	Risk grouping	Risk name	Risk definition
Group	Group	Internal transactions	Transactions conducted between entities within the Group lead to complex interdependencies amongst the Group or are not conducted in accordance with legal and/or regulatory requirements.
		Contagion risk	Decision(s) or action(s) taken by the Group or another carrier within the Group compromises the entity in question's going-concern position, strategy or regulatory standing (e.g. failure of carrier or other legal entity).

Risk mitigation

Strategic risk

Examples of some key controls in place for strategic risks include:
- conduct risk framework; and
- business planning process and monitoring.

The conduct risk framework is an important strategic control as it helps to ensure that our customers are treated fairly in terms of the products we sell and the service that is provided in relation to them. A dedicated conduct team has been established and a conduct risk framework has been developed to actively manage conduct risk. In addition to this, regular conduct reviews are completed by compliance and reported to the relevant risk committee.

There is a structured process in place to ensure a robust business plan is developed with sufficient awareness of the risks that could prevent its achievement. This is supported by regular monitoring of performance against plan, which allows action to be taken if needed.

Regulatory and legal risk
Examples of some key controls in place for regulatory and legal risks include:
- regulatory horizon scanning; and
- stress and scenario testing.

The compliance team undertakes regular regulatory horizon scanning to ensure that the entities are aware of regulations they may be subject to. Updates on regulatory developments are also provided to the relevant Board.

Hiscox carries out stress and scenario testing in order to challenge the capital requirements generated by the capital model. This helps to provide independent assurance that the capital held is sufficient to support the business following an extreme event. This also helps to identify actions that management can take in order to recover from an extreme event.

Group risk
Examples of some key controls in place for Group risks include:
- Hiscox Ltd Board oversight; and
- contingency planning.

All entities are subject to oversight by its own board and committees, and also by the Ltd Board and committees. This additional review, including by independent Non Executive Directors, helps to provide comfort that the Group, including HIB and HCL, is operating in a responsible manner.

Contingency plans are in place which can be followed in the event of failure of another entity in the Hiscox Group to minimise the impact.

C.7. Material risk concentrations
Concentrations within risk types are actively considered and managed through functional committees, often measuring exposures against agreed limits (e.g. underwriting exposures assessed via catastrophe models and other exposure management techniques, and investment concentrations measured against agreed maximum limits per security or asset type/market). This may include the modelling and/or analysis of risk concentrations within individual risk types.

C.8. Investment in assets in accordance with the prudent person principles of the code of conduct
The Prudent Person Principle is embedded in Solvency II and is used to guide investments.

Hiscox invests in assets and instruments that can be properly identified, measured, monitored, managed, controlled and reported on. They are invested in a manner to ensure the security, quality, liquidity and profitability of the portfolio, and such that they are available to the Company in the relevant currency as required. Assets held to cover technical provisions are also invested in a manner appropriate to the nature and duration of liabilities. They are invested in the best interest of all stakeholders, taking particular account of customers.

Assets are diversified in such a way that there is no over reliance on, or concentration of risk in, any particular asset, issuer, group of undertaking, geography, asset class or other risk attribute in the Group or divisional portfolios.

C.9. Stress testing and sensitivity analysis to assess material risks
Hiscox uses stress and scenario testing (SST) to assess the robustness of the business plan and capital bases to a wide range of potential threats and issues, and to identify plausible and feasible future management actions that could be taken under those scenarios to protect the business and facilitate its viability.

A variety of methods are used to undertake such analysis, as follows:
- stress tests assess the impact of a change in an individual factor (e.g. standalone/individual basis stresses) on the business;
- scenario tests assess the impact of a change in the overall operating environment resulting from a number of factors or a particular event (e.g. realistic disaster scenario (RDS) analysis; aggregations of stresses; or a series of events across different risk types that could impact the business either simultaneously or through knock-on effects).
- reverse stress testing (RST) assesses scenarios and circumstances that would render the business model unviable. Hiscox defines unviability as the business being no longer willing or able to write premium or the point at which crystallising risks cause the market to lose confidence in the business and, therefore, the projected business plan targets cannot be met. Business unviability will not necessarily be the point at which the business runs out of capital as the business model could fail well before regulatory capital is exhausted.
- Forward-looking assessments consider the impact of events on a multi-year basis (e.g. from 2020 to 2022).

Hiscox has a library of stress, scenario and reverse stress tests which is reviewed regularly to ensure it remains relevant. The tests that are viewed as most appropriate, considering business interests, in each cycle are selected and conducted.

To define and develop the stress tests and reverse stress tests, a series of meetings were held with business experts to consider how the business would be affected under each of the suggested scenarios and to discuss the controls, monitoring and management actions in place to reduce the impact of the events. This generated the initial assumptions used in modelling the outcomes of these scenarios.

In all scenarios, a number of potential mitigating factors and plausible future management actions have been identified to address the potential adverse effects on solvency, liquidity and viability. Potential constraints on these future management actions have also been considered (e.g. legislative matters, economic environment, and reputational impact).

D. Solvency valuation
A fundamental premise underlying the economic balance sheet (EBS) framework is that assets and liabilities are valued on a consistent economic basis. This common principle postulates the reduction or elimination, where possible, of accounting mismatches where no underlying economic mismatches exist.

Our assets and liabilities are valued using market values or the fair value option allowable under international financial reporting standards (IFRS). Insurance technical provisions are valued based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure. A risk margin is applied to reflect the uncertainty inherent in the underlying cash flows. For other assets and liabilities where no fair value is readily available we use the value as determined under IFRS.

The material differences between shareholder's equity as stated in the financial statements versus available capital and surplus can be summarised as follows:
- the subordinated debt is treated as Tier 2 ancillary capital versus a liability in the financial statements;
- current IFRS uses the unearned premium and deferred acquisition cost approach for unexpired risks and undiscounted reserves for past claims related to expired risks. For the statutory capital and surplus we use the discounted best estimate of fulfilment cash flows;
- exclusion of goodwill, prepayments and certain intangible assets that cannot be sold separately.

D.1. Valuing assets
The Company has used the valuation principles outlined by BMA's 'Guidance Note for Statutory Reporting Regime' for the reporting period's statutory filing. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair-value basis (which is the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date).

D.2. Valuing liabilities
Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure with an appropriate liquidity adjustment. In addition, there is a risk margin to reflect the uncertainty contained inherent in the underlying cash flows, which is calculated using the cost of capital approach and a risk-free discount rate term structure. The discount rate term structures are prescribed by the BMA for each reporting period.

The best estimate for the loss and loss expense provision is calculated by using generally accepted accounting principles reserves as the starting point and then performing a series of adjustments:
- removal of prudence margins;
- incorporation of statistical likelihood of defaults within the reinsurance counterparty group;
- incorporation of events not in data (ENID);
- other adjustments related to consideration for investment expenses, etc.;
- discounting of cash flows.

The best estimate earned reserve position from the quarterly reserving process is used to form the basis for the claim provisions. The reserves are adjusted to allow for ENIDs, which is done by applying a series of uplift factors to the gross and net reserves for each class of business.

Reinsurance recoveries are estimated using known estimates plus an expected recovery rate to the gross IBNR estimates. These recovery rates are based on the reinsurance programme purchased, historic recovery rates and underwriters' estimates. An explicit deduction for counterparty risk is made to future reinsurance recoveries.

Cash flow patterns are applied by class, currency and year of account, split by the individual provisions. Cash flows are then discounted using prescribed rates from the BMA.

There are no guarantees or options which materially affect the calculation of the best estimate. Any relevant guarantees would be identified through discussions with underwriters and the impact of guarantees would be valued based on best estimate claims provisions.

The best estimate for the premium provision is calculated by using the unearned premium reserve based on generally accepted accounting principles, adjusting for bound but not incepted business as at 31 December 2019 and applying expected future loss ratios, expense ratios and appropriate claims pay-out patterns to derive cash flows, which are then discounted.

E. Capital management

The Group's primary objectives when managing its capital position are:

- to safeguard its ability to continue as a going concern, so that it can continue to pay customer claims as they arise, to provide long-term growth and progressive dividend returns for shareholders;
- to provide an adequate return to the Group's shareholders by pricing its insurance products and services commensurately with the level of risk;
- to maintain an efficient cost of capital;
- to comply with all regulatory requirements by a significant margin;
- to maintain financial strength ratings of A in each of its insurance entities.

The Group sets the amount of capital required in its funding structure in proportion to risk. It then manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to obtain or maintain an optimal capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, assume debt, or sell assets to reduce debt.

The Group's activities are funded by a mixture of capital sources including issued equity share capital, retained earnings, Letters of Credit, bank debt, long-term debt and other third-party insurance capital.

The Board ensures that the use and allocation of capital are given a primary focus in all significant operational actions.

With that in mind, the Group has developed and embedded capital modeling tools within its business. These join together short-term and long-term business plans and link divisional aspirations with the Group's overall strategy.

The models provide the basis of the allocation of capital to different businesses and business lines, as well as the regulatory and rating agency capital processes.

During the year the Group was in compliance with individual capital requirements imposed by regulators in each jurisdiction where the Group operates and with the Group solvency requirements imposed on Hiscox Ltd by the BMA.

	Hiscox Ltd		HIB		HCL	
Technical provisions	2019 ($000)	2018 ($000)	2019 ($000)	2018 ($000)	2019 ($000)	2018 ($000)
Best estimate loss and loss expense provision	2,968,076	2,621,541	710,619	719,668	999,512	871,193
Best estimate premium provision	525,174	370,884	(43,866)	1,768	211,938	180,556
Risk margin	178,749	148,727	49,601	44,083	56,746	44,615
Total technical provisions	3,671,999	3,141,152	716,354	765,519	1,268,196	1,096,364

Source: BSCR – Form 1 EBS.

Regulatory capital requirements

Hiscox Ltd	2019 Amount ($000)	2019 Ratio %	2018 Amount ($000)	2018 Ratio %
Minimum margin of solvency	651,609	–	633,350	–
Enhanced capital requirement	1,308,645	208	1,396,022	210
HIB	**2019 Amount ($000)**	**2019 Ratio %**	**2018 Amount ($000)**	**2018 Ratio %**
Minimum margin of solvency	321,463	–	327,940	–
Enhanced capital requirement	366,767	196	331,486	218
HCL	**2019 Amount ($000)**	**2019 Ratio %**	**2018 Amount ($000)**	**2018 Ratio %**
Minimum margin of solvency	156,541	–	141,626	–
Enhanced capital requirement	370,467	168	335,530	267

During 2018 the BMA permitted HCL to start using the Class 3B BSCR model. Management considers that this framework more appropriately recognises the risks in HCL compared to the previous bespoke model used for year-end 2017.

E.1. Eligible capital

The BMA uses a three-tiered capital quality assessment system for assessing the statutory capital and surplus 'eligible capital'. The tiered capital system classifies capital instruments with different qualities into different tiers, based on their loss absorbency characteristics. Tier 1 is the most loss-absorbent (able to absorb or respond to losses under all circumstances), going down to Tier 3, which is the least loss-absorbent. Eligibility limits are then applied to each tier in determining the amounts eligible to cover regulatory capital requirement levels.

The BMA requires that at least 80% of the minimum solvency margin (MSM) and 60% of the enhanced capital ratio (ECR) is met by Tier 1 capital. The Group aims to hold substantial Tier 1 basic capital in excess of the Authority's regulatory capital requirements. The Group also holds $364 million in Tier 2 ancillary capital, in the form of subordinated debt issued in November 2015, $25 million Letter of Credit and $41 million of assets transferred from Tier 1, as a result of an excess of assets held against best estimate policyholder technical provisions.

E.2. Fungibility of capital

We consider fungibility of capital to be the availability and transferability of capital across the Group. The Group monitors its capital requirements based on both external risk measures, set by regulators and the rating agencies, and its own internal guidelines of risk appetite. In the normal course of business, subsidiaries are often required to secure obligations by entering into collateral arrangements or provide financial guarantees. If required, the Group can source additional funding from revolving credit and Letter of Credit facilities. Standby funding from these sources comprised $800 million at 31 December 2019 (2018: $800 million), of which $50 million was utilised at 31 December 2019 (2018: $50 million).

F. Subsequent events

Throughout 2020, we have responded rapidly to the changing circumstances caused by the global coronavirus (COVID-19) pandemic, and almost all of our employees around the world are working from home. We have redeployed staff to frontline roles where possible.

Acknowledging there remains material uncertainty, including plans for the lifting of restrictions in many countries which are as yet unclear, we provide further detail around our COVID-19 exposures. Our estimates are based on broad assumptions about coverage, liability and reinsurance, which ultimately may be subjected to legal challenge or legislative action.

We are actively settling claims for event cancellation and abandonment, media and entertainment and other segments including travel. On the basis that disruption caused by restrictions on travel and mass gatherings continues for a six-month period from March 2020, we expect to pay net claims totalling up to $150 million. If restrictions on travel and mass gatherings are extended beyond six months, these claims could increase by an additional $25 million.

As described in our announcement on 15 April, approximately 10% of Hiscox UK's commercial customers purchase property insurance which includes an element of business interruption. This represents approximately 33,000 customers. We believe approximately 10,000 customers have been ordered to close as a result of the general national measures taken by the UK government, and we believe three-quarters of the remaining customers who purchase this cover are not premises dependant.

Like others in the industry, Hiscox UK's property policies do not provide cover for business interruption as a result of the general measures taken by the UK government in response to a pandemic. However, a number of UK policyholders have disputed the application of their policy in relation to business interruption.

On 1 June, the Financial Conduct Authority (FCA) in the UK proposed a legal test case in relation to business interruption wording in UK property insurance policies. We recognise these are extremely difficult times for businesses and are determined to help provide greater certainty for customers. Hiscox has agreed to assist the FCA by participating alongside other insurers in the test case in order to provide certainty for businesses and brokers on the application of policies as quickly as possible. The outcome of the FCA test case review is expected in July 2020.

We believe our US retail business has negligible exposure to business interruption. Hiscox USA provides business interruption cover for 25,000 small businesses as part of the business owner's package product sold through its direct and partnerships division. Coverage requires physical damage to trigger, and all of these policies use a standard ISO form with an explicit virus exclusion. We believe we have limited business interruption exposure in Europe.

Exposure to losses in our London Market and reinsurance divisions is uncertain at this stage. Hiscox London Market has a small market share

Eligible capital

	2019 Tier 1	2019 Tier 2	2019 Tier 3	2018 Tier 1	2018 Tier 2	2018 Tier 3
Hiscox Ltd ($000)	2,256,154	429,910	–	2,445,338	465,578	–
HIB ($000)	628,341	54,056	–	601,034	96,889	–
HCL ($000)	596,123	25,000	–	871,354	25,000	–

Source: BSCR – summary.

in major property, and Hiscox Re & ILS is underweight in its European exposure and retains a relatively modest proportion of its gross premiums.

We have no material exposure to lines such as trade credit insurance which are heavily impacted by COVID-19.

It is too early to estimate the quantum of claims from within our third-party liability book and claims resulting from recessionary impacts, as these will emerge over the next few years. We are taking proactive underwriting action to mitigate these impacts. Our capital position is robust, with an estimated Group regulatory solvency ratio at the end of March of 195% prior to the capital raise detailed below and 237% following.

The Group is also exposed to investment risk and incurred unrealised investment losses of $79 million at Q1 2020 as a result of widening credit spreads and decline in equity markets following the emergence of the COVID-19 pandemic and the unprecedented global response by governments and policymakers. The investment performance has improved substantially since the quarter-end, and the first-quarter losses have since been recovered.

On 8 April we announced the decision to withdraw the 2019 final dividend and that Hiscox Ltd will not propose an interim dividend payment or conduct any share buybacks in 2020. This decision was taken in order to help Hiscox serve the needs of businesses and households throughout the challenges presented by COVID-19.

On 8 May 2020 we announced an equity placing in order to respond to growth opportunities and rate improvement in the US wholesale and reinsurance markets. The capital raise of 57.7 million new ordinary shares raised gross proceeds of approximately £375 million. The placing represents approximately 19.99% per cent of the existing issued ordinary share capital of Hiscox prior to the capital raise.

G. FCR declaration
To the best of my knowledge and belief, this financial condition report represents the financial condition of Hiscox Ltd, Hiscox Insurance Company (Bermuda) Limited and Hiscox Capital Ltd as at 31 December 2019, in all material respects.

Bronek Masojada
Chief Executive
Hiscox Ltd

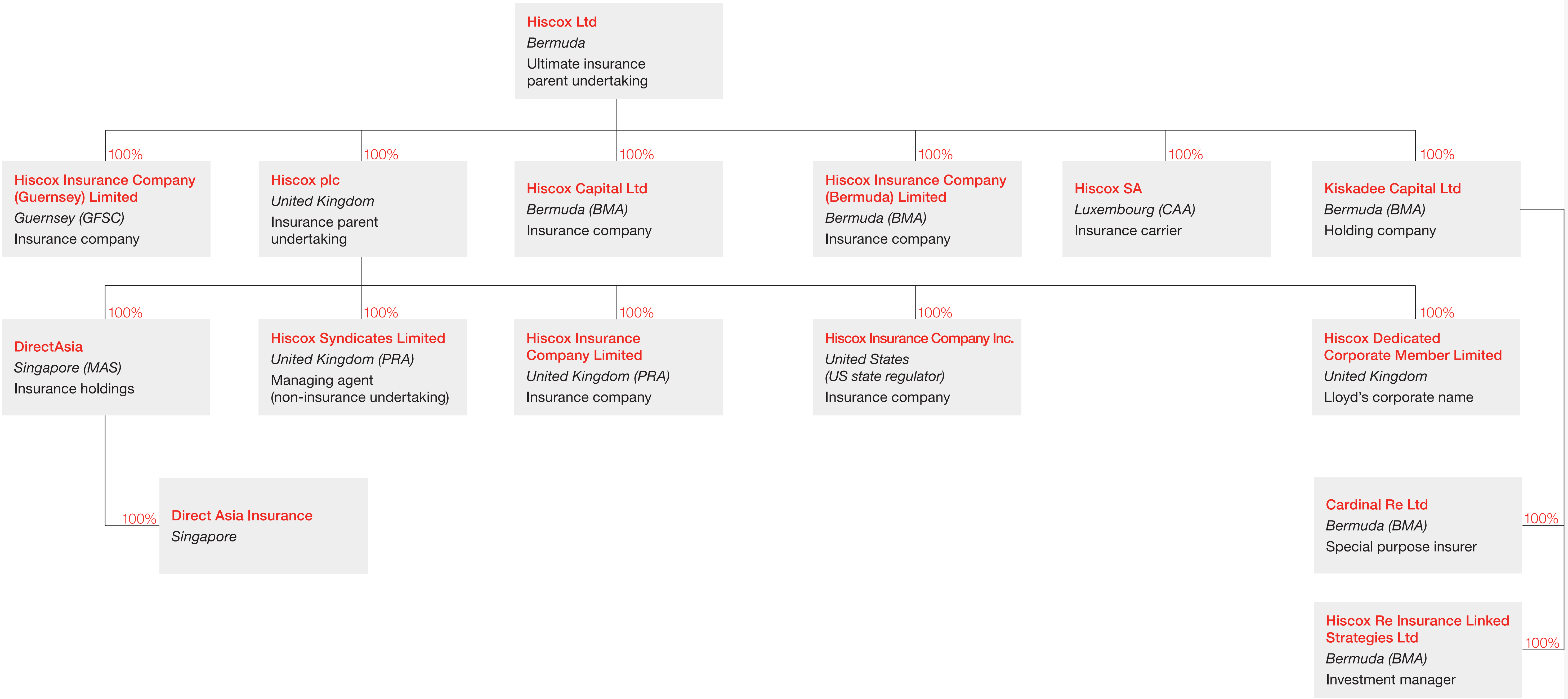
Aki Hussain
Chief Financial Officer
Hiscox Ltd

Appendix I
Hiscox family tree (abridged)

Key

% shareholding and voting rights
Name of insurance group member
Location of head office (and regulator IF APL)
Principal activity

BMA – Bermuda Monetary Authority
CAA - Commissariat aux Assurances
GFSC – Guernsey Financial Services Commission
MAS – Monetary Authority of Singapore
PRA – Prudential Regulation Authority



Appendix II
Board members' details and experience

Ltd Board	HIB Board	HCL Board
Robert Childs (Chairman) Nominations and Governance Committee Chair	Aki Hussain (Chairman)*	Aki Hussain (Chairman)*
Caroline Foulger Audit Committee Chair	Joel Aronchick Risk Committee Chair	Elizabeth Breeze
Michael Goodwin	Elizabeth Breeze	Michael Krefta
Thomas Hürlimann	Caroline Foulger	Joanne Musselle
Aki Hussain	Michael Krefta	Marc Wetherhill
Colin Keogh Remuneration Committee Chair	Constantinos Miranthis	
Anne MacDonald	Joanne Musselle	
Bronek Masojada	Adam Szakmary	
Joanne Musselle	Marc Wetherhill	
Lynn Pike Risk Committee Chair		

*Aki Hussain replaced Richard Watson as Chairman on 20 May 2020.

Joel Aronchick
HIB Non Executive Director
Joel was appointed to the HIB Board in May 2015, having initially joined the Board of Hiscox USA as a Non Executive Director in 2014. He is a retired Senior Executive of the Chubb Group of Insurance Companies, where he held a number of critical positions across different geographies during his 40-year tenure, and was a director of several of Chubb's operating companies including Chubb Re. He has held a number of other board directorships, predominantly within industry trade associations and also with the Associated Aviation Underwriters, a Joint Venture aviation insurance company.

Elizabeth Breeze
HIB and HCL Director
Elizabeth joined Hiscox in 2012, initially as the Group's Technical Accountant, a role which included advising on the initial set up of the Group's insurance-linked security (ILS) vehicles. In 2014 she was appointed Head of Finance for Hiscox UK, and in 2018 she returned to Bermuda to take up the role of CFO of Hiscox Re & ILS, having lived on the island for a number of years while working in the insurance audit and assurance practice at KPMG, where she qualified as a chartered accountant. She was appointed to the HIB Board on 6 December 2018.

Robert Childs
Hiscox Ltd Non Executive Chairman
Robert joined Hiscox in 1986, and has held a number of senior roles across the Group, including Active Underwriter for Syndicate 33 and Group Chief Underwriting Officer, before becoming Non Executive Chairman in February 2013. He joined the Council of Lloyd's in 2012 and has served as Deputy Chairman of Lloyd's since 2017. External board appointments: Deputy Chairman of Lloyd's since 2017.

Caroline Foulger
Hiscox Ltd and HIB Non Executive Director
Caroline joined Hiscox Ltd as a Non Executive Director in January 2013. Caroline is Bermudian and a resident of Bermuda and led PwC's insurance and reinsurance practice in Bermuda until her retirement in 2012. With a strong background in accounting, she is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Institute of Chartered Accountants of Bermuda and a member of the Institute of Directors. External board appointments: Oakley Capital Investments Limited; Catalina Holdings (Bermuda) Ltd; Generation Life Ltd; General Two Ltd.

Michael Goodwin
Hiscox Ltd Independent Non Executive Director
Michael joined Hiscox in November 2017. Michael has over 25 years' experience in the insurance industry, having worked in Australia and the Asia Pacific region for QBE Insurance Group for over 20 years. Michael started his career as an actuary, is a Fellow of the Institute of Actuaries of Australia and served as Vice President of the General Insurance Association of Singapore between 2006 and 2012. External board appointments: Partner Reinsurance Asia Pte Ltd; Steadfast Distribution Services Pte Ltd; NCI Brokers (Asia) Pte Ltd; Galaxy Insurance Consultants Pte Ltd.

Thomas Hürlimann
Hiscox Ltd Independent Non Executive Director
Thomas joined Hiscox in November 2017. Thomas has 30 years' experience in banking, reinsurance and insurance. He was CEO of Global Corporate at Zurich Insurance Group, a $9 billion business working in over 200 countries. Prior to that, he held senior positions at Swiss Re Group and National Westminster Bank.

Aki Hussain
Hiscox Ltd Executive Director and CFO
Aki joined Hiscox in 2016 from Prudential, where he was Chief Financial Officer of its UK and Europe business. Before that, he held a number of senior roles across a range of sectors, including Finance director for Lloyds Banking Group's consumer bank division until 2009. Aki is a Chartered Accountant, having trained with KPMG. External board appointments: Visa Europe Limited.

Colin Keogh
Hiscox Ltd Non Executive Director
Colin joined Hiscox in November 2015. Colin has spent his career in financial services, principally at Close Brothers Group plc, where he worked for 24 years and was CEO for seven years until 2009. External board appointments: Investec Asset Management; Premium Credit Limited

Michael Krefta
HIB and HCL Director
Mike joined Hiscox in 2003, working first as a management information analyst in the retail team before moving into catastrophe modelling as a senior analyst in the London Market business. Mike joined the reinsurance team in 2005, writing the global reinsurance account before moving on to run Syndicate 33's North America and Caribbean account in 2012. In 2013, Mike was appointed Director of Non Marine Underwriting for Hiscox Re and, in the same year, became a Hiscox Partner. In 2017, Mike relocated from London to Bermuda to become CEO of Hiscox Re & ILS.

Anne MacDonald
Hiscox Ltd Non Executive Director
Anne joined Hiscox in May 2015. Anne has served as Chief Marketing Officer at four Fortune 100 companies, and been in charge of some of the most recognised brands in the world, including Citigroup, Traveler's, Macy's and Pepsi. External board appointments: Boot Barn Holdings, Inc; Zeotap; Ignite National; Tuckerman & Co; Chops Snacks.

Bronek Masojada
Hiscox Ltd Executive Director and CEO
Bronek joined Hiscox in 1993 as Group Managing Director and became Chief Executive in 2000. Prior to that he worked with McKinsey & Company, where he advised Lloyd's on its renowned Reconstruction and Renewal plan. Bronek also previously served as Deputy Chairman of Lloyd's and Chairman of the Lloyd's Tercentenary Research Foundation. External board appointments: Association of British Insurers; Pool Reinsurance Company Limited; Policy Placement Limited; Bajka Investments (Pty) Ltd; Heptagon Assets Ltd; Heptagon Bir Ltd.

Constantinos Miranthis
Hiscox Ltd Independent Non Executive Director
Costas joined Hiscox in November 2017 and is a resident of Bermuda. He served as President and CEO of PartnerRe Ltd, one of the world's leading reinsurers, until 2015 and prior to that was a Principal of Tillinghast-Towers Perrin in London, where he led its European non-life practice. A trained actuary, he is a member of the UK Institute and Faculty of Actuaries and a resident of Bermuda. External board appointments: none.

Joanne Musselle
Hiscox Ltd Executive Director and CUO
Joanne joined Hiscox in 2002 and has held a number of roles across the Group, including Head of UK Claims, Chief Underwriting Officer for Hiscox UK & Ireland, and Chief Underwriting Officer for Hiscox Retail. Prior to Hiscox, Joanne spent almost ten years working in a variety of actuarial, pricing and reserving roles at Axa and Aviva in both the UK and Asian markets. External board appointments: Realty Insurances Ltd.

Lynn Pike
Hiscox Ltd Independent Non Executive Director
Lynn joined Hiscox in May 2015. Lynn worked in the US banking industry for nearly four decades, most recently as President of Capital One Bank. Before that, she was President of Bank of America's small business banking division, a multi-billion-Dollar business with 110,000 clients and over 2,000 employees. Lynn currently serves on the board of America Express Company (NYSE:AXP) and America Express National Bank.

Adam Szakmary
HIB Director
Adam joined Hiscox in 2017 as Director of Underwriting for Hiscox Insurance Company Bermuda. He joined from Blue Capital Management Limited, after initially working for Montpelier Re, the former parent company of Blue Capital, where he was a founding executive of their Lloyd's platform. In 2012 he started Blue Capital as the founding Portfolio Manager and then in 2015 became CEO and Director of the platform.

Heather Shrubb
HIB and HCL Assistant Secretary
Heather joined Hiscox in 2010. She is Bermudian. She has been working in administrative positions in the legal and financial services industries for many years. Heather is Assistant Secretary of Hiscox Agency Ltd, Hiscox Capital Ltd, Hiscox Dollar Holdings Ltd, Hiscox Insurance (Company) Bermuda Limited, Hiscox Services Ltd, Hiscox Ltd, Hiscox Re Insurance Linked Strategies Ltd, Kiskadee Capital Ltd, Kiskadee ILS Reinsurance SAC, Kiskadee Re 1, Kiskadee Re 2. Her previous employers include Smith Barnard & Diel, Bank of Bermuda Limited, Butterfield Trust (Bermuda) Limited and HSBC Bank Bermuda Limited. She has served on the Board of the National Dance Foundation of Bermuda.

Marc Wetherhill
HIB Director and HCL Company Secretary
Marc joined Hiscox in 2017 as Group Company Secretary and General Counsel for Hiscox Ltd. He is Berumdian and a resident of Bermuda. He joined from PartnerRe Group, where he was Chief Legal Counsel, Chief Compliance Officer and Secretary to the Board. Prior to his 14 years with Partner Re, Marc was a Solicitor with Appleby in Bermuda and Berryman in London – having qualified as a Solicitor in both England and Bermuda.

Retired Directors

Robert McMillan
Hiscox Ltd Non Executive Director
Bob joined Hiscox in November 2010. He spent over two decades with The Progressive Corporation, where he held senior roles in product development, claims and marketing, leading initiatives including multi-channel distribution and immediate-response claims. He stepped down from the Ltd Board in 2019.

Richard Watson
Hiscox Ltd Executive Director and CUO
Richard worked for Hiscox for over 30 years and held a number of senior roles across the Group including Managing Director of Hiscox Global Markets, Active Underwriter of Syndicate 33, and CEO of Hiscox USA, before succeeding Robert Childs as Group Chief Underwriting Officer in 2012. He retired as Group Chief Underwriting Officer in 2019. Richard stepped down from HIB and HIC in May 2020.

Glossary of terms

BMA	Bermuda Monetary Authority
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRO	Chief Risk Officer
CUO	Chief Underwriting Officer
EBS	Economic balance sheet
ECR	Enhanced capital requirement
ENID	Events not in data
FAL	Funds at Lloyd's
GAC	Group Audit Committee
GCC	Group Credit Committee
GCM	Group Capital Model
GRC	Group Remuneration Committee
GRCC	Group Risk and Capital Committee
Group Rules	Insurance (Group Supervision) Rules 2011
GURC	Group Underwriting Review Committee
HAL	Hiscox Agency Ltd
HCL	Hiscox Capital Ltd
HDCM	Hiscox Dedicated Corporate Member Limited
HIB	Hiscox Insurance Company (Bermuda) Limited
HIC	Hiscox Insurance Company Limited
HICI	Hiscox Insurance Company Inc.
HIG	Hiscox Insurance Company (Guernsey) Limited
Hiscox	Hiscox Ltd
Hiscox Group/Group	Hiscox Ltd and its subsidiaries
Hiscox Re ILS	Hiscox Re Insurance Linked Strategies Ltd
HSL	Hiscox Syndicates Limited
IA	Internal audit
IBNR	Incurred but not reported
IELR	Initial expected loss ratio
IFRS	International financial reporting standards
Outsourcing policy	The Hiscox Group outsourcing policy
REMCO	The Remuneration Committee
Risk Co	The Risk Committee
RMC	Risk Management Committee
RMF	Risk management function
ROE	Return on equity
The Code	Insurance code of conduct
The Companies	Hiscox Ltd, Hiscox Insurance Company (Bermuda) Limited, and Hiscox Capital Ltd

Hiscox Ltd

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