Hiscox Ltd full-year results

For the year ended 31 December 2023

"Record profitability, positive growth outlook, very strong capital generation leads to a special capital return."

	2023	2022 As restated under IFRS 17
Insurance contract written premium[1]	$4,598.2m	$4,355.4m
Net insurance contract written premium[1]	$3,555.8m	$3,225.5m
Insurance service result	$492.3m	$360.9m
Net investment result	$384.4m	$(187.3)m
Profit before tax	$625.9m	$275.6m
Earnings per share	206.1¢	73.8¢
Earnings per share adjusted for Bermuda DTA	162.7¢	73.8¢
Total dividend per share	37.5¢	36.0¢
Net asset value per share[1]	951.1¢	764.5¢
Group combined ratio (discounted)[1]	85.5%	88.7%
Group combined ratio (undiscounted)[1]	89.8%	91.1%
Return on equity[1]	27.6%	10.1%
Return on equity adjusted for Bermuda DTA	21.8%	10.1%
Positive prior year development[1]	$122.8m	$209.4m
Bermuda solvency capital ratio (BSCR)[2]	212%	199%

Highlights

- Net insurance contract written premium (net ICWP) grew by 10.7% in constant currency to $3,555.8 million (2022: $3,225.5 million).
- Record profit before tax of $625.9 million (2022: $275.6 million), underpinned by:
  - a 36.4% increase in the insurance service result at $492.3 million (2022: $360.9 million); and
  - a record net investment income of $384.4 million (2022: loss of $187.3 million).
- Undiscounted combined ratio of 89.8% (2022: 91.1%).
- Group ROE of 21.8%[3].
- $150 million buyback, with pro-forma BSCR post ordinary final dividend and capital return of 200%[2].
- Strong start to 2024 across all business segments.

Aki Hussain, Group Chief Executive Officer, Hiscox Ltd, commented:

"Our business has delivered excellent results, with record profits of $625.9 million underpinned by a 36% improvement in the underwriting result and a record investment income. The Group combined ratio below 90% and ROE of 21.8%[3] have led to very strong capital generation, which we are deploying for further growth in all parts of the business in addition to a special return to shareholders of $150 million."

ENDS

[1]Alternative performance measure definitions used by the Group are included within the consolidated financial statements.
[2]Estimated for 2023.
[3]Excludes impact of Bermuda DTA.

A conference call for investors and analysts will be held at 10:00 GMT on Tuesday, 5 March 2024.

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Notes to editors

About The Hiscox Group

Hiscox is a global specialist insurer, headquartered in Bermuda and listed on the London Stock Exchange (LSE:HSX). Our ambition is to be a respected specialist insurer with a diverse portfolio by product and geography. We believe that building balance between catastrophe-exposed business and less volatile local specialty business gives us opportunities for profitable growth throughout the insurance cycle.

The Hiscox Group employs over 3,000 people in 14 countries, and has customers worldwide. Through the retail businesses in the USA, UK, Europe and Asia, we offer a range of specialist insurance products in commercial and personal lines. Internationally-traded, bigger-ticket business and reinsurance is underwritten through Hiscox London Market and Hiscox Re & ILS.

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

HISCOX

Chief Executive's report

Strategic execution

Underwriting excellence and investment result drive record profits

I am pleased to announce the Group has delivered a record profit before tax of $625.9 million. High-quality net ICWP growth of 10.7% in constant currency at expanding margins resulted in an undiscounted combined ratio of 89.8% and an insurance service result approaching half a billion Dollars, up 36% year on year. This is complemented by a record net investment income of $384.4 million, as higher bond reinvestment yields are now earning through. Group ROE of 21.8%[4] is the highest the business has delivered in seven years. These record profits are underpinned by continued growth in each of our business segments, as we execute our strategy and capture both cyclical and structural growth opportunities across our portfolio.

Capital management strategy focused on delivery of consistently strong returns to our shareholders

Effective and judicious capital management is core to our ability to deliver consistently strong returns to our shareholders. In 2023, Hiscox capitalised on some of the best property pricing conditions in decades and deployed significant capital in both our London Market and Re & ILS businesses, alongside investing in continuing growth in Retail. This strategy, along with a record investment performance, has resulted in strong capital generation with an estimated year-end solvency position of 212% (2022: 199%).

Capital allocation, together with our expertise in our chosen lines of business and strong distribution capabilities, is a key driver of profitable growth. As I look forward, there are three key factors driving capital allocation decisions at this juncture. Firstly, we expect favourable market conditions in many of our big-ticket lines of business to continue into 2024, most recently evidenced by the strong January renewals. In addition, the structural growth opportunity in Retail remains immensely attractive, and we increased our investment in marketing by 29% in 2023 to support growth into 2024. We will continue to allocate more capital to support growth across all of these opportunities in line with our strategy.

Secondly, we have continued to take a conservative approach to reserves and risk adjustment, and have taken the decision to increase the Group confidence level to 83% at year end from 77% at half-year 2023. Reserves have been strengthened across the Group, although a significant part of the strengthening relates to the US broker business we exited in 2021, comprising mostly standalone general and other liability business written for customers with revenues over $100 million.

Finally, our business has generated record profits and has a strong balance sheet. We are using the capital generated to drive growth and strengthen the risk adjustment. In addition, we recognise that surplus capital beyond these needs should be considered for return to shareholders. In light of this, and consistent with our disciplined capital deployment strategy, medium-term growth ambition, and the desire to maintain high levels of financial flexibility, the Board has recommended a final dividend of 25 cents per share and a further return of $150 million of capital to shareholders in the form of a buyback. The pro forma BSCR post the final ordinary dividend and the share buyback is estimated at 200%. The Group's approach to capital management ensures that it can invest in the many attractive growth opportunities available and maintain its balance sheet strength and financial flexibility.

Enabling technological transformation

The pace of technological and societal change continues to accelerate. To maintain our market-leading position in our chosen lines of business, we continue to invest time and resources in building out our technological capabilities. For some time now we have been using technology to make it easier for our customers to do business with us; to drive superior risk selection; and to improve, streamline and automate our processes.

Hiscox London Market is collaborating with Google Cloud to create the first AI-enhanced lead underwriting model in the Lloyd's market. The proof of concept was undertaken in Hiscox's terrorism line of business, although the principles will apply to other lines of business within and beyond big-ticket insurance. The collaboration combines

[4] Excludes impact of Bermuda DTA.

our recently built in-house technology platform called Hiscox AI Laboratories (Hailo) with Google Cloud's generative AI technology to automate lead algorithmic underwriting from submission to quote. A manual quoting process that used to take up to three days has been shortened to just three minutes when using AI tools, freeing up time for our underwriters to focus on higher-value tasks. We are very excited about the potential applications of this new technology more widely across our business.

In Retail, we made good progress in our technological transformation. In US DPD, all new and renewal business is now written on the new platform. We are beginning to see evidence of its benefits – most notably in direct, where new business growth was up 31% year on year. In Europe, the roll-out of the new policy administration system is nearing its completion in Germany and is in progress in France. Europe is still predominantly a broker-led market, so the new platform will be accompanied by digital broker portals. These will create a seamless digital journey for our brokers and increase scalability for our business. In the UK, we continue to expand our product and distribution capabilities with solid progress in our e-broker extranet roll-out.

Building the business of the future

At Hiscox we are proud to have grown our business organically, and to sustain this growth we are continuing to innovate to expand our business reach. In the USA, we aim to be the destination brand for our customers' insurance needs by building out an SME insurance marketplace. In 2023, we took a significant step in this direction when we launched a workers' compensation product in partnership with a highly reputable multi-line US insurer. With the product set we had available prior to this initiative, we could reach approximately half of the total market. The addition of a workers' compensation product enables us to reach a further third of the available small business market. This partnership increases our reach and relevance, and creates a new capital light income stream from the commission we receive from selling our partner's product.

We also see significant growth opportunities as the 'green economy' transition accelerates. We have launched a green consultant indemnity product in the UK which covers businesses, professionals, and their clients within the environmental and sustainability sector. Hiscox London Market's ESG sub-syndicate went live on 1 April 2023 and so far has exceeded our expectations, as we bound risks underwriting offshore windfarms in Europe, hydro in New Zealand, battery energy storage systems in the UK and solar in the USA. We are continuing to build our capabilities in this area, with the addition of a team of engineers planned in 2024.

A notable development in the reinsurance market in 2023 has been a buoyant natural catastrophe bond market. The Group has taken the opportunity to diversify our outwards reinsurance programme by issuing our own $125 million natural catastrophe bond in December 2023, which provides multi-year protection against North American named storms and earthquakes. The issue was upsized due to strong demand and priced attractively. In Hiscox Re & ILS, we launched a new catastrophe bond fund facility to complement our ILS offering, in time for the January renewals.

People are at the heart of our success

Our ability to attract and retain talent is key to our continued success. During 2023 we welcomed our new Chair, Jonathan Bloomer, following Robert Childs' retirement after a long-standing and extraordinary career at Hiscox spanning 37 years. Jonathan is a very experienced Chair with a wealth of leadership experience in the insurance sector. Beth Boucher also joined the Board as an Independent Non Executive Director in 2023, bringing with her expertise in cyber security, people management and transformation.

We have continued to build the quality and capabilities of our senior management team by adding some fantastic new senior leaders to our business during the year. Fabrice Brossart joined us in November from AIG as our Group Chief Risk Officer, and his appointment completes my Group Executive Committee. We also welcomed Todd Isaac as our Chief Investment and Treasury Officer, Chris Loake as our Chief Information Officer, and Steve Parry as our Group Claims Director. We are already benefitting significantly from their fresh thinking from both inside and outside of our industry.

We remain focused on building a connected and engaged workforce and are pleased to have maintained a high level of employee engagement of 82% in 2023, after posting this highest employee engagement score in ten years for the first time in 2022. Diversity, equity and inclusion (DEI) is another constant area of focus. We seek to recruit from the whole talent pool regardless of gender, ethnicity or background and to ensure everyone who works at

Hiscox feels a sense of pride and belonging. We have chosen to participate in the updated Parker Review by setting an ethnic minority representation target of 13% for senior management to be achieved by the end of 2027. This is part of our efforts to build transparency, and to ensure that everyone has an equal opportunity to make the most of their potential and progress to the highest levels in their business careers.

Business performance

Hiscox Retail

Hiscox Retail comprises our retail businesses around the world: Hiscox USA, Hiscox Europe and Hiscox UK. In this segment, our specialist knowledge and ongoing investment in the brand, distribution (including broker relations) and technology reinforce our strong market position in an increasingly digital world.

Retail ICWP of $2,368.5 million (2022: $2,273.1 million) increased by 4.2% in constant currency. We continue to see strong momentum in Europe and accelerating growth in US DPD, although overall Retail growth is below our expectations. In US broker, ongoing competitiveness of cyber pricing impacted growth, as we chose pricing discipline over short-term growth. In the UK, we exited some non-core underwriting partnerships which were outside of our risk appetite, and fourth-quarter growth fell short of management expectation following later than expected activation of signed broker distribution deals. However, the issues in both US broker and the UK are transient and we have taken action to reverse these trends. As a result, we are seeing positive momentum build early in 2024. Adjusted for cyber headwinds in the USA and the exit of underwriting partnerships in the UK, Retail growth was within the 5% to 15% target range in 2023.

On an undiscounted basis, Hiscox Retail's headline combined ratio was 96.2% (2022: 93.7%). This reflects the Group taking the opportunity to increase investment in marketing to build momentum for growth into 2024 and strengthening reserves for the business exited in US broker ($160 million of annual premiums), which was announced in March 2021 and completed by half-year 2022. This exited business, comprising mainly large-ticket standalone general liability and cyber, benefits from some LPT cover for years 2019 and prior, which the Group purchased at the time we decided to exit. However, the general liability part of this exited book is experiencing higher loss trends, and as a result we have added IBNR reserves for the portion of the book that does not benefit from LPT cover.

The Hiscox Retail business has been an organic endeavour. Over the years we have continued to invest in building this business and becoming the leading specialist insurer for small businesses and selective personal lines. The long-term growth opportunity ahead remains extraordinary and our objective is to capture it and build a material position. In doing this we will remain disciplined, as we have done in 2023 when we increased our investment in marketing by 29% and strengthened reserves, while achieving a Group RoE of 21.8%[5]. Our intention remains to run our Retail business within the 89%-94% operating range for the long-term benefit of our shareholders.

On 27 September 2023, the Group announced its agreement to divest DirectAsia to Ignite Thailand Holdings Limited. The transaction remains subject to customary conditions and regulatory approvals.

Insurance contract written premium	$2,368.5 million (2022: $2,273.1 million)
Net insurance contract written premium	$2,197.7 million (2022: $2,071.3 million)
Insurance service result	$180.2 million (2022: $182.5 million)
Profit before tax	$267.3 million (2022: $130.2 million)
Combined ratio	91.6% (2022: 91.0%)
Undiscounted combined ratio	96.2% (2022: 93.7%)

[5] Excludes impact of Bermuda DTA.

Hiscox USA

Hiscox USA provides commercial insurance for small businesses with distribution through brokers, partners and direct-to-consumer. Our ambition is to build America's leading small business insurer.

US ICWP grew by 1.0% to $909.4 million (2022: $900.2 million), with ongoing positive momentum in the digital business tempered by a deceleration in the broker channel. The broker deceleration was driven by challenging market conditions in cyber and the business taking longer than expected to pivot to growth after the book was decisively re-underwritten. To reverse this trend, we executed a growth campaign focused on our most profitable classes, which has moderated the decline in the fourth quarter. We are seeing some green shoots and cyber headwinds are expected to alleviate in the coming year, although the outlook remains uncertain.

US DPD ICWP increased 8.5% year on year to $504.4 million, crossing the half a billion-Dollar threshold (2022: $465.0 million). The second-half growth run rate of 9.2% is an acceleration versus 7.8% in the first half. With increased investment in marketing and increased production from digital partners, positive momentum has continued into 2024.

The direct business has been live on the new technology platform since June 2022 and continues to show excellent progress, growing at a double-digit rate with new business up in excess of 30% in 2023. In the coming year we expect growth momentum to remain strong, supported by a new brand campaign and the expansion of our social influencer programme. The accelerating growth in direct provides an excellent base for the full digital launch of our workers' compensation partnership in February 2024. Our customers are now able to quote and bind a Hiscox policy and a workers' compensation policy underwritten by our partner without leaving the Hiscox website. It is a seamless, convenient and easy user experience, allowing Hiscox to capture a bigger share of the small commercial market. The collaboration has performed ahead of expectations since its soft launch in June.

The recovery of our digital partnerships business from its low point in the first quarter of 2023 has continued, although at a slightly slower pace than we initially anticipated. After a two-year pause, we onboarded over 30 new partners in 2023, taking the total to over 180. From our prior experience, it often takes 12 months for partners to achieve the appropriate cadence and momentum, and consistent with this, momentum has improved in sequential quarters with the trend continuing into 2024.

Hiscox Europe

Hiscox Europe provides commercial insurance for small- and medium-sized businesses, as well as personal lines cover, including high-value household, fine art and luxury motor.

Hiscox Europe continues to be the strongest growing business in the Retail segment, with ICWP of $606.7 million (2022: $545.6 million) and growth of 10.6% in constant currency, with all countries enjoying strong momentum.

Both commercial and personal lines have seen double-digit growth year on year, demonstrating the opportunities that Hiscox has across its European markets – most notably in professional indemnity and specialist sectors such as technology. We continue to market our small commercial defined benefit cyber product across all the countries we operate in, which we believe responds to the needs of our target customer base. The cyber market remains competitive and we are focused on maintaining pricing discipline and the high quality of our portfolio. The European DPD business in Germany, France and the Netherlands is still nascent, but is growing at a high double-digit rate.

Hiscox UK

Hiscox UK provides commercial insurance for small- and medium-sized businesses, as well as personal lines cover, including high-value household, fine art and luxury motor.

Hiscox UK ICWP grew by 2.4% in constant currency or 2.0% in US Dollars to $793.8 million (2022: $778.2 million), with the premium growth impacted by the planned exit from non-core delegated authority business which is now complete.

Our art and private client (APC) business returned to growth in 2023. We continue to innovate to maintain this momentum and are planning to launch a new digital high-value household APC product for brokers that will reduce their administrative burden and improve ease of doing business with Hiscox.

The UK broker commercial business continued to enjoy excellent retention, illustrating the underlying quality of the business and the loyalty of our customers. However, new business growth was below management expectation, particularly in the fourth quarter. This was primarily due to a delay in the activation of several broker distribution deals signed in the latter part of the year.

In September we launched our new brand campaign, titled 'Your story… underwritten by Hiscox', a concept focused on recognising the people and stories behind every policy. It is a significant milestone as we look to further increase awareness and recognition of Hiscox in both our direct and broker channels. The initial response has been positive and we intend to increase brand spend through key media channels in 2024.

Hiscox UK also has a new Chief Distribution Officer, Gareth Hemming, who is bringing a new and higher intensity to the distribution teams' operating rhythm. The combination of the marketing campaign noted above and the activation of new distribution deals is increasing the flow of business into the UK, resulting in a strong start to 2024.

Hiscox London Market

Hiscox London Market uses the global licences, distribution network and credit rating of Lloyd's to insure clients throughout the world.

Insurance contract written premium	$1,243.4 million (2022: $1,114.7 million)
Net insurance contract written premium	$908.5 million (2022: $789.2 million)
Insurance service result	$176.0 million (2022: $123.3 million)
Profit before tax	$251.4 million (2022: $101.0 million)
Combined ratio	79.1% (2022: 84.5%)
Undiscounted combined ratio	83.8% (2022: 86.7%)

Hiscox London Market delivered strong growth in ICWP of 11.5% to $1,243.4 million (2022: $1,114.7 million). Net ICWP grew by 15.1% to $908.5 million (2022: $789.2 million), as we deployed more capital in property and benefitted from significant opportunities within renewables and energy construction.

Hiscox London Market benefitted from an average rate increase of 7%, contributing to a cumulative rate increase of 70% since 2018. While this is ahead of our expectations, different lines of business are at varying stages in the cycle. Property saw significant rate strengthening, with property binders and major property rates up 26% and 21% respectively, and terrorism rates up 15%. In contrast, cyber and D&O have seen double-digit rate decreases, following several years of strong re-rating. We continued our strict underwriting discipline to maintain the high quality of our portfolios in these lines by only writing the business that fits within our risk appetite and return expectations. General liability rates are being sustained and we continue to grow the book selectively, where we see attractive new business opportunities.

Upstream energy has benefitted significantly from the extensive amounts of construction taking place in the renewables sector, and new business more than doubled in 2023. The ESG sub-syndicate, ESG 3033, launched earlier this year, is already exceeding our expectations and the majority of risks written in 2023 are in the renewables space.

Overall, we remain focused on profitable growth through effective cycle management. While it has been an active loss year with a number of weather events, wildfires in Hawaii and Canada, and several satellite losses, our London Market business delivered a strong undiscounted combined ratio of 83.8% (2022: 86.7%), marking its fourth consecutive year of delivering a combined ratio in the 80s.

Hiscox Re & ILS

Hiscox Re & ILS comprises the Group's reinsurance businesses in London and Bermuda and insurance-linked securities (ILS) activity written through Hiscox ILS.

Insurance contract written premium	$986.3 million (2022: $967.6 million)
Net insurance contract written premium	$449.6 million (2022: $365.0 million)
Insurance service result	$136.1 million (2022: $55.1 million)
Profit before tax	$221.4 million (2022: $46.9 million)
Combined ratio	68.3% (2022: 84.5%)
Undiscounted combined ratio	69.8% (2022: 85.6%)

Hiscox Re & ILS achieved excellent net ICWP growth of 23.2%, increasing to $449.6 million (2022: $365.0 million) as the business deployed additional capital into the favourable hard market. ICWP grew more modestly by 1.9% to $986.3 million (2022: $967.6 million) as less ILS capital was deployed throughout this year, reflecting broader ILS fund market conditions.

Hiscox Re & ILS benefitted from an average rate increase of 31% on a risk-adjusted basis, and cumulative rate increases now stand at 90% since 2018. Rate growth is beginning to plateau in the US property catastrophe market, having achieved significant improvements in terms and conditions during 2023. The international property catastrophe book continues to see a broad rate hardening. Retrocession rates saw the greatest increases in 2023, up 42% on prior year, and are now starting to soften slightly as more capacity returns to the market. Despite this, we believe that rates remain attractive.

Hiscox Re & ILS has delivered an excellent undiscounted combined ratio of 69.8% (2022: 85.6%) and a record profit before tax of $221.4 million (2022: $46.9 million) in an active year for natural catastrophe losses. The business continued the trend of recent years of reducing exposure to secondary perils by materially reducing exposure to aggregate programmes.

Hiscox ILS funds delivered a record performance with assets under management of $1.8 billion (2022: $1.9bn) as at 31 December 2023. These decreased to $1.6 billion on 1 January 2024 after a planned capital return of $270 million. In total, the business raised $140 million of new capital ahead of the January renewals, including capital from new ILS investors and a newly-launched side-car. The pipeline of further opportunities remains strong. The impact of 2023 ILS net outflows was offset through a combination of increasing Hiscox's own allocation of capital and by a significant increase in ceded quota share capacity. As a result, gross income was maintained, net income increased materially and the excellent underwriting result has not only generated a 69.8% undiscounted combined ratio, but a near doubling of fee income year on year.

We also launched our first catastrophe bond fund in January to diversify our ILS funds' product offering. All of these will contribute to the bottom line through fee income that will earn through in 2024 and beyond.

The Hiscox Re & ILS business model has access to several sources of capital ranging from Hiscox own capital to third-party capital through a number of different mechanisms including strategic quota share partnerships, ILS funds, and more recently a side-car and catastrophe bond fund. This strategy enables the business to compete effectively in our specialist areas through providing scale and lowering the cost of capital, while providing valuable fee income for risk origination and performance-dependent profit commissions. Following the excellent underwriting performance in 2023, fee income has risen from $51.1 million to $101.7 million as substantial profit commissions are generated.

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Strong foundations

Reserves

Consistent with the Hiscox conservative reserving philosophy, we have decided to further strengthen reserves. As at 31 December 2023, the Group's net reserves are at the 83% confidence level (HY 2023: 77%) and a risk adjustment above best estimate of $272.9[6] million (HY 2023: $211.1[3] million).

Our reserve philosophy is evident in the consistently positive reserve development we have reported over many years. In 2023, net reserve releases stood at $122.8 million (2022: $209.4 million), as the strengthening of the reserves covering the exited US broker business was more than offset by reserve releases across multiple classes of business.

Over recent years we have been proactive in executing LPTs to protect certain lines of business, in particular those lines we have exited. These LPTs provide protection for over 31% of Group gross reserves and 42% of casualty gross reserves for 2019 and prior years from inflationary and other pressures. We will continue to pursue similar transactions to manage volatility and optimise capital.

Capital

The Group remains strongly capitalised from both a regulatory and a ratings agency perspective, allowing us to pursue our ambitious business plan while being sufficiently protected against market events. The Hiscox Group BSCR ratio at 31 December 2023 is estimated at 212%. The BSCR currently excludes any benefit from the $150 million Bermuda deferred tax asset, as the treatment for capital is currently uncertain.

Given the strong operational capital generation in 2023, the Group intends to return $150 million of capital to shareholders by means of a share buyback, in addition to the final ordinary dividend of 25 cents per share. The total capital return is equivalent to 12 percentage points of the 2023 year-end BSCR ratio. The Group continues to see opportunities to deploy capital at attractive returns in big-ticket and to invest in the structural growth opportunity in Retail.

We remain comfortably above the S&P 'A' rating threshold and significantly above the regulatory capital ratio requirement. The Group remains robustly capitalised, as demonstrated by its regulatory capital ratio and continued strong results, from its three rating agency assessments (S&P: A, AM Best: A and Fitch: A+).

In November 2023 S&P released the final details of its long-awaited new capital model, which gives more credit for diversification. It has now been confirmed that the impact on the Group's S&P capitalisation was positive and that Hiscox's 'strong' operating rating with stable outlook remains unchanged. S&P has also removed credit watch from Hiscox's debt issuance rating with no change to its rating, following its review of structural subordination in Bermuda.

Liquidity

The Group, at the holding company level, continues to retain a significant level of liquidity with fungible assets in the region of $1 billion, comprised of liquid assets and undrawn borrowing facilities. A full-year 2023 leverage for the Group on a pro-forma basis post share buyback of $150 million is 17.5%[7], comfortably within the range that the Group chooses to operate in.

Investments

The total investment result was a gain of $384.4 million (2022: loss of $187.3 million), or a return of 5.2% (2022: negative return of 2.6%). Assets under management at 31 December 2023 were $8.0 billion (2022: $7.1 billion).

Inflation continued to fall over the course of 2023, while employment remained resilient and economic growth avoided the more severe adverse outcomes that can accompany a sharp rise in interest rates. The robust economic backdrop gave central banks room to first raise and then hold interest rates at restrictive levels until

[6] Allows for the reclassification of LPT recoveries into claims.
[7] Leverage defined as borrowings over borrowings and shareholder equity.

inflation was back on course to meet policy objectives. Market expectations shifted several times during the year as to the likely timing of peak rates and when the interest rates may be cut.

Other than at the very short end, government bond yields ended 2023 broadly where they started. However, this disguised significant volatility during the year, as bond markets reacted to the US regional banking crisis, inconsistent economic data and central bank statements. Yields then fell sharply towards the year end and corporate bond spreads tightened to historically narrow levels as markets moved to price in the first rate reductions in early 2024. The bond portfolio made significant mark-to-market gains which recovered a large proportion of 2022's mark-to-market losses. Our bond portfolio remains relatively conservative with an average credit rating of A and an average duration of 1.6 years.

Bond coupons of $186.1 million combined with $49.7 million earned from our cash and cash equivalents contributed the majority of the return. The reinvestment yield on the bond portfolio fell in the final quarter to 5.1% as at 31 December 2023, down from 5.7% at the end of September 2023, and is in line with 5.1% at the end of 2022, a trend which supports strong forward-looking returns. The book yield is at 4.3% and is still rising, underpinning the cash component of income.

Despite slowing growth and central bank policy uncertainty, equity markets made surprisingly strong gains over 2023, albeit skewed by the performance of a handful of the largest companies in the USA. The Group's exposure to riskier assets remains modest and we reduced our equity allocation over the second half of the year, giving us room to add risk should appropriate opportunities arise.

Tax

The Group's tax credit for the year of $86.1 million (2022: expense of $21.7 million) reflects income taxes payable for 2023, offset by the impact of the initial recognition of DTA generated by the introduction of Corporate Income Tax (CIT) in Bermuda.

In December 2023, Bermuda passed into law a new 15% CIT, which will take effect for periods from 1 January 2025. Broadly, the tax applies to those Bermudian companies which are in scope of the Organisation for Economic Co-operation and Development (OECD) global minimum tax, and closely follows the OECD 'Pillar 2' model rules, which have also been passed (or are currently being legislated), in many other jurisdictions globally. Bermuda has announced that this measure forms part of a wider tax reform programme, including the introduction of qualifying refundable tax credits to incentivise business investment on the island, which is intended to be designed and implemented during 2024.

Hiscox will be in scope of the Bermuda CIT when it comes into effect in 2025, and we therefore expect our effective tax rate for 2025 and subsequent years to increase relative to recent years with a normal range closer to 15-20% on average. However, in 2023, as a consequence of the enactment of the CIT, Hiscox has recognised a DTA of $150 million, representing tax assets which will be available to bring into the new regime at commencement. Further legislation anticipated in 2024 may also have the effect of partially mitigating the economic cost of the CIT, although these are yet to be finalised.

Outlook

Our diversified business portfolio is well positioned to deliver high-quality growth in revenue and earnings and strong capital generation through the cycle. We continue to benefit from the investments we are making in our people, brand and technology infrastructure to drive disciplined growth in positive market conditions across our big-ticket segments, and to pursue the attractive long-term structural growth opportunity in Retail, combined with investment income tailwinds.

The Retail outlook for 2024 is positive, and we have delivered a strong start to 2024 with US DPD ICWP growing double-digit in the two months to 29 February. The quarter-on-quarter growth acceleration in US DPD reflects the impact of marketing initiatives in 2023, which will be further increased in 2024. The business is also benefitting from several new partners being fully activated. In the UK, the combination of a new marketing campaign launched in September 2023 and activation of several distribution deals signed in the last quarter of 2023 is raising growth levels and in Europe strong growth momentum continues. The US broker business remains challenging due to cyber-related headwinds, although they are beginning to dissipate. With multiple drivers of growth in Retail, we expect to deliver full-year 2024 growth within the 5%-15% target range. Our intention remains to run the Retail business within the 89%-94% operating combined ratio range for the long-term benefit of our shareholders. This opportunity remains immense and my focus is on execution and delivery to build a material position in the small business insurance market.

For Hiscox London Market, the outlook for 2024 is positive, with rates and premium growth ahead of our expectations in January. We continue to prioritise underwriting discipline and effective cycle management, investing capital in lines where the return is attractive and shrinking in those lines where the market is softening.

Reinsurance market conditions are expected to stabilise and remain attractive after the significant improvements in 2023. We have allocated additional capital to this segment as Hiscox Re & ILS continues to seize the opportunities created by the hard market conditions and focuses on growing our net book.

Our portfolio of businesses and our people position us well to continue delivering high-quality disciplined growth and earnings. I would like to thank our people for their hard work and our partners and shareholders for their continued support.

Aki Hussain

Group Chief Executive Officer
5 March 2024

Hiscox Ltd full year results

Condensed consolidated income statement

For the year ended 31 December 2023

	Note	2023 $m	2022 (restated*) $m
Insurance revenue	6	**4,483.2**	4,273.3
Insurance service expenses	6	**(3,189.3)**	(3,485.9)
Insurance service result before reinsurance contracts held		**1,293.9**	787.4
Allocation of reinsurance premiums	6	**(1,119.4)**	(1,264.8)
Amounts recoverable from reinsurers for incurred claims	6	**317.8**	838.3
Net expenses from. reinsurance contracts held		**(801.6)**	(426.5)
Insurance service result	6	**492.3**	360.9
Investment result	9	**384.4**	(187.3)
Net finance (expenses)/income from insurance contracts		**(220.7)**	213.7
Net finance income/(expenses) from reinsurance contracts		**81.0**	(102.1)
Net insurance finance (expenses)/income		**(139.7)**	111.6
Net financial result	9	**244.7**	(75.7)
Other income	10	**91.1**	42.3
Other operational expenses	10	**(125.5)**	(67.8)
Net foreign exchange (losses)/gains		**(27.0)**	54.7
Other finance costs	11	**(50.0)**	(39.7)
Share of profit of associates after tax	6	**0.3**	0.9
Profit before tax		**625.9**	275.6
Tax credit/(expenses)	12	**86.1**	(21.7)
Profit for the year (all attributable to owners of the Company)		**712.0**	253.9
Earnings per share on profit attributable to owners of the Company			
Basic	14	**206.1¢**	73.8¢
Diluted	14	**201.5¢**	72.7¢

*restated for the adoption of IFRS 17 and IFRS 9, see note 2.

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

HISCOX

Condensed consolidated statement of comprehensive income

For the year ended 31 December 2023

	Note	**2023** $m	2022 (restated) $m
Profit for the period		**712.0**	253.9
Other comprehensive income			
Items that will not be reclassified to the income statement:			
Remeasurements of the net defined benefit pension scheme	19	**(4.1)**	34.9
Income tax effect		**(1.7)**	(7.7)
		(5.8)	27.2
Items that may be reclassified subsequently to the income statement:			
Exchange gains/(losses) on translation of foreign operations		**25.0**	(118.0)
Other comprehensive income net of tax		**19.2**	(90.8)
Total comprehensive income for the period (all attributable to the owners of the Company)		**731.2**	163.1

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

HISCOX

Condensed consolidated balance sheet

As at

	Note	31 December 2023 $m	31 December 2022 (restated) $m	1 January 2022 (restated) $m
Assets				
Employee retirement benefit asset	19	**44.4**	20.9	-
Goodwill and intangible assets		**323.9**	320.4	313.1
Property, plant and equipment		**130.3**	133.1	90.4
Investments in associates		**0.8**	5.6	5.7
Deferred tax assets	12	**180.7**	38.2	70.3
Assets included in disposal group classified as held for sale	10	**59.1**	-	-
Financial assets carried at fair value	16	**6,574.4**	5,812.1	6,041.3
Reinsurance contract held assets	13	**2,098.3**	2,517.2	2,856.9
Trade and other receivables		**206.5**	160.6	155.4
Current tax assets		**5.1**	4.0	4.9
Cash and cash equivalents		**1,437.0**	1,350.9	1,300.7
Total assets		**11,060.5**	10,363.0	10,838.7
Equity and liabilities				
Shareholders' equity				
Share capital		**38.8**	38.7	38.7
Share premium		**528.8**	517.6	516.8
Contributed surplus		**184.0**	184.0	184.0
Currency translation reserve		**(379.2)**	(404.2)	(286.2)
Retained earnings		**2,923.2**	2,297.8	2,108.8
Equity attributable to owners of the Company		**3,295.6**	2,633.9	2,562.1
Non-controlling interest		**1.1**	1.1	1.1
Total equity		**3,296.7**	2,635.0	2,563.2
Employee retirement benefit obligations		**-**	-	35.1
Deferred tax liabilities		**56.9**	4.1	4.5
Liabilities included in disposal group classified as held for sale	10	**54.8**	-	-
Insurance contract liabilities	13	**6,604.0**	6,694.3	7,186.9
Financial liabilities	16	**674.7**	636.2	746.7
Current tax liabilities		**10.9**	14.1	21.3
Trade and other payables		**362.5**	379.3	281.0
Total liabilities		**7,763.8**	7,728.0	8,275.5
Total equity and liabilities		**11,060.5**	10,363.0	10,838.7

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

Condensed consolidated interim statement of changes in equity

For the year ended 31 December 2023

	Share capital	Share premium	Contributed surplus	Currency translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 31 December 2022	**38.7**	**517.6**	**184.0**	**(404.2)**	**2,297.8**	**2,633.9**	**1.1**	**2,635.0**
Profit for the year	**-**	**-**	**-**	**-**	**712.0**	**712.0**	**-**	**712.0**
Other comprehensive income net of tax	**-**	**-**	**-**	**25.0**	**(5.8)**	**19.2**	**-**	**19.2**
Employee share options:								
Equity settled share-based payments	**-**	**-**	**-**	**-**	**43.2**	**43.2**	**-**	**43.2**
Proceeds from shares issued	**0.1**	**9.6**	**-**	**-**	**-**	**9.7**	**-**	**9.7**
Deferred and current tax on employee share options	**-**	**-**	**-**	**-**	**2.1**	**2.1**	**-**	**2.1**
Shares issued in relation to Scrip Dividend	**-**	**1.6**	**-**	**-**	**-**	**1.6**	**-**	**1.6**
Dividends paid to owners of the Company	**-**	**-**	**-**	**-**	**(126.1)**	**(126.1)**	**-**	**(126.1)**
Balance at 31 December 2023	**38.8**	**528.8**	**184.0**	**(379.2)**	**2,923.2**	**3,295.6**	**1.1**	**3,296.7**

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

Condensed consolidated interim statement of changes in equity (continued)

For the year ended 31 December 2022

	Share capital	Share premium	Contributed surplus	Currency translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 31 December 2021 (as previously reported)	38.7	516.8	184.0	(289.3)	2,088.0	2,538.2	1.1	2,539.3
IFRS 17 and IFRS 9 opening equity adjustments (note 2)	-	-	-	3.1	20.8	23.9	-	23.9
Balance at 1 January 2022	38.7	516.8	184.0	(286.2)	2,108.8	2,562.1	1.1	2,563.2
Profit for the year	-	-	-	-	253.9	253.9	-	253.9
Other comprehensive income net of tax	-	-	-	(118.0)	27.2	(90.8)	-	(90.8)
Employee share options:								
Equity settled share-based payments	-	-	-	-	27.2	27.2	-	27.2
Proceeds from shares issued	-	0.1	-	-	-	0.1	-	0.1
Deferred and current tax on employee share options	-	-	-	-	1.2	1.2	-	1.2
Shares issued in relation to Scrip Dividend	-	0.7	-	-	-	0.7	-	0.7
Dividends paid to owners of the Company	-	-	-	-	(120.5)	(120.5)	-	(120.5)
Balance at 31 December 2022	38.7	517.6	184.0	(404.2)	2,297.8	2,633.9	1.1	2,635.0

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

HISCOX

Condensed consolidated statement of cash flows

For the year ended 31 December 2023

	Note	2023 $m	2022 (restated) $m
Profit before tax		**625.9**	275.6
Adjustments for:			
Net foreign exchange losses/(gains)		**27.0**	(54.7)
Interest and equity dividend income	9	**(237.0)**	(119.5)
Interest expense	11	**50.0**	39.7
Net fair value (gains)/losses on financial assets	9	**(170.6)**	254.2
Depreciation, amortisation and impairment	10	**77.1**	60.0
Charges in respect of share-based payments		**43.2**	27.2
Realised gain/(loss) on sale of subsidiary undertaking, intangible assets and property plant and equipment		**(4.0)**	0.1
Changes in operational assets and liabilities:			
Insurance and reinsurance contracts		**248.3**	2.2
Financial assets carried at fair value		**(549.6)**	(128.3)
Financial liabilities carried at amortised cost		**0.7**	0.9
Other assets and liabilities		**(15.6)**	(49.8)
Cash paid to the pension fund	19	**(24.8)**	(13.5)
Interest received		**218.1**	109.1
Equity dividends received		**1.5**	3.9
Interest paid		**(48.5)**	(31.3)
Tax paid		**(9.6)**	(2.4)
Net cash flows from operating activities		**232.1**	373.4
Proceeds from sale of associate		**9.5**	-
Purchase of property, plant and equipment		**(1.1)**	(20.9)
Proceeds from the sale of property, plant and equipment		**-**	0.9
Purchase of intangible assets		**(42.6)**	(61.9)
Net cash flows used in investing activities		**(34.2)**	(81.9)
Proceeds from the issue of ordinary shares		**9.6**	0.1
Proceeds from the issue of loan notes		**-**	279.1
Distributions made to owners of the Company		**(124.5)**	(119.8)
Repayments of borrowings		**-**	(336.6)
Principal elements of lease payments		**(14.0)**	(13.7)
Net cash flows used in financing activities		**(128.9)**	(190.9)
Net increase in cash and cash equivalents		**69.0**	100.6
Cash and cash equivalents at 1 January		**1,350.9**	1,300.7
Net increase in cash and cash equivalents		**69.0**	100.6
Effect of exchange rate fluctuations on cash and cash equivalents		**17.1**	(50.4)
Cash and cash equivalents at 31 December	18	**1,437.0**	1,350.9

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

Notes to the condensed consolidated financial statements

1. General information

The Hiscox Group, which is headquartered in Hamilton, Bermuda, comprises Hiscox Ltd (the parent company, referred to herein as the ‘Company’) and its subsidiaries (collectively, the ‘Hiscox Group’ or the ‘Group’). For the current period the Group provided insurance and reinsurance services to its clients worldwide. It has operations in Bermuda, the UK, Europe, Asia and the USA and currently has over 3,000 staff.

The Company is registered and domiciled in Bermuda and its ordinary shares are listed on the London Stock Exchange. The address of its registered office is: Chesney House, 96 Pitts Bay Road, Pembroke HM 08, Bermuda.

2. Basis of preparation

The condensed financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and Section 4.1 of the Disclosure and Transparency Rules and the Listing Rules, both issued by the Financial Conduct Authority (FCA).

The basis of preparation and summary of accounting policies applicable to the Group’s condensed consolidated financial statements can be found in Note 2 to the 2023 Annual Report and Accounts. The comparative figures are consistent with those presented in the Group’s 2022 Annual Report and Accounts, except for certain balances which have been restated following the implementation of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*. In these condensed consolidated financial statements, the Company has applied IFRS 17 and IFRS 9 for the first time. Please refer to the Interim Statement 2023 for the impact of adoption of these standards.

Further information about these new accounting standards and their impact on the future reporting and presentation of the Group’s results is disclosed in note 2 of the Annual Report and Accounts.

The Group’s consolidated financial statements from which the condensed financial statements are extracted have been audited. The auditor’s report on the consolidated financial statements is unqualified and does not contain an emphasis-of-matter paragraph.

The condensed consolidated financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board has reviewed the Group’s current and forecast solvency and liquidity positions for the next 12 months and beyond. As part of the consideration of the appropriateness of adopting the going concern basis, the Directors use scenario analysis and stress testing to assess the robustness of the Group’s solvency and liquidity positions.

In undertaking this analysis, no material uncertainty in relation to going concern has been identified, due to the Group’s strong capital and liquidity positions providing resilience to shocks, underpinned by the Group’s approach to risk management.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence over a period of at least 12 months from the date of this report. For this reason, the Group continues to adopt the going concern basis in preparing the condensed consolidated financial statements.

Items included in the financial statements of each of the Group’s entities are measured in the currency of the primary economic environment in which that entity operates (the functional currency). The condensed consolidated financial statements are presented in US Dollars millions ($m) and rounded to the nearest hundred thousand Dollars, unless otherwise stated.

These condensed consolidated financial statements were approved on behalf of the Board of Directors by the Group Chief Executive Officer, Aki Hussain and the Group Chief Financial Officer, Paul Cooper. Accordingly, the financial statements were approved for issue on 5 March 2024.

3. Use of estimates and judgements

In preparing these condensed consolidated financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Estimates and assumptions are continually evaluated and are based on management’s knowledge of current facts and circumstances, and their expectations of future events.

Significant accounting estimates

The following describes items considered particularly susceptible to changes in estimates and assumptions.

3. Use of estimates and judgements (continued)

The most critical estimate included within the Group's balance sheet is the measurement of insurance contract liabilities and reinsurance contract held assets, and in particular the estimate of the liability for incurred claims (LIC). The total gross estimate of LIC as at 31 December 2023 is $6,604.0 million (2022: $6,694.3 million). The total estimate for reinsurance asset for incurred claims as at 31 December 2023 is $2,098.3 million (2022: $2,517.2 million).

Insurance and reinsurance contracts
In applying IFRS 17 measurement requirements, the assumptions and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios. For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17 please refer to note 3 Management of risk of 2023 Annual Report and Accounts.

Employee Benefits

The employee retirement benefit scheme obligations are calculated and valued with reference to a number of actuarial assumptions including mortality, inflation rates and discount rate, many of which have been subject to recent volatility. This complex set of economic variables can have a significant impact on the financial statements.

Deferred Tax Asset

A deferred tax asset can be recognised only to the extent that it is recoverable. The recoverability of deferred tax assets in respect of carry forward losses requires consideration of the future levels of taxable profit in the Group. In preparing the Group's financial statements, management estimates taxation assets and liabilities after taking appropriate professional advice. Significant estimates and assumptions used in the valuation of deferred tax relate to the forecast taxable profits, taking into account the Group's financial and strategic plans. Please refer to Note 12 for details on the deferred tax assets including the impact of Bermuda corporate income tax (CIT).

Significant accounting judgements

The following accounting policies are those considered to have a significant impact on the amounts recognised in the condensed consolidated financial statements:

Consolidation: assessment of whether the Group controls or has significant influence over underlying entity, for example, the treatment of insurance-linked securities funds including consideration of its decision-making authority and its rights to the variable returns from the entity;

Financial investments: classification and measurement of investments including the application of the fair value option.

Insurance contracts: determining the assumptions to arrive at the estimated ultimate cost of claims and the risk adjustment being the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts.

4. Financial, insurance and other risk management

The Group's overall appetite for accepting and managing varying classes of risk is defined by the Group's Board of Directors. The Board has developed a governance framework and has set Group-wide risk management policies and procedures which include risk identification, risk management and mitigation and risk reporting. The objective of these policies and procedures is to protect the Group's shareholders, policyholders and other stakeholders from negative events that could hinder the Group's delivery of its contractual obligations and its achievement of sustainable profitable economic and social performance.

The Board exercises oversight of the development and operational implementation of its risk management policies and procedures through the Risk Committee, and ongoing compliance therewith through a dedicated internal audit function, which has operational independence, clear terms of reference influenced by the Board's Non Executive Directors and a clear upwards reporting structure back into the Board. The Group, in line with the non-life insurance industry generally, is fundamentally driven by a desire to originate, retain and service insurance contracts to maturity. The Group's cash flows are funded mainly through advance premium collections and the timing of such premium inflows is reasonably predictable. In addition, the majority of material cash outflows are typically triggered by the occurrence of insured events, although the timing, frequency and severity of claims can fluctuate.

The Group maintains explicit reserve uplifts to allow for the impact of high inflation in recent years. Loss ratios are also closely monitored to ensure they include an appropriate allowance for future inflation.

Losses from Covid-19 continue to settle well within expectations. As time passes and legal cases are gradually settled, the outcome becomes more certain and so the level of risk adjustment above the best estimate can be reduced.

4. Financial, insurance and other risk management (continued)

The principal sources of risk relevant to the Group's operations and its financial statements fall into three broad categories: operational risk, insurance risk and financial risk. Please refer to the 2023 Annual Report and Accounts for more information on risk management.

5. Related-party transactions

Transactions with related parties during the period are disclosed in note 30 of the Group's 2023 Annual Report and Accounts.

6. Operating segments

The Group's operating segment reporting follows the organisational structure and management's internal reporting systems, which form the basis for assessing the financial reporting performance of, and allocation of resources to, each business segment.

The Group's four primary business segments are identified as follows:

Hiscox Retail brings together the results of the Group's retail business divisions in the UK, Europe, USA and Asia. Hiscox UK and Hiscox Europe underwrite personal and commercial lines of business through Hiscox Insurance Company Limited and Hiscox Société Anonyme (Hiscox SA), together with the fine art and non-US household insurance business written through Syndicate 33. Hiscox USA comprises commercial, property and specialty business written by Hiscox Insurance Company Inc. and Syndicate 3624.

Hiscox London Market comprises the internationally traded insurance business written by the Group's London-based underwriters via Syndicate 33, including lines in property, marine and energy, casualty and other specialty insurance lines.

Hiscox Re & ILS is the reinsurance division of the Hiscox Group, combining the underwriting platforms in Bermuda and London. The segment comprises the performance of Hiscox Insurance Company (Bermuda) Limited, excluding the internal quota share arrangements, with the reinsurance contracts written by Syndicate 33. In addition, the healthcare and casualty reinsurance contracts written in Bermuda on Syndicate capacity are included. The segment also includes the performance and fee income from the Insurance Linked Securities (ILS) funds, along with the gains and losses made as a result of the Group's investment in the funds.

Corporate Centre comprises finance costs and administrative costs associated with Group management activities and intragroup borrowings, as well as all foreign exchange gains and losses.

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

6. Operating segments (continued)

Year ended 31 December 2023

	Hiscox Retail	**Hiscox London Market**	**Hiscox Re & ILS**	**Corporate Centre**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
Insurance revenue	**2,337.7**	**1,175.6**	**969.9**	**-**	**4,483.2**
Insurance service expenses	**(2,072.3)**	**(856.5)**	**(260.5)**	**-**	**(3,189.3)**
Incurred claims and changes to liabilities for incurred claims	**(983.6)**	**(486.5)**	**(55.6)**	**-**	**(1,525.7)**
Acquisition costs *	**(668.2)**	**(251.1)**	**(119.7)**	**-**	**(1,039.0)**
Other attributable expenses *	**(407.3)**	**(118.9)**	**(85.2)**	**-**	**(611.4)**
Losses on onerous contracts and reversals	**(13.2)**	**-**	**-**	**-**	**(13.2)**
Insurance service result before reinsurance contracts held	**265.4**	**319.1**	**709.4**	**-**	**1,293.9**
Allocation of reinsurance premiums	**(250.6)**	**(336.5)**	**(532.3)**	**-**	**(1,119.4)**
Amount recoverable from reinsurers for incurred claims	**165.4**	**193.4**	**(41.0)**	**-**	**317.8**
Net expense from reinsurance contracts held	**(85.2)**	**(143.1)**	**(573.3)**	**-**	**(801.6)**
Insurance service result	**180.2**	**176.0**	**136.1**	**-**	**492.3**
Investment result	**203.9**	**109.9**	**70.6**	**-**	**384.4**
Net finance expense from insurance contracts	**(110.9)**	**(61.1)**	**(48.7)**	**-**	**(220.7)**
Net finance income from reinsurance contracts	**21.5**	**23.7**	**35.8**	**-**	**81.0**
Net insurance finance expense	**(89.4)**	**(37.4)**	**(12.9)**	**-**	**(139.7)**
Net financial result	**114.5**	**72.5**	**57.7**	**-**	**244.7**
Other income	**21.3**	**22.0**	**41.5**	**6.3**	**91.1**
Other operational expenses *	**(47.8)**	**(18.8)**	**(12.8)**	**(46.1)**	**(125.5)**
Net foreign exchange losses	**-**	**-**	**-**	**(27.0)**	**(27.0)**
Other finance costs	**(0.9)**	**(0.3)**	**(1.1)**	**(47.7)**	**(50.0)**
Share of profits of associates	**-**	**-**	**-**	**0.3**	**0.3**
Profit/(loss) before tax	**267.3**	**251.4**	**221.4**	**(114.2)**	**625.9**
Ratio analysis					
Claims ratio (%)	**41.6**	**35.5**	**20.5**	**-**	**37.4**
Expense ratio (%)	**50.0**	**43.6**	**47.8**	**-**	**48.1**
Combined ratio (%)	**91.6**	**79.1**	**68.3**	**-**	**85.5**

***** Total marketing expenditure for the year was $85.0 million (2022: $65.8 million).

The claims ratio is calculated as incurred claims and losses on onerous contracts net of reinsurance recoveries, as a proportion of insurance revenue net of allocation of reinsurance premiums. The expense ratio is calculated as acquisition costs and other attributable expenses, as a proportion of insurance revenue net of allocation of reinsurance premiums. The combined ratio is the total of the claims and expense ratios. All ratios are on an own share basis, which reflects the Group's share in Syndicate 33, and includes a reclassification of LPT premium from allocation of reinsurance premium into amounts recoverable from reinsurers as detailed below.

Costs allocated to Corporate Centre along with other non-attributable expenses are non-underwriting-related costs and are not included within the combined ratio.

6. Operating segments (continued)

As noted above, the claims ratio, expense ratio and combined ratio include a reclassification of LPT premium from allocation of reinsurance premiums into amounts recoverable from reinsurers for incurred claims. The subsequent impacts of LPTs within reinsurance expenses and reinsurance income are analysed on a net basis within the net claims to provide a view of the underlying development on these contracts, against the corresponding development of the gross reserves, consistent with the focus on net performance when assessing underwriting performance. The impact on profit is neutral, however this reclassification for the ratios removes any volatility on a year-on-year comparison.

Year ended 31 December 2023	Hiscox Retail	Hiscox London Market	Hiscox Re & ILS	Total
	$m	$m	$m	$m
Insurance revenue	**2,337.7**	**1,175.6**	**969.9**	**4,483.2**
Allocation of reinsurance premiums	**(250.6)**	**(336.5)**	**(532.3)**	**(1,119.4)**
LPT Premium	**62.4**	**7.9**	**(8.6)**	**61.7**
Allocation of reinsurance premiums after reclassifying LPT premium	**(188.2)**	**(328.6)**	**(540.9)**	**(1,057.7)**
Adjusted net insurance revenue	**2,149.5**	**847.0**	**429.0**	**3,425.5**
Incurred claims and changes to liabilities for incurred claims	**(983.6)**	**(486.5)**	**(55.6)**	**(1,525.7)**
Amounts recoverable from reinsurers for incurred claims	**165.4**	**193.4**	**(41.0)**	**317.8**
LPT Premium	**(62.4)**	**(7.9)**	**8.6**	**(61.7)**
Amounts recoverable from reinsurers for incurred claims after reclassifying LPT premium	**103.0**	**185.5**	**(32.4)**	**256.1**
Adjusted net incurred claims	**(880.6)**	**(301.0)**	**(88.0)**	**(1,269.6)**
Remove benefit from discounting of claims	**(98.5)**	**(39.5)**	**(6.3)**	**(144.3)**
Undiscounted adjusted net incurred claims	**(979.1)**	**(340.5)**	**(94.3)**	**(1,413.9)**

The following ratios reflect the reclassification of LPT premium and remove the impact of discounting.

Ratio analysis (undiscounted)				
Claims ratio (%)	**46.2**	**40.2**	**22.0**	**41.7**
Expense ratio (%)	**50.0**	**43.6**	**47.8**	**48.1**
Combined ratio (%)	**96.2**	**83.8**	**69.8**	**89.8**

The impact on profit before tax of a 1% change in each component of the segmental combined ratios is shown in the following table. Any further ratio change is linear in nature.

	Year ended 31 December 2023		
	Hiscox Retail	Hiscox London Market	Hiscox Re & ILS
	$m	$m	$m
1% change in claims or expense ratio	**21.5**	**8.5**	**4.3**

6. Operating segments (continued)

Year ended 31 December 2022 (restated)

	Hiscox Retail	Hiscox London Market	Hiscox Re & ILS	Corporate Centre	Total
	$m	$m	$m	$m	$m
Insurance revenue	2,218.0	1,130.6	924.7	-	4,273.3
Insurance service expenses	(2,002.2)	(881.9)	(601.8)	-	(3,485.9)
Incurred claims and changes to liabilities for incurred claims	(958.0)	(506.4)	(436.7)	-	(1,901.1)
Acquisition costs	(618.4)	(276.6)	(110.5)	-	(1,005.5)
Other attributable expenses	(422.5)	(98.7)	(54.3)	-	(575.5)
Losses on onerous contracts and reversals	(3.3)	(0.2)	(0.3)	-	(3.8)
Insurance service result before reinsurance contracts held	215.8	248.7	322.9	-	787.4
Allocation of reinsurance premiums	(293.3)	(356.3)	(615.2)	-	(1,264.8)
Amount recoverable from reinsurers for incurred claims	260.0	230.9	347.4	-	838.3
Net expense from reinsurance contracts held	(33.3)	(125.4)	(267.8)	-	(426.5)
Insurance service result	182.5	123.3	55.1	-	360.9
Investment result	(98.9)	(54.4)	(34.0)	-	(187.3)
Net finance income from insurance contracts	107.0	56.0	50.7	-	213.7
Net finance expense from reinsurance contracts	(38.5)	(27.5)	(36.1)	-	(102.1)
Net insurance finance income	68.5	28.5	14.6	-	111.6
Net financial result	(30.4)	(25.9)	(19.4)	-	(75.7)
Other income	11.7	7.4	20.8	2.4	42.3
Other operational expenses	(32.1)	(3.8)	(8.4)	(23.5)	(67.8)
Net foreign exchange gains	-	-	-	54.7	54.7
Other finance costs	(1.5)	-	(1.2)	(37.0)	(39.7)
Share of profit of associates	-	-	-	0.9	0.9
Profit/(loss) before tax	130.2	101.0	46.9	(2.5)	275.6
Ratio analysis					
Claims ratio (%)	40.0	37.3	38.1	-	39.1
Expense ratio (%)	51.0	47.2	46.4	-	49.6
Combined ratio (%)	91.0	84.5	84.5	-	88.7

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6. Operating segments (continued)

The impact of the reclassification of LPT premium is shown in the following table.

Year ended 31 December 2022	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Total $m
Insurance revenue	2,218.0	1,130.6	924.7	4,273.3
Allocation of reinsurance premiums	(293.3)	(356.3)	(615.2)	(1,264.8)
LPT Premium	114.0	20.8	46.0	180.8
Allocation of reinsurance premiums after reclassifying LPT premium	(179.3)	(335.5)	(569.2)	(1,084.0)
Adjusted net insurance revenue	2,038.7	795.1	355.5	3,189.3
Incurred claims and changes to liabilities for incurred claims	(958.0)	(506.4)	(436.7)	(1,901.1)
Amounts recoverable from reinsurers for incurred claims	260.0	230.9	347.4	838.3
LPT Premium	(114.0)	(20.8)	(46.0)	(180.8)
Amounts recoverable from reinsurers for incurred claims after reclassifying LPT premium	146.0	210.1	301.4	657.5
Adjusted net incurred claims	(812.0)	(296.3)	(135.3)	(1,243.6)
Remove benefit from discounting of claims	(53.9)	(17.7)	(4.0)	(75.6)
Undiscounted adjusted net incurred claims	(865.9)	(314.0)	(139.3)	(1,319.2)

The following ratios reflect the reclassification of LPT premium and remove the impact of discounting.

Ratio analysis (undiscounted)				
Claims ratio (%)	42.7	39.5	39.2	41.5
Expense ratio (%)	51.0	47.2	46.4	49.6
Combined ratio (%)	93.7	86.7	85.6	91.1

The impact on profit before tax of a 1% change in each component of the segmental combined ratios is shown in the following table. Any further ratio change is linear in nature.

	Year ended 31 December 2022		
	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m
1% change in claims or expense ratio	20.4	8.0	3.6

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7. Net asset value (NAV) per share and net tangible asset value per share

	2023		2022 (restated)	
	Net asset value (total equity)	**NAV per share cents**	Net asset value (total equity)	NAV per share cents
	$m		$m	
Net asset value	**3,296.7**	**951.1**	2,635.0	764.5
Net tangible asset value	**2,972.8**	**857.7**	2,314.6	671.5

The NAV per share is based on 346,612,554 shares (2022: 344,672,172), being the shares in issue at 31 December 2023, less those held in treasury and those held by the Group Employee Benefit Trust. Net tangible assets comprise total equity excluding intangible assets.

Previously reported NAV as at 31 December 2022 was $2,416.7 million (701.2 cents) and previously reported net tangible asset value as at 31 December 2022 was $2,096.3 million (608.2 cents). Comparatives have been restated for the adoption of IFRS 17 and IFRS 9.

8. Return on equity (ROE)

	2023	2022 (restated)
	$m	$m
Profit for the year (all attributable to the owners of the Company)	**712.0**	253.9
Opening total equity	**2,635.0**	2,563.2
Adjusted for the time-weighted impact of capital distributions and issuance of shares	**(54.3)**	(54.9)
Adjusted opening total equity	**2,580.7**	2,508.3
Return on equity (%)	**27.6**	10.1

The ROE is calculated by using profit or loss for the period divided by the adjusted opening total equity. The adjusted opening total equity represents the equity on 1 January of the relevant year as adjusted for time-weighted aspects of capital distributions and issuing of shares or treasury share purchases during the period. The time-weighted positions are calculated on a daily basis with reference to the proportion of time from the transaction to the end of the period. Previously reported ROE was 1.7% as at 31 December 2022. Comparatives have been restated for the adoption of IFRS 17 and IFRS 9.

9. Net investment and insurance finance result

	2023 $m	2022 (restated) $m
Investment result		
Investment income including interest receivable	**237.0**	119.5
Net realised losses on financial investments at fair value through profit or loss	**(17.6)**	(54.1)
Net fair value gains/(losses) on financial investments at fair value through profit or loss	**170.6**	(254.2)
Investment return – financial assets	**390.0**	(188.8)
Net fair value gains on derivative financial instruments	**1.1**	8.5
Investment expenses	**(6.7)**	(7.0)
Total investment return	**384.4**	(187.3)
Net finance (expense)/income from insurance contracts:		
Interest accreted	**(228.5)**	(35.7)
Effects of changes in interest rates and other financial assumptions	**7.8**	249.4
Total net finance (expense)/income from insurance contracts	**(220.7)**	213.7
Net finance income/(expenses) from reinsurance contracts:		
Interest accreted	**87.5**	9.5
Effects of changes in interest rates and other financial assumptions	**(6.5)**	(111.6)
Total net finance income/(expenses) from reinsurance contracts	**81.0**	(102.1)
Net insurance finance (expense)/income	**(139.7)**	111.6
Net financial result	**244.7**	(75.7)

10. Other income and operational expenses

	2023 $m	2022 (restated) $m
Other income	**91.1**	42.3
Staff costs	**373.0**	313.4
Depreciation, amortisation and impairment	**77.1**	60.0
Other expenses	**286.8**	269.9
Operational expenses	**736.9**	643.3

Other income includes management fees and are recognised when the investment management services are rendered to the ILS funds and commissions paid to Group owned Syndicate managing agent by third party names.

On 4 July 2023 the Group disposed of an investment in associate, Media Insurance Brokers International Ltd, for $9.5 million resulting in a gain of $4.0 million also presented in other income.

Operational expenses comprise attributable expenses amounting to $611.4 million (2022: $575.5 million) included within insurance service expense, and non-attributable expenses amounting to $125.5 million (2022: $67.8 million) included within other operational expenses. Total operational expenses have been restated for the year ended 31 December 2022 to include reclassification from acquisition costs under IFRS 17 and the impact of IFRS 9 credit loss impairment charges. The restatement results in an increase of total operational expenses by $1.0 million.

On 27 September 2023, the Group announced its agreement to divest DirectAsia to Ignite Thailand Holdings Limited. The transaction remains subject to regulatory approval. As such, the DirectAsia business has been classed as a disposal group held for sale in the financial statements. The disposal group has been valued at its expected recoverable amount, which has resulted in a charge of $18.5m to Operational expenses. The DirectAsia business is part of the Retail operating segment but the assets, liabilities and results of DirectAsia are not material to the segment. Assets held for sale include reinsurance contract held assets and cash, while liabilities held for sale include insurance contract liabilities and trade and other payables.

11. Other finance costs

	2023 $m	2022 (restated) $m
Interest charge associated with borrowings	**39.4**	32.2
Other interest expenses*	**10.6**	7.5
Other finance costs	**50.0**	39.7

*Other interest expenses included interest on funds withheld which is included in insurance finance expenses under IFRS 17. Previously reported finance costs for the year ended 31 December 2022 were $48.1 million.

12. Tax (credit)/expense

The Company and its subsidiaries are subject to enacted tax laws in the jurisdictions in which they are incorporated and domiciled.

The amount charged in the condensed consolidated income statement comprises the following:

	2023 $m	2022 (restated) $m
Current tax expense/(credit)		
Expense for the year	**10.0**	4.5
Adjustments in respect of prior years	**(1.8)**	(1.7)
Total current tax expense	**8.2**	2.8
Deferred tax		
Expense for the year	**70.4**	16.7
Adjustments in respect of prior years	**(13.4)**	(0.2)
Adjustment in relation to Bermuda Economic Transition Adjustment (ETA)	**(150.0)**	-
Effect of rate change	**(1.3)**	2.4
Total deferred tax (credit)/expense	**(94.3)**	18.9
Total tax (credit)/expense to the income statement	**(86.1)**	21.7

An increase to the UK corporate tax rate to 25% from 1 April 2023 was substantively enacted on 24 May 2021. This will have a consequential effect on the company's future tax charge, and deferred tax liabilities in relation to the UK have decreased by $1.2 million. The impact of these changes in future periods will be dependent on the level of taxable profits in those periods.

One hundred and thirty countries have agreed to implement a new global minimum tax (GMT) as 'Pillar Two' of the OECD two-Pillar reform framework. The GMT uses adjusted consolidated accounting data to calculate the Effective Tax Rate (ETR) paid on profits by a multinational in each jurisdiction in which it operates; and then applies a 'top-up tax' on any jurisdictions where the ETR is below 15%. The Hiscox Group expects to be within the scope of these rules, by virtue of the fact that the Group's consolidated revenue in at least two of the four years prior to 2024 exceeded €750m.

Based on historic trend, the proportion of the Group's profits expected to be impacted is between $0m and $5m, and the average effective rate currently applicate to those profits is 5% to 7%. As a result of legislative changes introduced in Bermuda, the proportion of the Group's profits arising in Bermuda is not expected to be subject to Pillar Two top-up tax and is not included in the estimated impact.

As a response to the Pillar Two reform, Bermuda has introduced a corporate income tax (CIT) which was substantively enacted at the balance sheet date, and will apply at a rate of 15% to profits of certain Bermuda constituent entities with effect from 1 January 2025. The Group expects to be subject to Bermuda CIT. The proportion of the Group's profits arising in Bermuda is therefore not expected to be subject to Pillar Two top-up tax and is not included in the estimated impact.

A deferred tax asset of $150.0m in relation to the Economic Transition Adjustment (ETA) required by this legislation has been recognised at the balance sheet date. The ETA requires each taxable entity, which would also have been a taxpayer had the CIT been in effect at 30 September 2023, to adjust the calculation of taxable income on first entering the scope of tax, by replacing the carrying value of the certain assets and liabilities on the balance sheet at 30 September 2023 with the corresponding estimated fair value, creating temporary differences.

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13. Insurance liabilities and reinsurance contract
13.1 Net insurance contract liabilities

Net insurance contracts – Analysis by remaining coverage and incurred claims

					Year to 31 December 2023
	Net liabilities for remaining coverage		Net liabilities for incurred claims		
	Excluding loss component $m	Loss component $m	Estimates of present value of future cash flows $m	Risk adjustment for non-financial risk $m	Total $m
Opening assets	**186.8***	**(0.6)**	**(2,282.4)**	**(421.0)**	**(2,517.2)**
Opening liabilities	**287.4**	**2.5**	**5,737.1**	**667.3**	**6,694.3**
Net opening balance	**474.2**	**1.9**	**3,454.7**	**246.3**	**4,177.1**
Changes in the condensed consolidated income statement					
Insurance revenue, net of allocation of reinsurance premiums**	**(3,363.8)**	**-**	**-**	**-**	**(3,363.8)**
Insurance service expenses, net of amounts recoverable from reinsurers					
Incurred claims and other attributable expenses	**-**	**(7.7)**	**1,962.5**	**72.4**	**2,027.2**
Acquisition costs	**1,039.0**	**-**	**-**	**-**	**1,039.0**
Adjustments to liabilities for incurred claims relating to past service	**-**	**-**	**(179.5)**	**(24.1)**	**(203.6)**
Losses and reversals of losses on onerous contracts	**-**	**13.2**	**-**	**-**	**13.2**
Effect of changes in non-performance risk of reinsurers	**-**	**-**	**(4.3)**	**-**	**(4.3)**
Total net insurance service expenses	**1,039.0**	**5.5**	**1,778.7**	**48.3**	**2,871.5**
Insurance service result	**(2,324.8)**	**5.5**	**1,778.7**	**48.3**	**(492.3)**
Net finance (income)/expenses from insurance contracts	**(9.1)**	**-**	**148.8**	**-**	**139.7**
Net foreign exchange losses	**20.5**	**0.1**	**52.3**	**7.4**	**80.3**
Total change recognised in comprehensive income	**(2,313.4)**	**5.6**	**1,979.8**	**55.7**	**(272.3)**
Investment components	**31.8**	**-**	**(31.8)**	**-**	**-**
Transfer to other items in balance sheet	**(258.3)**	**-**	**(682.7)**	**(1.0)**	**(942.0)**
Net cash flows					
Net premium received	**3,337.4**	**-**	**-**	**-**	**3,337.4**
Net claims and other insurance service expenses paid	**-**	**-**	**(988.5)**	**-**	**(988.5)**
Insurance acquisition cash flows	**(806.0)**	**-**	**-**	**-**	**(806.0)**
Total cash flows	**2,531.4**	**-**	**(988.5)**	**-**	**1,542.9**
Closing assets	**118.8***	**-**	**(1,696.3)**	**(520.8)**	**(2,098.3)**
Closing liabilities	**346.9**	**7.5**	**5,427.8**	**821.8**	**6,604.0**
Net closing balance	**465.7**	**7.5**	**3,731.5**	**301.0**	**4,505.7**

* Includes LPT ARC gross of premium payables of $534.1 million at 31 December 2022 and $532.3 million at 31 December 2023.
**Includes allocation of LPT premium of $61.7 million.

HISCOX

13. Insurance liabilities and reinsurance contract (continued)
13.1 Net insurance contract liabilities

Net insurance contracts – Analysis by remaining coverage and incurred claims

	Year to 31 December 2022				
	Net liabilities for remaining coverage		Net liabilities for incurred claims		
	Excluding loss component $m	Loss component $m	Estimates of present value of future cash flows $m	Risk adjustment for non-financial risk $m	Total $m
Opening assets	266.7*	(4.2)	(2,616.0)	(503.4)	(2,856.9)
Opening liabilities	130.1	16.5	6,188.0	852.3	7,186.9
Net opening balance	396.8	12.3	3,572.0	348.9	4,330.0
Changes in the condensed consolidated income statement					
Insurance revenue, net of allocation of reinsurance premiums**	(3,008.5)	-	-	-	(3,008.5)
Insurance service expenses, net of amounts recoverable from reinsurers					
Incurred claims and other attributable expenses	-	(12.8)	2,001.5	32.6	2,021.3
Acquisition costs	1,005.5	-	-	-	1,005.5
Adjustments to liabilities for incurred claims relating to past service	-	-	(258.3)	(120.2)	(378.5)
Losses and reversals of losses on onerous contracts	-	2.5	-	-	2.5
Effect of changes in non-performance risk of reinsurers	-	-	(3.2)	-	(3.2)
Total net insurance service expenses	1,005.5	(10.3)	1,740.0	(87.6)	2,647.6
Insurance service result	(2,003.0)	(10.3)	1,740.0	(87.6)	(360.9)
Net finance expenses/(income) from insurance contracts	38.2	-	(149.8)	-	(111.6)
Net foreign exchange gains	(65.9)	(0.1)	(74.1)	(15.0)	(155.1)
Total change recognised in comprehensive income	(2,030.7)	(10.4)	1,516.1	(102.6)	(627.6)
Investment components	20.4	-	(20.4)	-	-
Transfer to other items in balance sheet	(235.9)	-	(575.4)	-	(811.3)
Net cash flows					
Net premium received	3,091.3	-	-	-	3,091.3
Net claims and other insurance service expenses paid	-	-	(1,037.6)	-	(1,037.6)
Insurance acquisition cash flows	(767.7)	-	-	-	(767.7)
Total cash flows	2,323.6	-	(1,037.6)	-	1,286.0
Closing assets	186.8*	(0.6)	(2,282.4)	(421.0)	(2,517.2)
Closing liabilities	287.4	2.5	5,737.1	667.3	6,694.3
Net closing balance	474.2	1.9	3,454.7	246.3	4,177.1

*Includes LPT ARC gross of premium receivable $493.0 million at 31 December 2021 and $534.1 million at 31 December 2022.
**Includes allocation of LPT premium of $180.8 million.

13. Insurance liabilities and reinsurance contract (continued)
13.1 Net insurance contract liabilities

Prior year development recognised for the year amounts to $122.8 million (2022: $209.4 million) and comprises:

	2023 $m	2022 $m
Adjustment to liabilities for incurred claims relating to past service, net of reinsurance recoveries (on a present value basis)	**203.6**	378.5
Adjustment for discounting impact	**(19.1)**	11.7
Adjustment for LPT premium and experience adjustment	**(61.7)**	(180.8)
	122.8	209.4

13.2 Claims development tables

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate cost of claims. The Group analyses actual claims development compared with previous estimates on an accident year basis.

(a) Insurance claims and claim adjustment expenses reserves – net of reinsurance

Accident year	2019 $m	2020 $m	2021 $m	2022 $m	**2023 $m**	**Total $m**
Estimate of ultimate claims costs as adjusted for foreign exchange*						
at end of accident year:	1,555.5	1,911.0	1,587.1	1,515.2	**1,489.7**	**8,058.5**
one period later	1,487.1	1,897.3	1,480.5	1,523.1	**-**	**6,388.0**
two periods later	1,409.3	1,729.9	1,427.9	-	**-**	**4,567.1**
three periods later	1,452.8	1,692.3	-	-	**-**	**3,145.1**
four periods later	1,405.4	-	-	-	**-**	**1,405.4**
Current estimate of cumulative claims	1,405.4	1,692.3	1,427.9	1,523.1	**1,489.7**	**7,538.4**
Cumulative payments to date	(988.0)	(1,120.4)	(857.0)	(693.3)	**(303.9)**	**(3,962.6)**
Net cumulative liability for incurred claims – accident years from 2019 to 2023	417.4	571.9	570.9	829.8	**1,185.8**	**3,575.8**
Net cumulative liability for incurred claims in respect of accident years before 2019	-	-	-	-	**-**	**775.9**
Effect of discounting	-	-	-	-	**-**	**(319.2)**
Total Group liability for incurred claims to external parties included in balance sheet – net						**4,032.5**

* The foreign exchange adjustment arises from the retranslation of the estimates at each date using the exchange rate ruling at 31 December 2023.

The table above excludes reinsurance recoveries related to the retroactive reinsurance contracts, for example legacy portfolio transfer arrangements where the financial effect of the underlying claims is still uncertain. These are included in the reinsurance contract asset for remaining coverage.

14. Earnings per share

Basic

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held in treasury as own shares. Previously reported EPS as at 31 December 2022 was 12.1 cents. Comparatives have been restated for the adoption of IFRS 17 and IFRS 9.

	2023	2022 (restated)
Profit for the period attributable to owners of the Company ($m)	**712.0**	253.9
Weighted average number of ordinary shares in issue (thousands)	**345,402**	344,130
Basic earnings per share (cents per share)	**206.1¢**	73.8¢

Diluted

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

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2023	2022 (restated)
Profit for the period attributable to owners of the Company ($m)	**712.0**	253.9
Weighted average number of ordinary shares in issue (thousands)	**345,402**	344,130
Adjustment for share options (thousands)	**7,981**	4,908
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**353,383**	349,038
Diluted earnings per share (cents per share)	**201.5¢**	72.7¢

Diluted earnings per share has been calculated after taking account of 5,190,855 (2022: 3,680,735) Performance share plan awards, 648,208 (2022: 352,505) options under Save As You Earn schemes and 2,142,256 (2022: 457,100) employee share awards. Previously reported diluted EPS as at 31 December 2022 was 12.0 cents. Comparatives have been restated for the adoption of IFRS 17 and IFRS 9.

15. Dividends paid to owners of the Company

	2023 $m	2022 $m
Final dividend for the year ended:		
31 December 2022 of 24.0¢ (net) per share	**82.8**	-
31 December 2021 of 23.0¢ (net) per share	**-**	79.2
Interim dividend for the year ended		
31 December 2023 of 12.5¢ (net) per share	**43.3**	-
31 December 2022 of 12.0¢ (net) per share	**-**	41.3
	126.1	120.5

The interim and final dividend for 2022 was paid either in cash or issued as a Scrip Dividend at the option of the shareholder. The interim dividend for the year ended 31 December 2022 was paid in cash of $40.9m and 34,760 shares for a Scrip Dividend. The final dividend for the year ended 31 December 2022 of 24.0¢ was paid in cash of $81.7 million and 77,904 shares for the Scrip Dividend.

The interim dividend for 2023 was paid either in cash or issued as a Scrip Dividend at the option of the shareholder. The amounts were $42.7 million in cash and 43,673 shares for a Scrip Dividend.

The Board recommended a final dividend of 25.0¢ per share to be paid, subject to shareholder approval, on 12 June 2024 to shareholders registered on 3 May 2024. Dividends will be paid in Sterling unless shareholders elect to be paid in US Dollars. The foreign exchange rate to convert the dividends declared in US Dollars into Sterling will be based on the average exchange rate in the five business days prior to the Scrip Dividend price being determined. On this occasion, the period will be between 21 May 2024 and 28 May 2024 inclusive.

A Scrip Dividend alternative will be offered to the owners of the Company.

When determining the level of dividend each year, the Board considers the ability of the Group to generate cash and the availability of that cash in the Group, while considering constraints such as regulatory capital requirements and the level required to invest in the business. This is a progressive policy and is expected to be maintained for the foreseeable future.

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16. Financial assets and liabilities

i. Analysis of financial assets carried at fair value

	2023	2022
	$m	$m
Debt and fixed income holdings	**6,333.6**	5,426.6
Equities and investment funds	**205.4**	339.1
Total investments	**6,539.0**	5,765.7
Insurance-linked funds	**35.4**	45.3
Derivative financial instruments	**-**	1.1
Total financial assets carried at fair value	**6,574.4**	5,812.1

ii. Analysis of financial liabilities carried at fair value

	2023	2022
	$m	$m
Derivative financial instruments	**0.3**	0.3
Financial liabilities carried at fair value	**0.3**	0.3

iii. Analysis of financial liabilities carried at amortised cost

	2023	2022
	$m	$m
Borrowings	**667.0**	628.8
Accrued interest on borrowings	**7.4**	7.1
Financial liabilities carried at amortised cost	**674.4**	635.9
Total financial liabilities	**674.7**	636.2

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

The notes bear interest from and including 24 November 2015 at a fixed rate of 6.125% per annum annually in arrears starting 24 November 2016 up until the first call date in November 2025, and thereafter at a floating rate of interest equal to the sum of compounded daily Sterling Overnight Index Average (SONIA), the reference rate adjustment of 0.1193% and a margin of 5.076% payable quarterly in arrears on each floating interest payment date.

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

On 22 September 2022, the Group issued £250.0 million 6% notes due September 2027. The notes will be redeemed on the maturity date at their principal amount together with accrued interest.

The notes bear interest from, and including, 22 September 2022 at a fixed rate of 6% per annum annually in arrears starting 22 September 2022 until maturity on 22 September 2027. On 22 September 2022, the notes were admitted for trading on the Luxembourg Stock Exchange's Euro MTF. The notes were rated BBB+ by S&P as well as by Fitch.

The fair value of the borrowings is estimated at $681.0 million (2022: $623.1 million). The fair value measurement is classified within Level 1 of the fair value hierarchy. The fair value is estimated by reference to the actively traded value on the stock exchanges.

The increase in the carrying value of the borrowings and accrued interest during the year comprises a drawdown of new borrowings of $nil (2022: $279.1 million), repayment of short-term borrowings of $nil (2022: repayment of $336.6 million), the amortisation of the difference between the net proceeds received and the redemption amounts of $0.7 million (2022: $0.9 million), the decrease in accrued interest of $0.1 million (2022: increase of $6.5 million) plus exchange movements of $37.9 million (2022: less exchange movements of $60.5 million).

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16. Financial assets and liabilities (continued)

iv. Investments at 31 December are denominated in the following currencies at their fair value:

	2023	2022
	$m	$m
Debt and fixed income holdings		
US Dollars	**4,572.0**	3,932.4
Sterling	**960.9**	821.5
Euro and other currencies	**800.7**	672.7
	6,333.6	5,426.6

	2023	2022
	$m	$m
Equities and investment funds		
US Dollars	**84.5**	188.2
Sterling	**84.3**	117.0
Euro and other currencies	**36.6**	33.9
	205.4	339.1
Total investments	**6,539.0**	5,765.7

17. Fair value measurements

An analysis of assets and liabilities carried at fair value categorised by fair value hierarchy that reflects the significance of the inputs used in measuring the fair value, is set out below.

As at 31 December 2023	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**
Financial Assets				
Debt and fixed income holdings	**1,235.2**	**5,033.5**	**64.9**	**6,333.6**
Equities and investment funds	**-**	**175.4**	**30.0**	**205.4**
Insurance-linked funds	**-**	**-**	**35.4**	**35.4**
Total	**1,235.2**	**5,208.9**	**130.3**	**6,574.4**
Financial Liabilities				
Derivative financial instruments	**-**	**0.3**	**-**	**0.3**
Total	**-**	**0.3**	**-**	**0.3**

As at 31 December 2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial Assets				
Debt and fixed income holdings	1,122.4	4,237.1	67.1	5,426.6
Equities and investment funds	-	311.8	27.3	339.1
Insurance-linked funds	-	-	45.3	45.3
Derivative financial instruments	-	1.1	-	1.1
Total	1,122.4	4,550.0	139.7	5,812.1
Financial Liabilities				
Derivative financial instruments	-	0.3	-	0.3
Total	-	0.3	-	0.3

17. Fair value measurements (continued)

The levels of the fair value hierarchy are defined by the standard as follows:
- Level 1 – fair values measured using quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 – fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on market observable data;
- Level 3 – fair values measured using valuation techniques for which significant inputs are not based on market observable data.

The fair values of the Group's financial assets are typically based on prices from numerous independent pricing services. The pricing services used by the investment manager obtain actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models.

Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

Investments in mutual funds comprise a portfolio of stock investments in trading entities which are invested in various quoted and unquoted investments. The fair value of these investment funds is based on the net asset value of the fund as reported by independent pricing sources or the fund manager.

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

The fair value of the borrowings carried at amortised cost is estimated at $681.0 million (2022: $623.1 million) and is considered as Level 1 in the fair value hierarchy.

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

Level 3 contains investments in limited partnerships, unquoted equity securities and insurance-linked funds which have limited observable inputs on which to measure fair value. Unquoted equities, including equity instruments in limited partnerships, are carried at fair value. Fair value is determined to be net asset value for the limited partnerships, and for the equity holdings it is determined to be the latest available traded price. The effect of changing one or more inputs used in the measurement of fair value of these instruments to another reasonably possible assumption would not be significant. At 31 December 2023, the insurance-linked funds of $35.4 million represent the Group's investment in the unconsolidated Kiskadee funds (2022: $45.3 million).

The fair value of the Kiskadee funds is estimated to be the net asset value as at the balance sheet date. The net asset value is based on the fair value of the assets and liabilities in the fund. The majority of the assets of the funds are cash and cash equivalents. Significant inputs and assumptions in calculating the fair value of the assets and liabilities associated with reinsurance contracts written by the Kiskadee funds include the amount and timing of claims payable in respect of claims incurred and periods of unexpired risk. The Group has considered changes in the net asset valuation of the Kiskadee funds if reasonably different inputs and assumptions were used and has found that an 11% change to the fair value of the liabilities would increase or decrease the fair value of funds by $3.0 million.

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

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the relevant reporting period during which the transfers are deemed to have occurred. During the year, investments of $26.0 million (2022: $25.9 million) were transferred from Level 2 to Level 3 due to insufficient observable data being available, as a result of reduced trading volumes.

17. Fair value measurements (continued)

The below table sets forth a reconciliation of opening and closing balances for financial instruments classified under Level 3 of the fair value hierarchy:

	2023 $m	**2022 $m**
Balance at 1 January	**139.7**	125.7
Fair value losses through profit or loss	**(11.5)**	(0.4)
Foreign exchange gains/(losses)	**4.8**	(4.4)
Settlements	**(28.7)**	(7.1)
Transfers	**26.0**	25.9
Closing balance	**130.3**	139.7
Net unrealised gains in the period on securities held at the end of the period	**3.5**	0.6

The closing balance at year end comprised $64.9 million debt and fixed income holdings (2022: $67.1 million), $30.0 million equities and investment funds (2022: $27.3 million) and $35.4 million insurance-linked funds (2022: $45.3 million).

18. Condensed consolidated cash flow statement

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

Included within cash and cash equivalents held by the Group are balances totalling $181 million (2022: $178 million) not available for immediate use by the Group outside of the Lloyd's Syndicate within which they are held. Additionally, $108 million (2022: $89 million) is pledged cash held against Funds at Lloyd's, and $10.1 million (2022: $0.5 million) is held within trust funds against reinsurance arrangements.

19. Employee retirement benefit obligations

The table below provides a reconciliation of the movement in the Group's net defined benefit (surplus)/liability recognised in the Group's balance sheet:

	2023 $m	2022 $m
Group defined benefit (surplus)/liability at beginning of year	**(20.9)**	35.1
Third-party Names' share at beginning of year	**(4.3)**	(12.3)
Net defined benefit (surplus)/liability at beginning of year	**(25.2)**	22.8
Defined benefit (income)/expense included in the income statement	**(1.7)**	0.4
Contribution by employer	**(24.8)**	(13.5)
Total remeasurements included in other comprehensive income	**4.1**	(34.9)
Other movements	**(1.8)**	-
Net defined benefit surplus at end of year	**(49.4)**	(25.2)
Third-party Names' share at end of year	**5.0**	4.3
Group defined benefit surplus at end of year	**(44.4)**	(20.9)

Remeasurements include changes in actuarial assumptions, predominantly the application of a lower discount rate (2022: higher discount rate) being applied to the scheme liabilities and the increase (2022: reduction) in the fair value of the scheme assets. There was a contribution paid by the company of $24.8 million in 2023 (2022: $13.5 million).

Other movements include the defined benefit cost recognised in operating expenses and exchange gains/losses.

20. Post balance sheet events

There are no material events that have occurred after the reporting date.

Additional performance measures

The Group uses, throughout its financial publications, additional performance measures (APMs) in addition to the figures that are prepared in accordance with UK-adopted international accounting standards. The Group believes that these measures provide useful information to enhance the understanding of its financial performance. The APMs are: combined, claims and expense ratios, return on equity, net asset value per share and net tangible asset value per share, insurance contract written premium, net insurance contract written premium and prior-year developments. These are common measures used across the industry, and allow the reader of the report to compare across peer companies. The APMs should be viewed as complementary to, rather than a substitute for, the figures prepared in accordance with accounting standards.

- **Combined, claims and expense ratios**

The combined, claims and expense ratios are common measures enabling comparability across the insurance industry, that measure the relevant underwriting profitability of the business by reference to its costs as a proportion of the insurance revenue net of allocation of reinsurance premiums. Claims are discounted under IFRS 17 which can introduce volatility to the ratios if interest rates move significantly during a period, therefore ratios are also presented on an undiscounted basis. The calculation is discussed further in note 6, operating segments. The combined ratio is calculated as the sum of the claims ratio and the expense ratio.

- **Return on Equity (ROE)**

Use of return on equity is common within the financial services industry, and the Group uses ROE as one of its key performance metrics. While the measure enables the Group to compare itself against other peer companies in the immediate industry, it is also a key measure internally where it is used to compare the profitability of business segments, and underpins the performance-related pay and pre-2018 share-based payment structures. The ROE is shown in note 8, along with an explanation of the calculation.

- **Net asset value (NAV) per share and net tangible asset value per share**

The Group uses NAV per share as one of its key performance metrics, including using the movement of NAV per share in the calculation of the options vesting of awards granted under performance share plans (PSP) from 2018 onwards. This is a widely used key measure for management and also for users of the financial statements to provide comparability across peers in the market. Net tangible asset value comprises total equity excluding intangible assets. NAV per share and net tangible asset value per share are shown in note 7, along with an explanation of the calculation.

- **Insurance contract written premium and net insurance contract written premium**

Insurance contract written premium (ICWP) is the Group's top-line key performance indicator, comprising premiums on business incepting in the financial year, adjusted for estimates of premiums written in prior accounting periods, reinstatement premium and non-claim dependent commissions to ensure consistency with insurance revenue under IFRS 17.

The definition of net insurance contract written premium (NICWP) has been adjusted for certain items to ensure consistency with insurance revenue under IFRS 17. The adjustments primarily relate to reinstatement premium and non-claim dependent commissions, along with reinsurance commissions offset.

The tables below reconcile the insurance contract written premium back to insurance revenue and net insurance contract written premium back to net insurance revenue.

	2023 $m	2022 $m
Insurance contract written premium	**4,598.2**	4,355.4
Change in unearned premium included in the liability for remaining coverage	**(115.0)**	(82.1)
Insurance revenue	**4,483.2**	4,273.3

	2023 $m	2022 $m
Net insurance contract written premium	**3,555.8**	3,225.5
Change in unearned premium included in the liability for remaining coverage	**(115.0)**	(82.1)
Change in reinsurance provision for unearned premium included in the asset for remaining coverage	**(77.0)**	(134.9)
Net insurance revenue (Insurance revenue less allocation of reinsurance premiums)	**3,363.8**	3,008.5

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Additional performance measures (continued)

- **Prior-year developments**

Prior-year developments are a measure of favourable or adverse development on claims reserves, net of reinsurance, that existed at the prior balance sheet date. It enables the users of the financial statements to compare and contrast the Group's performance relative to peer companies.

The prior-year development is calculated as the positive or negative movement in ultimate losses on prior accident years between the current and prior-year balance sheet date on an undiscounted basis adjusted for LPT premium and is disclosed in note 13. The LPT premium reclassification captures the LPT reinsurance recoveries due to changes in ultimate losses related to the covered business which is recognised in the reinsurance asset held for remaining coverage.