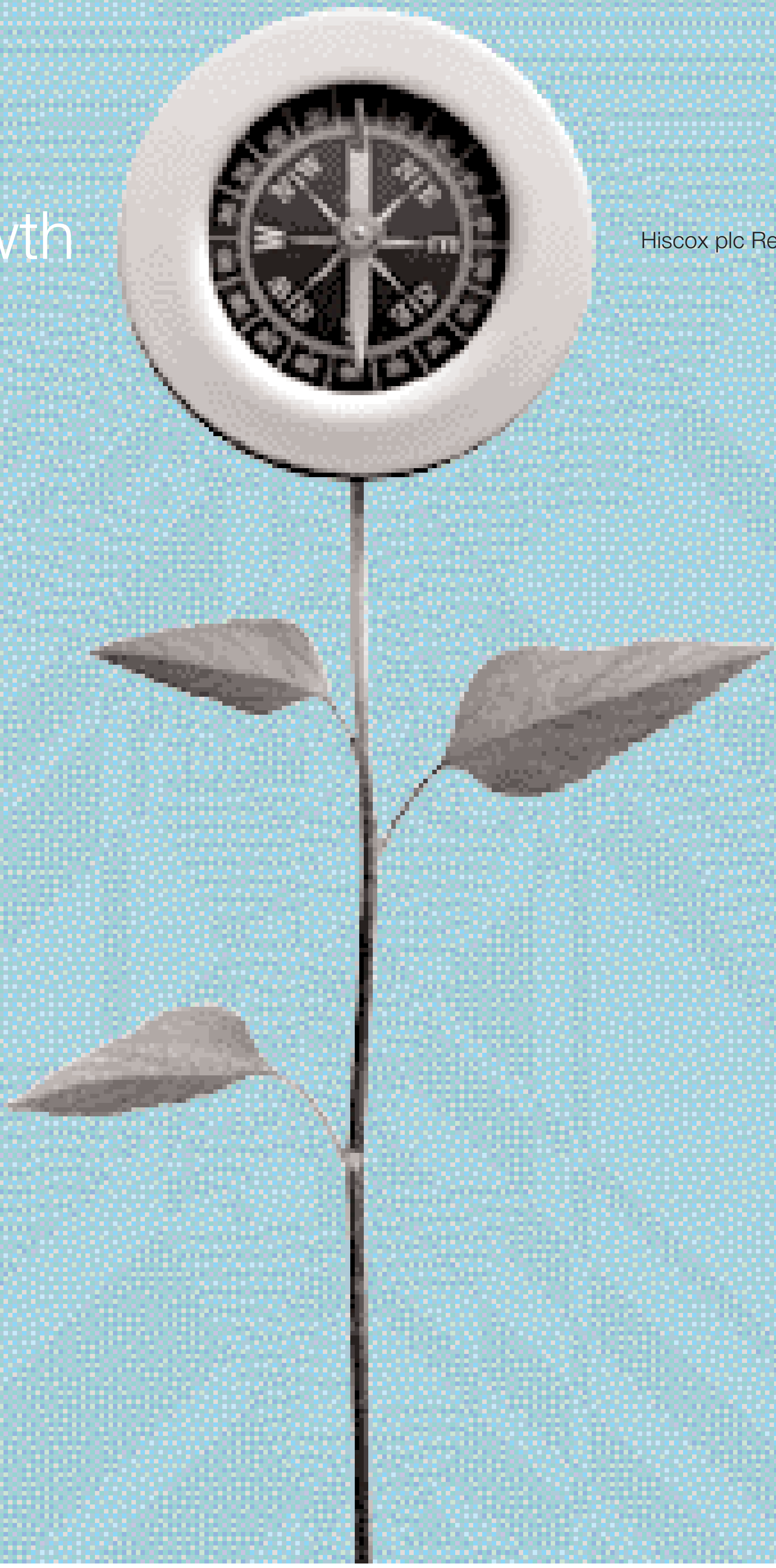
set for growth



Hiscox plc Report and Accounts 2000

HISCOX

Contents

Syndicate 33 is now reaping the benefits of a rising market. The Hiscox Insurance Company continues to grow its profitable account and the overseas offices continue to expand.

The groundwork has been done, rates are going up, and we are set for growth.

Key highlights

Strategy of building a retail business to balance the volatile Lloyd's business is working well

Hiscox Insurance Company improved performance for the fourth consecutive year. Gross premium income up 30% to £127m

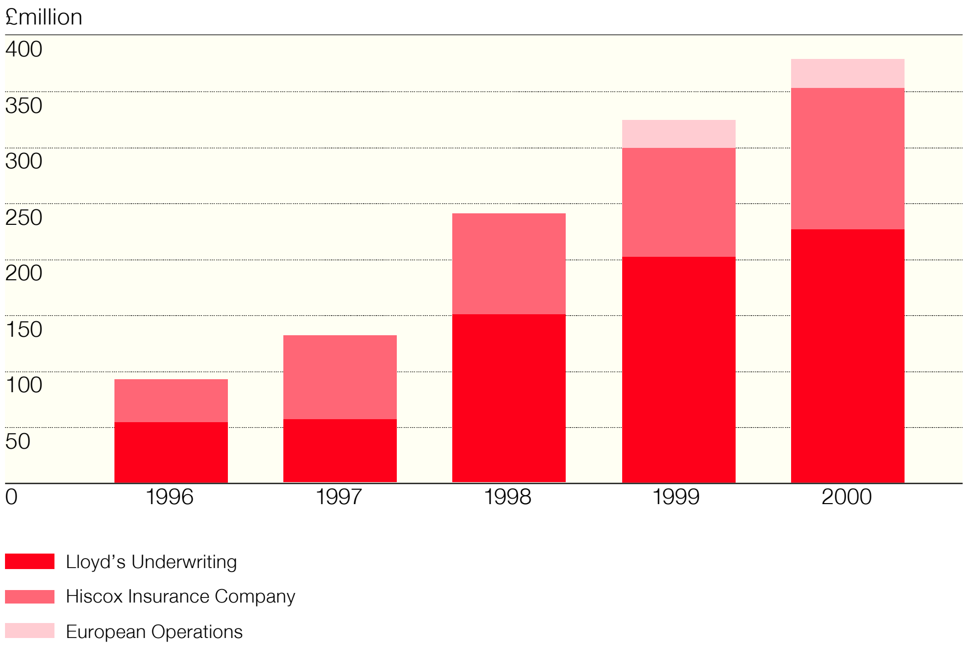
Operating profit up 75% to £5.5m

Hiscox Syndicate 33 at Lloyd's achieved overall rate increases of 24% over the year to March 2001

Group gross written premium income up 19% to £384.7m

Controlled gross premium income up by 15% to £616.4m

Gross written premium accruing to Hiscox plc



Group controlled gross written premium

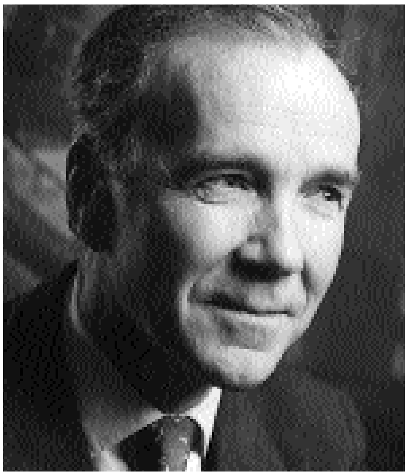
London Market Reinsurance	Marine, Non-Marine, Whole Account	£79.1m
London Market Direct	Property, Construction, Terrorism, Energy, Marine Hull and Cargo, Liability, Political Risks, Specie, Enterprise Risk	£181.9m
ATMT	Aerospace, Technology, Media, Telecommunications	£60.9m
Affluent Assureds	Fine Art, Kidnap and Ransom, Yachts, Bloodstock, Aviation, High Value Household, Contingency, Personal Accident	£198.4m
Professional Insurances	Traditional, Emerging	£57.5m
Local	Affinity Groups, Property Owners	£38.6m
Total		£616.4m

Profit to Hiscox plc before tax	**2000 £000**	1999 £000
Lloyd's business	**(3,624)**	1,147
Retail business	**7,111**	(1,035)
Total	**3,487**	112
Earnings per share	**3.8p**	0.1p

adding balance
to a strong business

Our strategy of building a retail operation outside Lloyd’s to balance the more volatile London Market business is being rewarded

Conditions in Hiscox and the market are better than they have been for years. We have a thriving retail business which complements our strong Lloyd's business and the rates are rising. The future looks good.



Robert Hiscox Chairman

Result

The result for the year ending December 31st 2000 was an operating profit of £3.0m (1999: £5.4 m) and a pre-tax profit of £3.5m (1999: £112,000). A tax credit has increased the post-tax profit to £5.4m (1999: £84,000) and the earnings per share to 3.8p (1999: 0.1p).

The strategy of building businesses outside Lloyd's to complement the London Market business written by Hiscox Syndicate 33 in Lloyd's is working well. The overall result represents a combination of a loss from our Lloyd's operation, where a better 2000 was not sufficient to cover the losses from the run-off of the two very difficult years, 1998 and 1999, balanced by a better return from the Hiscox Insurance Company. In our international operations, there was a further strong performance from the Hiscox Insurance Company (Guernsey), whilst the German and Dutch offices made a small profit – three creditable performances which covered the loss from the French office which continued to suffer from the aftermath of the December 1999 storms.

Syndicate 33 has addressed the problem areas of its account and is now benefiting from rising rates. The Hiscox Insurance Company continues to grow its now profitable account and the overseas offices continue to expand.

We remain acutely aware of our ambition to make a proper return on capital and thereby to increase the value of the Company for shareholders. Therefore we must and will deliver a better performance. Valuable lessons have been learnt, important work has been done, and rates are now going up, so the future looks good.

The gross premium income controlled by the Group increased to £616.4m (1999: £537.7m) and the gross premium income applicable to the Company rose to £384.7m (1999: £323.7m).

Dividend

The Directors propose maintaining the final dividend at 2.3p net (1999: 2.3p net) per ordinary share making a total dividend for the year of 3.5p net (1999: 3.5p net). The dividend will be paid on 11 July 2001 to shareholders on the register on 4 May 2001.

Corporate developments

In December 2000, the Chubb Corporation approached us with an indicative offer to acquire the balance of the shares in Hiscox plc, following their acquisition of 27% of the equity in 1998.

Extensive talks took place, culminating in an indicative offer of 210p per share on 29 January 2001. This was rejected by the board of

Hiscox plc as inadequate as it significantly undervalued the Company. There is a definite need for specialist insurers that can respond rapidly to the needs of brokers and clients. We are experts and market leaders in the areas on which we focus, and believe that our specialisation, focus and speed will yield the best profits.

Current business developments

Bronek Masojada will cover the business units in detail in his report, so I will just comment on some significant points.

Hiscox Syndicate 33

The Syndicate underwrites mainly internationally traded business in the London Market – generally large, complicated or international business which needs to be shared with other insurers, or needs the international licences or rating of Lloyd's.

Last year I reported that at the end of the first quarter of 2000, the run-off of the 1998 and 1999 accounts of Syndicate 33 were developing within expectations, but the possibility of late reported claims on these accounts remained. Unfortunately the old maxim that bad years get worse proved true, and both accounts suffered further losses during the last three quarters.

Syndicate 33 went through a rigorous exercise of cost-cutting, reconstruction and business pruning in 1999 and the benefits of these actions are now being seen. The Syndicate underwriters are increasing premium rates and enjoying a rising market.

Feast follows famine in the London Market, and we anticipate a handsome return from our Lloyd's underwriting in the next few years.

Lessons have been learnt and the Syndicate is stronger for the experience. 32 years of consecutive profits may have dulled the edge; two years of losses have sharpened and tempered it better than ever. Our ambition is to make profits throughout the cycle, as we did in the past, and much of the restructuring has been to that end.

We acquired a further 7% of the capacity in the auctions for an average price of 3.6p (1999: 7.5p), bringing our total holding of capacity in the Syndicate to 60%. 7% of that capacity has been quota shared to two leading European reinsurers leaving Hiscox plc with a net 53%.

Hiscox Insurance Company

The Hiscox Insurance Company focuses on two main areas – insurance of the personal property of high net worth individuals, and insurance of professional firms, both professional liability and property.

The strategy of balancing the London Market business with retail business written by the Hiscox Insurance Company is bearing fruit. In 2000, the Company increased its gross premium income by 30% to £127m. When we acquired the Company the gross premium income was £60m, and we discarded £30m of that business, so we have effectively increased from £30m to £127m in four years partly by acquisition, but also through organic growth achieved by a highly motivated staff.

Sian Fisher deserves the transition to Managing Director from Chief Underwriting Officer of the Hiscox Insurance Company. The combined loss ratio has reduced steadily since we bought the Company in 1996, from 118% in 1997 to 98% in 2000, and I am grateful to all the staff for a job well done.

International activities

The Hiscox Insurance Company (Guernsey) increased revenue and profit in 2000 and is a valuable asset. Our French office had performed well under an onslaught of claims from the storms in December 1999, but brokers and clients were pre-occupied in 2000 with the aftermath of the storms and new business was hard to win.

The German office goes from strength to strength and made money in 2000 – a great achievement in a market which is hard to penetrate. The Dutch office had an excellent start and also made a small profit. We have formed a joint venture with an underwriting agent in Belgium, and have partnered with the Generali to use their agents to sell High Net Worth policies in Austria.

Starting from scratch and building a reputation and a book of business is not easy and I admire our overseas managers for their skill and fortitude. They are all building firm foundations for substantial businesses which will bring great benefit in the future.

Hiscox Online

We have continued to develop an online capability to allow selected people to buy insurance from us through the internet. We do not believe that this replaces the brokers at all, but complements them. Much of our online development is for business to business transactions with our brokers to reduce costs, but if an insured wants to buy through the internet, we must be able to accept such business. We have signed agreements to put our online facility on the office intranets of a number of leading financial institutions which should be a source of quality business for us.

People

Nicholas Thomson is not standing for re-election to the board of Hiscox plc and is handing over his role as Director of Underwriting to Robert Childs. Nicholas is the architect of the underwriting success on which the Company was built. During his time as underwriter of Syndicate 33 it had an unbroken run of profits, and he has played a vital role as Director of Underwriting since stepping down as the active underwriter in 1993. Fortunately we will still have the wisdom and counsel of Nicholas available within the Group as he is remaining a director of the trading subsidiaries.

Everyone at Hiscox is committed to the success of the Company and we all feel setbacks keenly. The reality of cost-cutting and “reconstruction” has meant hard decisions, loss of jobs and very hard work. We have had two bad years in the Syndicate and it has hurt, but we have done what we had to do, as fast as possible, to cut out the loss-making business. We have a first rate group of people in the front and back offices of the Syndicate who are devoted to earning good profits for shareholders (and thereby profit commission for themselves), and I thank them for their endeavour and spirit. Those spirits get higher as we win orders at higher prices.

Outside the London Market, we also have first rate and determined teams who are building businesses often in a new way or area for us, and I am proud of and grateful for the enterprising spirit they show and for the success they are having.

Finally

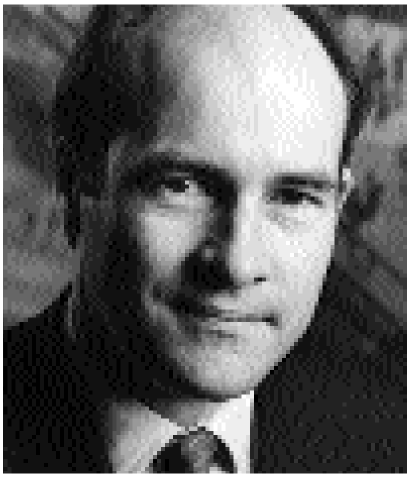
The approach from the Chubb Corporation made us focus even harder on the future of your Company. We liked what we saw, and believe that our targets are well achievable and that the profits will justify our independence. This extra incentive to an already totally committed Company gives me great confidence in the future.

Robert Hiscox
Chairman
25 April 2001

listing to the needs
of our clients


We believe that our clients
should have access to
products that best suit them,
through the channel of their
choice

I feel that we have the wind to our backs in all areas of the Group so I look forward to a year of real progress.



Bronek Masojada Chief Executive

Chief Executive's Report

Robert has given you an overview of the business. The purpose of my report is to give you more detail of the operational and financial performance of the Group.

The result for 2000 is not good, but is within our expectations. A fourth successive year of improving performance within our retail business, conducted largely by the Hiscox Insurance Company, has mitigated the effect of difficult conditions experienced by Syndicate 33.

My report gives an overview of the Group's operations first in terms of business strategy by market segment (see Table 1) and then the financial performance of the legal entities contained within the Group.

Business Strategy by Market Segment

During the year our Group's controlled premium income grew to £616.4m, a growth of 14.6%. Our strategy is to grow the retail part of our business to half of the Group which will enable us to balance our volatile London Market business with more stable retail business. Retail now comprises 26% of the Group controlled premium income. As Hiscox plc provides capital for 53% of Syndicate 33, retail now represents 41% of the income to the Company.

In each of the areas in which we specialise our market position differs slightly. Our approach to each is reviewed as follows:

• London Market Reinsurance

Last year I said that our aim in this area was to continue to offer cover whilst others were withdrawing, allowing us to earn above average profits per pound of premium written as the market hardens. After a very difficult 1999, one of the worst catastrophe years in history, this team is now benefiting from rising rates and tighter conditions. This trend is continuing in 2001.

• London Market Insurance

The book of business and expense base of this division has been significantly restructured during the course of the last three years. In 1998 our hull, energy and cargo income within the division was £56m. In 2000 this was reduced to £24m. Expenses were also reduced.

In response to rises in reinsurance costs and the poor loss experience in the market, rates are rising in almost all areas, and we expect to benefit from this during 2001 and beyond.

• ATMT

This business unit focuses on the insurance of aerospace, technology, media and telecommunications businesses on behalf of both Syndicate 33 and the Hiscox Insurance Company. Creating this unit has given a global reach to the technology and media teams which previously focussed on the UK alone. This broader scope has provided us with more growth opportunities, and despite the collapse of the dotcom stocks, interest and demand for this insurance remains high.

Table 1: Group controlled gross written premium Area	2000 Syndicate 33 £m	2000 Retail Business £m	2000 Total £m	1999 Syndicate 33 £m	1999 Retail Business £m	1999 Total £m
London Market Reinsurance	**79.1**	**–**	**79.1**	68.7	–	68.7
• Marine						
• Non-Marine						
• Whole Account						
London Market Direct	**181.9**	**–**	**181.9**	182.2	–	182.2
• Property						
• Construction						
• Terrorism						
• Energy						
• Marine Hull and Cargo						
• Liability						
• Political Risks						
• Specie						
• Enterprise Risk Management						
Aerospace, Technology, Media & Telecommunications	**46.2**	**14.7**	**60.9**	25.1	11.1	36.2
• Aerospace						
• Technology						
• Media						
• Telecoms						
Affluent Assureds	**117.2**	**81.2**	**198.4**	118.0	64.8	182.8
• Fine Art						
• Kidnap and Ransom						
• Yachts						
• Bloodstock						
• Aviation						
• High Value Household						
• Contingency						
• Personal Accident						
Professional Insurances	**32.8**	**24.7**	**57.5**	22.1	14.0	36.1
• Traditional						
• Emerging						
Local	**–**	**38.6**	**38.6**	–	31.7	31.7
• Affinity						
• Property Owners						
Total	**457.2**	**159.2**	**616.4**	416.1	121.6	537.7
Proportion accruing to Hiscox plc	**53%**	**100%**	**–**	51%	100%	–

evolution through innovation

The Hiscox culture of innovation drives the evolution of our products, processes and routes to market

• Affluent Assureds
A total premium income of £198.4m, makes this the single biggest segment within our Group. Despite recent stock market hiccups, we expect to see continued growth in this area. Each regional office within our Group has a team which specialises in the insurance of affluent individuals and their personal possessions. In London, the team in Syndicate 33 is also able to offer additional specialties such as the insurance of yachts, kidnap and ransom and bloodstock. In our efforts to expand our distribution capability we have built an e-commerce platform which, as Robert highlights in his report, allows us to make our products accessible through the internet. We are also building distribution ventures with other insurers, and in both Germany and Austria the tied agency forces of some large insurers are actively selling Hiscox products.

We are working to create a coherent approach to this market across the Group by sharing knowledge, experience and expertise, though we remain alive to local tastes and market conditions. Flexibility is a key element of our distinctiveness and we will use this to differentiate ourselves from our competitors.

• Professional Insurances
In 1994 we began building a team to meet the professional indemnity needs of specialist professional services firms such as IT consultants, advertising agencies, management consultants, PR firms and other similar businesses.

The team and their approach has been very successful and we are now expanding the range of products available to meet the full property and liability insurance needs of these firms. Products will be available on a modular basis, so clients will be able to buy a product which suits them and transparently pay the right premium for the right cover. This team has been a particular beneficiary of our purchase of the Chartwell regional offices and the de-mutualisation of the Solicitor's Indemnity Fund. Our gross written premium grew from £36.1m to £57.5m, a growth of 59%. We expect this to continue in the future, but not at such a rapid rate. We are now taking our first steps to expand the concept into our European offices.

• Local Niches
In each market in which we operate we identify smaller niches which we address with specialist intermediaries and brokers. In the UK, our Property Owners area had a difficult year as we experienced a higher than normal level of losses, but our Affinity business performed well. In January 2001, we have added to this segment with the purchase of the Construction and General Guarantee Insurance Company in Ireland which focuses on surety bonds.

Group Financial Performance
Group operating profit in 2000 declined to £3.0m (1999: £5.4 m). Group pre-tax profit improved to £3.5m (1999: £112,000) and post tax profits have increased to £5.4m (1999: £84,000).

The results are broken down in Table 2, below, and are commented on as follows:

- The strong growth in profits of Hiscox Insurance Company and our international businesses from £1.9m to £6.8m offset the losses of £3.8m in our Lloyd's business. As a result our Group operating profits were £3.0m.

- An actual investment return better than the assumed rate of return used in determining the operating profit has resulted in a positive investment fluctuation of £1m (1999: loss £3.7m).

Contributions to the government mandated equalisation provisions have increased to £2.3m (1999: £1.6m) reflecting the growth in our property account. Exceptional gains total £1.8m. £0.8m of this was generated from the sale of the life fund, whilst the balance is due to a gain from the sale of converting names third party capacity. In all, these items contribute a net £0.5m (1999: loss £5.3m) to our pre-tax profit of £3.5m.

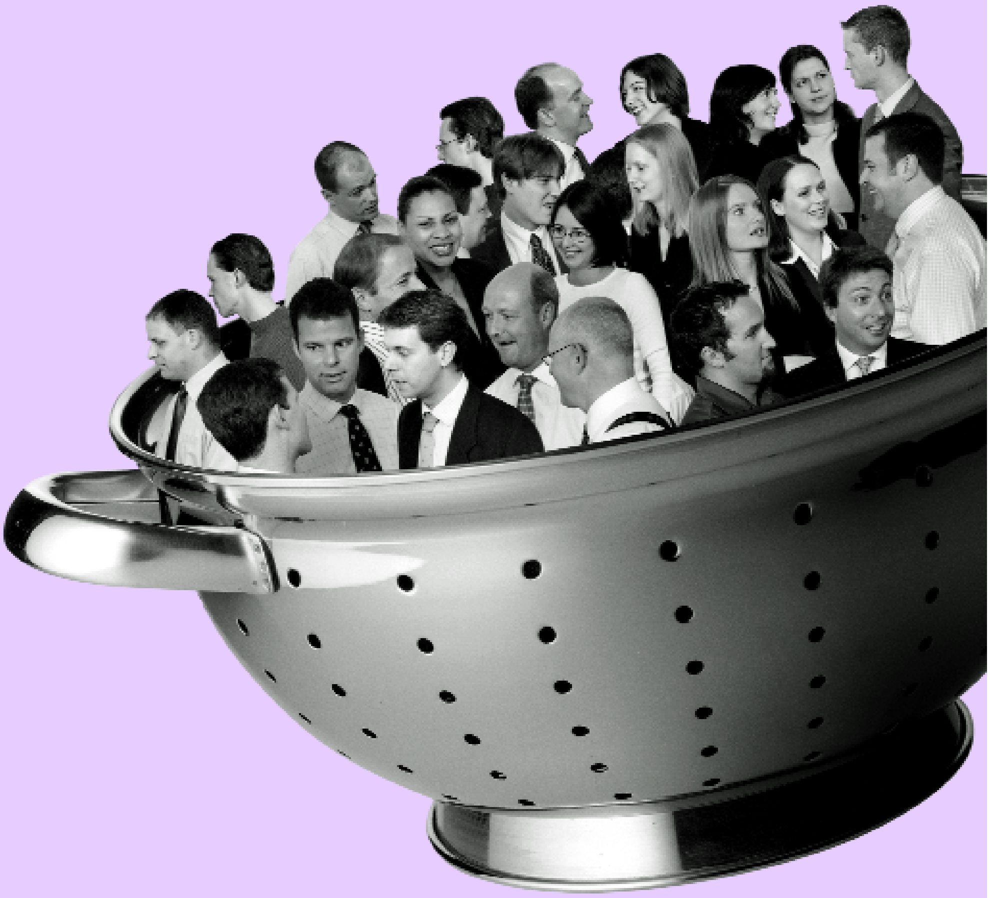
- The move to profitability of Hiscox Insurance Company means that we have taken a tax credit for losses incurred under previous ownership, leading to a post tax profit for the group of £5.4m.

Financial Performance

The financial performance of the Group is segmented into three areas, our Lloyd's business, the Hiscox Insurance Company and our international businesses.

Table 2: Hiscox plc summary results	**2000** **£m**	1999 £m
Gross Written Premium	**384.7**	323.7
Trading Result	**6.9**	9.0
Other Income Less Expenses	**(3.9)**	(3.6)
Operating Profit	**3.0**	5.4
Equalisation Provision, Exceptional Items and Investment Fluctuations	**0.5**	(5.3)
Group Pre-Tax Profit	**3.5**	0.1
Group Post-Tax Profit	**5.4**	0.08

attracting the best people



We believe that finding
and retaining the best people
is key to our business strategy

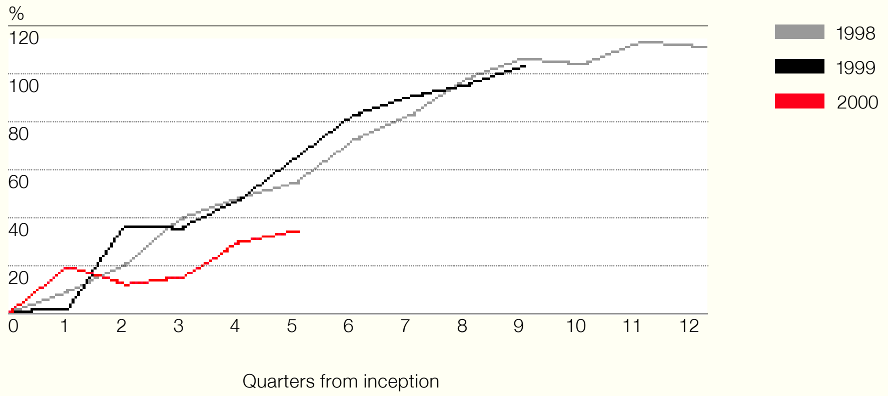
The Syndicate is now achieving rate increases which averaged 24% over the last 12 months, and gross loss ratios are improving significantly.

Lloyd's Business Performance
The Lloyd's business comprises our share of the underwriting result of Syndicate 33, the run-off of non aligned third party capacity, the investment income from our corporate names that support the underwriting on the Syndicate, Hiscox Syndicates Ltd (the managing agency which manages the Syndicate), and Hiscox Investment Management.

Our Lloyd's business combined ratio deteriorated from 104.3% in 1999 to 105.9% (see graph below). The movement in combined ratio is reflected in the trading loss on aligned capacity of £2.0m (1999: profit £3.7m).

The majority of the poor performance came from our London Market divisions, both direct and reinsurance, with the marine, energy and cargo accounts the major drains on profitability. As outlined previously, we have restructured the business by reducing our costs and shrinking our book. The Syndicate is now achieving rate increases which averaged 24% over the last 12 months, and gross loss ratios are improving significantly. The graph below shows the development of claims as a percentage of premiums before the effect of reinsurance for the three most recent underwriting years. The lower the graph the better, so we can clearly see that the trend is an improving one.

Syndicate 33 Gross incurred loss ratio



2000 is the last year in which we will be participating on non aligned third party syndicates. The run-off of these accounts has shown a profit of £0.9m, reflecting the conservative reserving approach which we took when we acquired Hiscox Select in 1998. We also finalised the Names' conversion scheme which had been created by Hiscox Select. The board decided to call 50% of the money due under the conversion stock, raising £3.5m net of fees and pipeline losses attributable to converting Names. This was satisfied by the issue of 3.4m shares at a price of 102.6p per share.

Amortisation costs have grown slightly as we increased our ownership of Syndicate 33. Loan costs have also grown as we provide the related funds at Lloyd's. Other income and expenses include the net cost of running Hiscox Investment Management and certain central costs, such as our initial e-commerce costs which grew during the year, but are not expected to be repeated.

Table 3: Lloyd's business results	**2000 £m**	1999 £m
Gross Written Premium (100%)	**457.2**	416.1
Hiscox plc Share of Gross Written Premium	**225.5**	202.0
Combined Ratio (100% basis)	**105.9%**	104.3%
Trading Result		
– Aligned capacity	**(2.0)**	3.7
– Non aligned capacity	**0.9**	1.5
Loan Interest and Amortisation	**(2.3)**	(2.0)
Other Income Less Expenses	**(0.4)**	0.3
Operating Profit	**(3.8)**	3.5

The Hiscox Insurance Company

The Hiscox Insurance Company has delivered an improved performance for the fourth consecutive year. A combined ratio of 97.7%, improving steadily from 118%
in 1997, against the trend of the insurance cycle, must place its performance amongst the best in the UK industry (see Chart 1 below). This generated an improved trading result of £5.5m (1999: £3.2m). This strong improvement has been accomplished at the same time as premium income growth of 30% in 2000. This growth was achieved by a combination of underlying organic growth and the benefits of a small acquisition made during the year (see Chart 2 below).

Within the Hiscox Insurance Company, the Professional Insurances division had a very good year. Its combined ratio is under 100% and growth has been good.

The High Net Worth household account has had a difficult year. The area under-performed as several years of rating decline took their toll. Rates were put up in January 2000 and again in 2001. As highlighted earlier, the Property Owners account suffered an unusually high level of losses whilst the Affinity account again performed well.

The major strategic change in the business was the acquisition of the regional business of Chartwell. This brought offices and teams in Glasgow, Leeds and Birmingham, together with a small book of professional indemnity business. Reflecting our strategic goals, we are investing in these offices to accelerate our retail expansion. Initially we expect expenses to grow faster than income, holding back short-term profit growth within Hiscox Insurance Company, but over the medium term the offices will make a valuable contribution to the Group.

Chart 1: Hiscox Insurance Company Combined Ratio

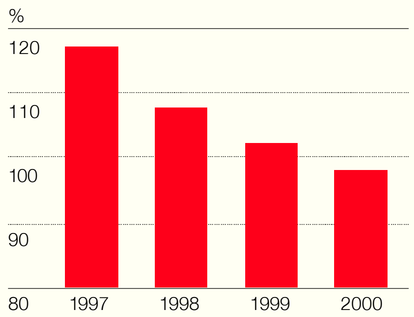
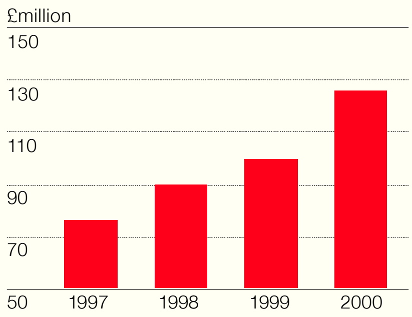


Chart 2: Hiscox Insurance Company Gross Written Premium



International Business

The international businesses comprise a series of underwriting agencies in continental Europe which develop business largely on behalf of the Hiscox Insurance Company, though a certain amount is conducted on behalf of Syndicate 33. It also includes the Hiscox Insurance Company (Guernsey).

Our international business has continued to grow, though underlying financial performance has been mixed:

- The Hiscox Insurance Company (Guernsey) had another good year. We have had strong premium growth and the underlying profit levels have improved. The majority of this business is reinsured into Syndicate 33, so success in Guernsey has helped the performance of Syndicate 33.
- Our German and Dutch operations have enjoyed a further year of strong growth, with premium income rising by 76.1% and 52.3% respectively. Their underwriting performance has contributed in part to the Hiscox Insurance Company's success. Taking into account both underwriting profits generated for Hiscox Insurance Company and local agency costs both offices were profitable.
- France had a more difficult year. Growth slowed following the impact of the Martin and Lothar storms and losses continued. Firm action has been taken to improve the rating of the business.

We have expanded our international scope with the creation of a joint venture in Belgium and the acquisition of the Construction and General

Table 4: Retail business results	**2000 £m**	1999 £m
Gross Written Premium	**127.3**	97.8
Combined Ratio %	**97.7%**	102.6%
Trading Result	**5.5**	3.2
International Underwriting Agencies	**(0.6)**	(1.6)
Hiscox Insurance Co (Guernsey)	**1.9**	0.3
Operating Profit	**6.8**	1.9

We are determined to continue building Hiscox into a first class business – respected for its people, its customer and market focus and its business performance.

Guarantee Insurance Company in Ireland.

Investments

We outsource the management of our funds to third party experts who are monitored by our team at Hiscox Investment Management. During 2000 our external managers did well making a total return on group assets of 6.5%. This is a good performance during a difficult year. This performance allowed us to report a positive fluctuation relative to the longer-term rates assumed in determining our operating profits. Group net assets per share (before equalisation provision) have increased to 96.1p per share (1999: 94.1p).

In addition to their monitoring role, the team at Hiscox Investment Management is also responsible for the investment of a series of sub-funds of the S&F Hiscox OEIC, some of which are marketed to outside investors. The most important of these funds is the Hiscox Insurance Portfolio (HIP). This fund, as its name suggests, is focused on investment in stocks in the insurance industry on a global basis. During 2000 the HIP fund achieved a return of 47.5%. This made it the top performing International Financial Sector unit trust/OEIC and the second best performer out of 422 in the International Sector.

Table 5: Investments	**2000 £m**	1999 £m
Investment Return %	**6.5%**	4.0%
Total Investment Return	**17.2**	10.0
Assumed Longer-term Return	**16.2**	13.7
Short-term Fluctuations	**1.0**	(3.7)

Balance Sheet

During 2000 we negotiated a series of reinsurance quota shares with top rated European insurers to help fund the expansion of the Group.

Within Hiscox Insurance Company we have arranged a series of quota shares which allow us to cede parts of specific portfolios to retain a balanced overall book. We are investigating the need for a whole account quota share to ensure that we can continue to expand this business as rates harden and growth continues. We have also arranged quota share re-insurances of our corporate names. Under these arrangements the respective reinsurers provide us with Funds at Lloyd's in return for a share of the profits or losses of Syndicate 33. This has allowed us to increase our ownership of the Syndicate from 53% to 60%, though due to the quota shares our economic interest remains at 53%. All the quota share reinsurances include profit commissions, so that if we perform we will share in the upside, but the risk on the downside is mitigated.

In addition to these quota shares we retain a syndicated letter of credit from a group of top quality banks to support some of our underwriting on Syndicate 33.

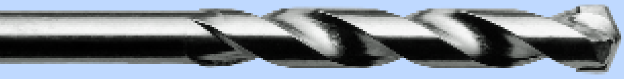
We will continue to expand these third party sources of capital, though we need to retain a balance between them and our own capital.

In Conclusion

Last year I said that our business strategy relies on the attraction and retention of good people. This year has tested all of them – and I am proud to see the progress that we have made thanks to their endeavours. The recent approach from the Chubb Corporation has tested our resolve and we are determined to continue building Hiscox into a first class business – respected for its people, its customer and market focus and its business performance.

For the first time in several years I feel that we have the wind to our backs in all areas of the Group so I look forward to a year of real progress.

Bronek Masojada
Chief Executive Officer
25 April 2001



We continue to focus on those niche areas
in which we are expert and lead the market

leaders in our
specialist fields

Executive directors

Robert Ralph Scrymgeour Hiscox
Chairman (Aged 58)
Robert Hiscox joined the Hiscox Group in 1965. He was Deputy Chairman of Lloyd's between 1993 and 1995.

Bronislaw Edmund Masojada
Chief Executive (Aged 39)
Bronek Masojada joined the Hiscox Group in 1993. From 1989 to 1993 he was employed by McKinsey and Co. He is currently Deputy Chairman of Lloyd's.

Ian Nicholas Thomson
Director of Underwriting (Aged 57)
Nicholas Thomson joined the Hiscox Group in 1973. He was Underwriter of Syndicate 33 from 1977 to 1993, when he became Director of Underwriting for the Hiscox Group. He is not standing for re-election at the Annual General Meeting.

Stuart John Bridges
Group Finance Director (Aged 40)
Stuart Bridges joined Hiscox at the start of 1999. He qualified as a chartered accountant at Arthur Andersen. He has held posts in various financial service companies including Henderson Investors plc.

Robert Simon Childs
Underwriter of Syndicate 33 (Aged 49)
Robert Childs has been Underwriter of Syndicate 33 since 1993. He joined the Group in 1986.

Non-Executive directors

Stephen Hargreaves Hall
(Aged 68)*†‡✦
Senior Independent Director
Stephen Hall was a partner in Ernst & Young from 1962 to 1993 and acted as Director of Finance at Lloyd's from 1993 to 1994.

Anthony Howland Jackson
(Aged 60)*†‡✦
Anthony Howland Jackson was previously Chairman of Bain Hogg plc and Deputy Chairman of Aon UK Holdings Limited. He is a member of Lloyd's Regulatory Board and Chairman of The General Insurance Standards Council.

Derek Nigel Donald Netherton
(Aged 56)*†‡✦
Derek Netherton was previously a Director of J. Henry Schroder & Co. Limited and is currently a Director of Next plc, Plantation & General Investments plc and St James's Place Capital plc. He is a member of the Supervisory Board of the Schroder Exempt Property Unit Trust. He joined the Group on 6 August 1999.

Carol Franklin Engler
(Aged 50)†‡✦
Carol Franklin Engler is the Chief Executive Officer of the World Wide Fund for Nature in Switzerland. From 1979 to 1999 she was employed by Swiss Re in a variety of roles including Head of the Aviation Department and Head of Human Resources. She joined the Group on 12 August 1999.

* member of the Audit Committee
† member of Remuneration Committee
✦ member of Conflicts Committee
‡ independent directors

Secretary
Stuart John Bridges

Registered Office
1 Great St Helen's
London EC3A 6HX

Registered number
2837811

Auditors
KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Tax Advisors
PricewaterhouseCoopers
89 Sandyford Road
Newcastle upon Tyne
NE99 1PL

Bankers
Lloyds TSB Bank plc
113-116 Leadenhall Street
London EC3A 4AX

Joint Stockbrokers
ING Barings Limited
60 London Wall
London EC2M 5TQ

Merrill Lynch International
20 Farringdon Road
London EC1M 3NH

Registrars
Northern Registrars Limited
Northern House
Penistone Road
Fenay Bridge
Huddersfield HD8 0LA

The Combined Code

Hiscox is committed to high standards of corporate governance.

For the year ended 31 December 2000, and the period up to the date of approving the accounts, the Group has applied the principles and complied with the provisions of 'The Combined Code' and 'Internal Control: Guidance for Directors on The Combined Code'.

The Board of Directors

The Board comprises five executive directors and four independent non-executive directors, including a senior independent director. Brief biographical details for each member of the Board are provided on page 26.

The roles and activities of Chairman and Chief Executive are distinct and separate. The Chairman is responsible for running an effective Board and overall strategy, and the Chief Executive has executive responsibility for running the Group's business.

In accordance with the Company's Articles of Association, all directors are required to submit themselves for re-election by the shareholders at least every three years.

Procedures are in place for any director to seek independent professional advice, although no such fees were incurred during the year.

The Board meets regularly at least five times a year and operates within established terms of reference. It is supplied with appropriate and timely information to enable it to review business strategy, trading performance, business risks and opportunities.

The Board's Committees

The Board has appointed and authorised a number of committees to manage aspects of the Group's affairs. Each committee operates within established terms of reference and each chairman reports directly to the Board.

The Audit Committee comprises three independent non-executive directors. It meets four times a year to assist the Board on matters of financial reporting, risk management, internal control and regulatory compliance. The internal and external auditors have unrestricted access to the Audit Committee, which monitors their objectivity, effectiveness, scope and results.

The Risk Committee comprises two executive directors and the heads of internal audit. It meets monthly to monitor risk management and internal control, and makes written reports directly to the Board and the Audit Committee.

The Remuneration Committee comprises four independent non-executive directors. It meets twice a year to review the Group's remuneration policy and determine all aspects of the executive directors' and other senior executives' remuneration. The Board's remuneration report is presented on page 28.

The Nominations Committee comprises the full Board, which meets as necessary to consider director appointments.

The Conflicts Committee comprises four independent non-executive directors and the Group Compliance Officer. Should a conflict of interest arise between Syndicate 33 and Hiscox related companies, there is a formal procedure to refer the matter to this Committee.

Two key management committees, the Executive Group and the Group Management Team, head the Group's organisational structure. These committees meet weekly and manage the Group's business operations in order to achieve the Board's strategic business objectives.

Shareholder Communications

Ongoing communication with private and institutional investors is a top priority for the Board.

The directors communicate and meet directly with shareholders and analysts throughout the year, and do not limit this to the period following the release of financial results or other significant announcements.

In addition to this direct communication, information is continually provided to shareholders via analysts, journalists and the Hiscox website.

The annual report and accounts are sent to all shareholders, and further copies are available directly from Hiscox, via the FT report and accounts service, or through the Hiscox website.

Risk and Internal Control

The directors are responsible for operating and reviewing the effectiveness of the comprehensive and integrated system of business risk management and internal control.

The system is designed to identify and assess the risks associated with achieving the Group's business objectives, and to manage these risks on an ongoing basis to acceptable levels. It is not intended to eliminate risk altogether.

This approach supports the overall business philosophy, enabling the Group to respond rapidly to opportunities, fully aware of the degree of risk accepted.

The Board is confident that this system provides the Group with a distinct competitive advantage, and is therefore continually seeking ways to refine and enhance it.

A key component in this respect is the Group's internal audit function, which is tasked with assessing the system and advising on its development.

The Board continually reviews the effectiveness of the system, taking assurance from both internal audit and operational managers. The directors also conduct an annual review, which is both retrospective and forward-looking.

The main elements of the system are as follows:

- Risk identification – Workshops and reviews are used to identify, assess and prioritise business risks.
- Monitoring – Senior executives monitor on a regular basis a range of timely financial and non-financial operating information. Department heads are required to explain significant matters and variances.
- Review – All trading units operate a hierarchical system of review to maintain underwriting standards and disseminate knowledge.
- Authority – Limits to personal authority are clearly defined for all roles and adherence is monitored.
- Prevention – Significant effort is devoted to attracting and developing high quality employees. Training is a high priority and performance and competency are carefully managed.
- Financial controls – An established system of financial controls operates to maintain accuracy and safeguard the Group's financial assets.
- Compliance – New regulations are assessed and incorporated into the Group's system of controls as necessary. Compliance with existing regulations is monitored as appropriate.

This report sets out the remuneration policies for the Group's senior executives, including the executive directors. It should be read in conjunction with the details of directors' remuneration on pages 53 to 56. The members of the Remuneration Committee are identified on page 26.

Remuneration policy

The Remuneration Committee determines the Group's remuneration policy and the levels and various elements of remuneration paid to its executive directors and senior executives.

The general philosophy underlying the Group's remuneration policy for its senior executives, including executive directors, is the same as that applied to all employees, i.e. to attract and retain quality staff and to encourage and reward superior performance.

Remuneration elements

There are four components to the remuneration package:- base salary and benefits, annual cash bonus, long term incentive arrangements and pension.

Base salary and benefits

The Remuneration Committee has utilised the services of independent consultants in its consideration of what comparable companies are paying and in setting annual salaries and other benefits. Using this information as a benchmark, salary levels are determined for each individual which take into account experience, skills, development and performance.

Bonuses

The Remuneration Committee believes that a portion of the total remuneration should be attained through an incentive bonus which links rewards directly with performance. A bonus pool is created based on the business profits generated by the major divisions of the Group. This pool is utilised to award annual bonuses to all staff including executive directors based upon the performance of their business area. The actual amount to be paid to executive directors is determined by the Remuneration Committee based on an assessment of their individual performance. The Remuneration Committee also reviews and confirms the recommendations of management regarding the award of bonuses to senior managers and staff.

Long term awards

The Remuneration Committee believes strongly in the value of employee participation in long term award schemes so that their interests may be aligned with those of shareholders.

The Group has three share option schemes which were set up for this purpose.

Awards were made during the year to executive directors, Hiscox partners and other staff under the Approved and Unapproved share option schemes. The exercise of options under these schemes depends upon the earnings per share of the Company increasing at two per cent more than the rate of inflation over a period of three years. These options are not offered at a discount and conform with institutional investor dilution guidelines.

Awards were also made during the year under the Sharesave Scheme. This scheme provides a medium-term incentive available to all staff. It depends upon the amount employees are prepared to save out of their salary subject to the maximum figure under the rules.

The Remuneration Committee is very pleased with the commitment shown by employees in the future of the Group.

The Group has also implemented a performance share plan for senior executives to complement the existing long term incentive arrangements. Awards were made during the year utilising shares in Hiscox plc already held by Hiscox Holdings Limited. The targets applicable to the awards made in the year were subject to the following operational earnings per share ("EPS") growth target:

a) The participants will receive 100% of the award if the Group's operating EPS over a 3 year period ending on 31 December 2003 has increased by 35% ("the maximum target");
b) No award will vest unless the increase in the Group's operating EPS over the period equals or exceeds 15% ("the base target") at which point 40% of the award will vest; and;
c) An award will vest on a straight line basis if the operating EPS growth is between the base target and the maximum target.

Exchanged options

Under the terms of the offers to purchase Hiscox Holdings Ltd and Economic Insurance Holdings Ltd in July 1996 the Company offered to exchange existing options held in the shares of those companies for options on Hiscox plc shares. As a result of this offer, exchanged options were issued to thirty-eight employees and former employees of those companies. The interests of executive directors in such exchanged options is shown in note 25 to the accounts.

Pensions

The non contributory defined benefit Hiscox Pension Scheme has two sections. The first section provides benefits that accrue at the rate of one sixtieth for each year of service up to retirement age 60 for all new employees as well as former members of the Economic Insurance Holdings Ltd scheme. The other section provides benefits that accrue at the rate of one thirtieth for each year of service up to retirement age 60 for members of the Hiscox partnership as well as former members of The Hiscox Holdings Ltd scheme. At 1st January 2001, Hiscox introduced a non contributory defined contribution scheme for all staff joining the Group. Only basic pay is pensionable. All schemes provide a death in service benefit of four times a member's salary.

Service contracts

No directors have service contracts, but their contracts of employment provide for termination on six months notice by either side.

The Remuneration Committee believes that these notice periods provide an appropriate balance having regard to prevailing market conditions and current practice amongst public companies. No external appointment may be accepted by an executive director where it may give rise to a conflict of interest. The consent of the Chairman is required in any event.

Non-executive directors

Non-executive directors receive an annual fee in respect of their Board and Board committee duties. The fees are reviewed, but not necessarily increased, annually and are set by the Board to attract individuals with a broad range of relevant skills and experience. The non-executive directors receive no other benefits.

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 December 2000.

Principal activity and business review
The Company is a holding company for subsidiaries involved in the business of insurance in the UK and overseas.

The review of the year and future developments are described further in the Chairman's Statement and the Chief Executive's Report.

Financial results
The results for the year are shown in the profit and loss account on pages 32 and 33.

Dividends
An interim dividend of 1.2p per share (1999: 1.2p) was paid in respect of the year ended 31 December 2000. The directors recommend the payment of a final dividend of 2.3p per share (1999: 2.3p). The dividend will be paid on 11 July 2001 to shareholders on the register on 4 May 2001.

Directors
The names of the directors of the Company at the date of this report are listed on page 26 of these accounts. Details of their interests in the shares of the Company are set out in note 25 to the accounts. S.H Hall and B.E Masojada will retire by rotation in accordance with the Articles of Association at the Annual General Meeting and, being eligible, will offer themselves for re-election as directors. I.N Thomson will also retire at the Annual General Meeting, but will not offer himself for re-election as a director.

Statement of directors' responsibilities
United Kingdom Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

a) select suitable accounting policies and apply them consistently, except where changes are necessary to comply with new legal and accounting requirements;
b) make judgements and estimates that are reasonable and prudent;
c) state whether applicable accounting standards have been followed, subject to any material departures disclosed in the financial statements; and
d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Going concern
After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Employee policies
The Group is committed to regular and timely communication with staff including both briefings and written communications. It is the Group's policy to give employment opportunities to people who are disabled. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and to provide specialised training where this is appropriate. Personnel policies are reviewed regularly and initiatives are made in all the main areas of personnel policy. Performance related pay systems are well established and are reviewed regularly and refined as necessary to meet changes in business needs.

The business is focused on maintaining and improving standards of customer service and personnel policies which enhance the capability of staff through the implementation of training and development programmes, particularly in relation to technology.

Environmental policy
Hiscox aims to minimise the impact on the environment from its business activities, in particular through the extensive use of computerisation and communications technology. Where possible consumables are recycled.

The way our insureds conduct their business is of paramount importance to us due to our core philosophy that for high quality underwriting we need high quality insureds. In considering underwriting, the insureds' attitudes to all aspects of their business, including their care of the environment, are considered.

Community Involvement
The involvement of Hiscox in the local community has continued this year, thanks to the strong support of our employees.

For example, in addition to the Hiscox Foundation's charitable activities, we participated in a number of other charitable fund raising events during the year.

We have also continued with our scheme at Virginia Primary School in Tower Hamlets where staff assist pupils with their reading development, we finance after hours tuition and assist in the school's governance.

In the centenary year for Hiscox we have sponsored the Whitechapel Art Gallery, possibly the most recognised independent art gallery in the country, who are also celebrating their centenary.

Our Art Café has also held a number of exhibitions of young artists.

Payment of creditors
It is the policy of the Group to agree terms of payment for its business transactions with its suppliers.

Payment is then made on these terms, subject to the terms and conditions being met by the supplier. The Group had 13.4 days purchases outstanding at 31 December 2000 based on the average daily amount invoiced by suppliers during the year ended 31 December 2000.

The Group does not follow a specific code with regard to the payment of creditors.

Political and charitable contributions
The Group made no political contributions during the year (1999: £Nil). Donations to UK charities amounted to £25,000 (1999: £25,000).

Post balance sheet event
On 31 January 2001, the Group acquired 100% of the issued share capital of The Construction and General Guarantee Insurance Company Ltd (CGGI) for a consideration of IR£2,988,000. CGGI is a company incorporated and based in Ireland which specialises in the provision of construction bond guarantees.

Annual General Meeting
The notice of the Annual General Meeting is contained on pages 63 and 64. In addition to the ordinary business, the following items of special business will be considered at the meeting.

Resolution 6, which will be proposed as an ordinary resolution, seeks to renew the directors' authority to allot relevant securities pursuant to Section 80 of the Companies Act 1985. The authority contained in the resolution will be limited to the allotment of relevant securities to an aggregate nominal value of £1,199,960.75. This authority will terminate no later than fifteen months after the date of the Annual General Meeting.

Resolution 7, which will be proposed as a special resolution, seeks to renew the authority conferred on the Board to issue equity securities of the Company for cash without application of the pre emption rights provided by Section 89 of the Companies Act 1985. Other than in connection with a rights or scrip dividend issue, the authority contained in this resolution will be limited to an aggregate nominal value of £370,489.59, representing 5.0% of the current issued ordinary share capital. This authority will terminate no later than fifteen months after the date of the Annual General Meeting.

Resolution 8, which will be proposed as an ordinary resolution, proposes that the Hiscox Approved Share Option Scheme, the Hiscox Unapproved Share Option Scheme and the Hiscox Performance Share Plan be amended in accordance with the Schedule of Amendments, produced to the Meeting and initialled for the purposes of identification, the main features of which are summarised in the Notice of Annual General Meeting on pages 63 and 64.

Resolution 9, which will be proposed as an ordinary resolution, proposes that the Hiscox All-Employee Share Ownership Plan (the 'AESOP') be approved and that the Directors be authorised to do all such acts and things as may be necessary or desirable to carry the AESOP into effect (including adopting or approving further sets of rules substantially in the format of the rules of the AESOP and governing the award of shares under the AESOP in overseas territories, but modified, where appropriate, to take account of local tax, exchange control or securities laws in overseas territories).

Auditors
A resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board
S.J Bridges
Secretary
1 Great St. Helen's
London EC3A 6HX
10 May 2001

Major interests in shares
The Company has been notified of the following shareholdings of 3% or more in the ordinary shares of the Company as at 30 April 2001.

	Number of shares Beneficial	Number of shares Non beneficial	Total	% of total Hiscox plc shares
Chubb Investment Services Ltd	40,069,734	–	40,069,734	27.0
A.N.Foster	3,047,150	12,372,026*	15,419,176	10.4
Parsimony Ltd	10,090,000	–	10,090,000	6.8
I.N Thomson	8,590,260	170,311*	8,760,571	5.9
R.R.S Hiscox	7,825,546	835,311*	8,660,857	5.9

*4,690,000 of A.N Foster's non beneficial shareholding is held by a trust and is also included in R.R.S Hiscox's beneficial shareholding. Hiscox Trustees Ltd is the trustee of the Hiscox plc Group employee share ownership plan trust (ESOP) and is interested in 170,311 ordinary shares in the Company. I.N Thomson, A.N Foster and R.R.S Hiscox are potential beneficiaries of the ESOP and are deemed to have an interest in these shares.

We have audited the financial statements on pages 32 to 62.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the Annual Report. As described on page 29 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 27 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider the Board's statements on internal control over all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual report, including the corporate governance statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Equalisation provisions
Our evaluation of the presentation of information in the financial statements has regard to the statutory requirement for insurance companies to maintain equalisation provisions. The nature of equalisation provisions, the amounts set aside at 31 December 2000, and the effect of the movement in those provisions during the year on the general business technical result and profit before tax, are disclosed in Note 7.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
London
Chartered Accountants
Registered Auditor
10 May 2001

Consolidated Profit and Loss Account
Technical Account – General Business for the year ended 31 December 2000

	Notes	2000 £000	1999 £000
Earned premiums, net of reinsurance			
Gross premiums written	4(d)	**384,736**	323,677
Outward reinsurance premiums		**(124,049)**	(78,306)
Net premiums written		**260,687**	245,371
Change in the gross provision for unearned premiums		**(23,838)**	(59,420)
Change in the provision for unearned premiums, reinsurers' share		**4,601**	15,501
Change in the net provision for unearned premiums		**(19,237)**	(43,919)
Earned premiums, net of reinsurance	4(d)	**241,450**	201,452
Allocated investment income transferred from the non-technical account	8(a), 8(c)	**16,222**	13,642
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		**(220,628)**	(138,747)
Reinsurers' share		**104,887**	47,214
Net claims paid		**(115,741)**	(91,533)
Change in the provision for claims:			
Gross amount		**(20,181)**	(80,774)
Reinsurers' share		**8,556**	59,665
Change in the net provision for claims		**(11,625)**	(21,109)
Claims incurred, net of reinsurance	4(d)	**(127,366)**	(112,642)
Other technical income	4(d)	**1,184**	774
Net operating expenses	6	**(120,462)**	(91,689)
Movement in equalisation provision	7	**(2,309)**	(1,643)
Balance on the technical account		**8,719**	9,894

All operations of the Group are continuing.

Consolidated Profit and Loss Account
Non-Technical Account for the year ended 31 December 2000

	Notes	2000 £000	1999 £000
Balance on the technical account		**8,719**	9,894
Investment income	8(a)	**14,688**	14,159
Net realised gains/(losses) on investments	8(a)	**238**	(1,786)
Unrealised gains/(losses) on investments	8(a)	**3,005**	(1,750)
Investment management expenses and charges	8(a)	**(666)**	(653)
	8(a), 8(c)	**17,265**	9,970
Allocated investment return transferred to the technical account	8(a), 8(c)	**(16,222)**	(13,642)
		1,043	(3,672)
Other income	9	**8,340**	2,792
Other expenses		**(14,615)**	(8,902)
Profit on ordinary activities before tax	4(d)	**3,487**	112
Comprising:			
Operating profit based on longer term investment return	4(d)	**2,950**	5,427
Short term fluctuations in investment return	8(a), 8(c)	**1,043**	(3,672)
Exceptional item: sale of long term business	31	**846**	–
Exceptional item: sale of non-managed Lloyd's capacity	31	**957**	–
Movement in equalisation provision	4(d), 7	**(2,309)**	(1,643)
		3,487	112
Tax on profit on ordinary activities	12	**1,943**	(28)
Profit on ordinary activities after tax		**5,430**	84
Dividends – Interim paid		**(1,708)**	(1,707)
Dividends – Final payable		**(3,404)**	(3,274)
		(5,112)	(4,981)
Retained profit/(loss) for the year		**318**	(4,897)
Earnings per share:			
– Basic, based on operating profit after tax (on longer term investment return)	13	**3.5p**	2.6p
– Basic, based on profit on ordinary activities after tax	13	**3.8p**	0.1p
– Diluted, based on profit on ordinary activities after tax	13	**3.8p**	0.1p

In accordance with the amendment to FRS 3 published in June 1999 no note of historical cost profits has been prepared as the Group's only material gains and losses on assets relate to the holding and disposal of investments.

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2000

	Notes	2000 £000	1999 £000
Profit on ordinary activities after tax		**5,430**	84
Revaluation of tangible fixed assets		**–**	(413)
Exchange differences taken to reserves	24	**50**	(91)
Prior period restatement		**–**	(1,977)
Total recognised gains and losses		**5,480**	(2,397)

Consolidated Balance Sheet
at 31 December 2000

	Notes	2000 £000	1999 £000
Assets			
Intangible assets			
Goodwill	14(a)	**6,634**	6,971
Other intangible assets	14(b)	**17,773**	14,814
		24,407	21,785
Investments			
Land and buildings	15(a)	**437**	951
Other financial investments	15(b)	**263,655**	228,979
		264,092	229,930
Assets held to cover linked liabilities		**–**	3,016
Reinsurers' share of technical provisions			
Provision for unearned premiums		**27,197**	22,078
Long term business provision		**–**	849
Claims outstanding		**148,746**	136,620
		175,943	159,547
Debtors			
Debtors arising out of direct insurance operations	16	**135,830**	100,191
Debtors arising out of reinsurance operations		**65,662**	47,127
Other debtors	19	**47,407**	37,081
		248,899	184,399
Other assets			
Tangible assets	17	**6,132**	6,690
Cash at bank and in hand	33(f)	**38,466**	27,602
		44,598	34,292
Prepayments and accrued income			
Accrued interest		**2,465**	3,275
Deferred acquisition costs		**51,721**	47,171
Other prepayments and accrued income		**5,199**	5,992
		59,385	56,438
Total assets		**817,324**	689,407

	Notes	2000 £000	1999 £000
Liabilities			
Capital and reserves			
Called up share capital	23, 24(a)	**7,400**	7,223
Share premium account	24(a)	**72,474**	69,042
Merger reserve	24(a)	**4,723**	4,723
Capital redemption reserve	24(a)	**33,244**	33,244
Profit and loss account	24(a)	**15,721**	15,353
Shareholders' funds attributable to equity interests	24(a)	**133,562**	129,585
Fund for future appropriations		**–**	1,902
Technical provisions			
Provision for unearned premiums		**167,596**	142,658
Long term business provision		**–**	15,191
Claims outstanding		**303,352**	290,402
Equalisation provision		**8,647**	6,338
		479,595	454,589
Technical provisions for linked liabilities		**–**	3,016
Provisions for other risks and charges	22	**655**	1,729
Creditors: amounts falling due within one year			
Creditors arising out of direct insurance operations		**75,547**	33,405
Creditors arising out of reinsurance operations		**87,123**	19,507
Other creditors including taxation and social security	20	**30,775**	31,935
		193,445	84,847
Creditors: amounts falling due after one year			
Other creditors	21	**762**	2,768
Accruals and deferred income		**9,305**	10,971
Total liabilities		**817,324**	689,407

These financial statements on pages 32 to 62 were approved by the Board of directors on 10 May 2001 and were signed on its behalf by:
R.R.S Hiscox Chairman
S.J Bridges Finance Director

Company Balance Sheet
at 31 December 2000

	Notes	2000 £000	1999 £000
Fixed assets			
Tangible assets	18(a)	**346**	394
Investment in subsidiary undertakings	18(b)	**115,457**	115,457
Investments	18(c)	**31,026**	27,559
		146,829	143,410
Current assets			
Other debtors	19	**49,971**	63,063
Cash at bank and in hand		**684**	63
Prepayments and accrued income		**238**	1,312
		50,893	64,438
Creditors: Amounts falling due within one year	20	**(16,433)**	(24,344)
Net current assets		**34,460**	40,094
Total assets less current liabilities		**181,289**	183,504
Provisions for liabilities and charges	22	**(648)**	(574)
Total net assets		**180,641**	182,930
Capital and reserves			
Called up share capital	23, 24(b)	**7,400**	7,223
Share premium account	24(b)	**72,474**	69,042
Merger reserve	24(b)	**58,970**	58,970
Capital redemption reserve	24(b)	**33,244**	33,244
Capital reserve	24(b)	**1,078**	931
Profit and loss account	24(b)	**7,475**	13,520
Shareholders' funds attributable to equity interests		**180,641**	182,930

The loss after taxation for the Company for the year was £933,000 (1999: profit of £1,375,000).

These financial statements on pages 32 to 62 were approved by the Board of directors on 10 May 2001 and were signed on its behalf by:
R.R.S Hiscox Chairman
S.J Bridges Finance Director

Consolidated Cash Flow Statement
for the year ended 31 December 2000

	Notes	2000 £000	1999 £000
Cash Flow Statement			
Net cash inflow from general business		**40,019**	16,710
Net shareholders' cash inflow from Lloyd's business	33(d)	**1,284**	12,021
Net cash flow from operating activities	33(a)	**41,303**	28,731
Interest paid	33(e)	**(982)**	(1,835)
Taxation paid		**(6,654)**	(4,102)
Capital expenditure	33(e)	**(4,394)**	264
Acquisitions and disposals	33(e)	**846**	–
Equity dividends paid		**(4,982)**	(4,963)
Financing	33(e)	**3,345**	(7,724)
		28,482	10,371
Cash flows were invested as follows:			
Increase/(decrease) in cash holding	33(f)	**895**	(16,752)
Net portfolio investment:			
Shares and units in unit trusts	33(f)	**18,019**	12,623
Debt securities and other fixed income securities	33(f)	**(19,132)**	14,513
Deposits with credit institutions	33(f)	**28,891**	(271)
Other investments	33(f)	**(191)**	258
Net investment of cash flows		**28,482**	10,371

1 Basis of preparation
The financial statements of the Group and the Company have been prepared in accordance with applicable accounting standards as at 31 December 2000 and under historical cost accounting rules, modified by the revaluation of investments.

The financial statements have been prepared in accordance with the provisions set out in Section 255 of, and Schedule 9A to, the Companies Act 1985, as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993. The Group has adopted all material recommendations of the revised Statement of Recommended Practice "Accounting for Insurance Business" issued by the Association of British Insurers. The balance sheet of the parent company is prepared in accordance with the provisions of Section 226 of, and Schedule 4 to, the Companies Act 1985.

As permitted by Section 230 of the Companies Act 1985, no profit and loss account of the parent company is presented.

Results are determined on an annual basis, except for the results of the underwriting participations of the Hiscox Select subsidiaries on non-managed syndicates which are accounted for on a three-year basis. This is because of accounting practices at Lloyd's whereby this data is not available on an annual basis for most non-managed syndicates.

2 Basis of consolidation
The consolidated financial statements include the assets, liabilities and results of the Company and its subsidiary undertakings up to 31 December each year. Profits or losses of subsidiary undertakings sold or acquired during the period are included in the consolidated results up to the date of disposal or from the date of acquisition.

Hiscox Dedicated Corporate Member Limited underwrites as a corporate member of Lloyd's on the syndicate managed by Hiscox Syndicates Limited (the "managed syndicate"). Subsidiaries of Hiscox Select Holdings Limited underwrite as corporate members of Lloyd's on the managed syndicate as well as on other non-Hiscox managed syndicates. In view of the several liability of underwriting members at Lloyd's for the transactions of syndicates in which they participate, the attributable share of the transactions, assets and liabilities of the syndicates has been included in the financial statements.

3 Accounting policies
The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

3(a) Premiums
Written premiums comprise the premiums on contracts entered into during the accounting period, irrespective of whether they relate in whole or in part to a later accounting period. Written premiums are disclosed gross of commission payable to intermediaries and exclude taxes and duties levied on premiums.

Premiums written include adjustments to premiums written in prior accounting periods and estimates for "pipeline" premiums. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

3(b) Unearned premiums
For general business accounted for on the annual basis, the provision for unearned premium comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method. Where the incidence of risk varies during the period covered by the contract, the provision is calculated taking into account the risk profile of the contracts.

3(c) Acquisition costs
Acquisition costs comprise all direct and indirect costs arising from the acquisition of insurance contracts.

Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written which are unearned at the balance sheet date.

3(d) Claims
Claims incurred in respect of general business consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims and future claims handling expenses.

Outstanding claims comprise provisions for the estimated cost of settling all claims incurred but unpaid up to the balance sheet date whether reported or not, together with related claims handling expenses. Anticipated reinsurance recoveries, and estimates of salvage and subrogation recoveries, are disclosed separately as assets.

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

3(e) Unexpired risk
Provision is made for unexpired risks arising from general business where the expected value of the claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated separately by classes of business which are managed together, after taking into account the relevant investment return.

3(f) Equalisation provision
An equalisation provision has been established and calculated in accordance with the requirements of the Insurance Companies (Reserves) Act 1995 to mitigate exceptional high loss ratios for classes of business displaying a high degree of claims volatility.

3(g) Hiscox Select non-managed syndicate participations
These participations are accounted for on a three-year basis and have been calculated according to the provisions of Schedule 9A to the Companies Act 1985 as follows:

The excess of premiums written over claims and expenses paid in respect of business commencing in an underwriting year is carried forward as a technical provision as part of outstanding claims. Premiums include a provision for "pipeline" premiums. Profits arising from underwriting are normally recognised at the end of the second year following the end of the underwriting year when the underwriting account is usually closed by reinsurance into the following year of account. The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and other elements of the Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims. The directors consider that the likelihood of such a failure of the reinsurance to close is remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account. Where appropriate, provision is made for losses in respect of open underwriting years on a syndicate by syndicate basis.

Syndicate investment income is accounted for on a receivable basis. Interest income is accrued up to the relevant 31 December. Syndicate investments and cash are held on a pooled basis, the return from which is allocated to underwriting years proportionately to the funds contributed by the year. Investment income and all investment gains and losses relating to syndicate investments and cash are included in the non-technical account, with an allocation made to the technical account as described in section 3(j).

3(h) Investments Group
Investments are stated at their current value. Listed investments comprise those quoted on the London and other International Stock Exchanges. These investments are stated at mid-market prices on the balance sheet date, or on the last stock exchange trading day before the balance sheet date.

Land and buildings occupied by the Group for its own use are stated at market value. Full valuations are carried out by independent professionally qualified valuers on a regular basis. In the intervening years, these valuations are reviewed by the directors on the basis of independent professional advice, and any decreases in values accounted for as value adjustments.

Company
Investments in group undertakings and associates are stated at cost less provisions for impairment in value.

3(i) Investment return
Dividends on ordinary shares are recognised as income on the date the ordinary shares are marked ex-dividend. Other investment income and interest receivable are included in income on an accruals basis.

Realised gains or losses represent the difference between net sales proceeds and purchase price.

Unrealised gains and losses on investments represent the difference between the current value of investments at the balance sheet date and their purchase price. The movement in unrealised investment gains/losses includes an adjustment for previously recognised unrealised gains/losses on investments disposed of in the accounting period.

3(j) Allocation of investment return
An allocation is made from the non-technical account to the general business technical account of the longer term investment return on investments supporting the general insurance technical provisions and all the relevant shareholders' funds. The longer term investment return is an estimate of the long term trend investment return for Hiscox plc and its subsidiaries, together with the Hiscox Managed Syndicates, having regard to past performance, current trends and future expectations.

3(k) Depreciation
Depreciation is provided to write off the cost less the estimated residual value of tangible assets on a straight-line basis over their estimated useful economic lives or length of lease, if less, as follows:

Fixtures and fittings	10–15 years
Computer hardware and software	3–5 years
Motor vehicles	3 years
All other fixed assets	4 years

3(l) Goodwill
Goodwill arising on the acquisition of subsidiaries has been written off directly to reserves in the year of acquisition up to 31 December 1997. From 1 January 1998, in accordance with FRS 10, goodwill arising on acquisitions, being the difference between the fair value of the purchase consideration and the fair value of net assets acquired, is capitalised in the balance sheet and amortised on a straight line basis over its useful economic life which is considered to be 20 years.

3(m) Other intangible assets
Other intangible assets are the cost of purchasing the Group's participation in Lloyd's insurance syndicates. In accordance with FRS 10, this capacity is capitalised at cost in the balance sheet and amortised over its useful economic life which the directors consider to be 20 years.

3(n) Rates of exchange
Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. At the balance sheet date, monetary assets and liabilities are translated at the year end rates of exchange. Any exchange profits or losses arising are taken directly to the profit and loss account.

Investments in foreign enterprises are translated using the net investment method. All exchange profits or losses arising on the translation of these investments are taken to reserves.

3(o) Pension costs
Pension payments are charged against profits, with pension surpluses and deficits allocated over the remaining service periods of current employees. Differences between the amounts charged to the profit and loss account and payments made to the pension schemes are treated as assets or liabilities in the balance sheet.

3(p) Leases
Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account.

3(q) Taxation
The Group has adopted FRS16 "Current Taxation". Accordingly, investment income is shown exclusive of any tax credit and the current tax charge similarly excludes any tax credit on investment income. This is a change from the previous policy of recording investment return and the current taxation charge inclusive of tax credits. Comparative amounts have not been restated as the impact on the profit before taxation and on the taxation charge is immaterial. There is no net effect on profit after taxation from adopting the policy.

Deferred taxation, calculated on the liability method, is provided on all material timing differences to the extent that it is probable that the liability will crystallise.

4 Segmental Information

a) Underwriting result

Year ended 31 December 2000

	Gross Premiums Earned £000	Gross Claims Incurred £000	Gross Operating Expenses £000	Reinsurance Balance £000	Underwriting Result* £000
Fire and other damage to property	111,224	(76,043)	(45,767)	5,947	(4,639)
Third party liability	57,824	(35,870)	(20,850)	(797)	307
Marine, aviation and transport	44,930	(28,986)	(16,892)	(2,412)	(3,360)
Reinsurance acceptances	92,924	(71,453)	(12,055)	(4,654)	4,762
Other	53,996	(28,457)	(25,882)	(3,105)	(3,448)
	360,898	(240,809)	(121,446)	(5,021)	(6,378)

Year ended 31 December 1999

	Gross Premiums Earned £000	Gross Claims Paid £000	Gross Operating Expenses £000	Reinsurance Balance £000	Underwriting Result* £000
Fire and other damage to property	101,046	(59,751)	(40,528)	4,037	4,804
Third party liability	34,994	(24,590)	(14,350)	2,396	(1,550)
Marine, aviation and transport	31,306	(42,647)	(11,038)	19,918	(2,461)
Reinsurance acceptances	49,344	(65,221)	(9,020)	19,137	(5,760)
Other	47,567	(27,312)	(16,987)	(1,180)	2,088
	264,257	(219,521)	(91,923)	44,308	(2,879)

*Before longer term investment return, other technical income and movement in equalisation provision.

4 Segmental Information continued

b) 100% level technical account

The underwriting activities which are managed by the Group are shown below at the 100% level regardless of ownership of capacity

	2000 Managed Syndicates £000	2000 Insurance Company £000	2000 International Operations £000	2000 Total £000	1999 Managed Syndicates £000	1999 Insurance Company £000	1999 International Operations £000	1999 Total £000
Gross premiums written	**457,213**	**127,347**	**31,866**	**616,426**	416,084	97,814	23,821	537,719
Net premiums written	**247,592**	**111,597**	**16,863**	**376,052**	258,010	89,456	12,540	360,006
Net premiums earned	**257,403**	**100,995**	**15,133**	**373,531**	261,854	83,039	5,993	350,886
Net claims incurred	**152,772**	**52,998**	**20**	**205,790**	136,464	43,798	93	180,355
Claims ratio (%)	**59.4%**	**52.5%**		**55.1%**	52.1%	52.7%		51.4%
Commission	**86,202**	**35,561**	**14,859**	**136,622**	98,865	31,001	5,145	135,011
Expenses	**28,861**	**14,931**	**9**	**43,801**	35,737	13,605	333	49,675
Movement in DAC	**14,568**	**(1,603)**	**(1,541)**	**11,424**	(3,594)	(1,966)	–	(5,560)
Net expenses	**129,631**	**48,889**	**13,327**	**191,847**	131,008	42,640	5,478	179,126
Expense ratio (%)	**46.5%**	**45.2%**		**48.0%**	52.2%	49.9%		51.3%
Net longer term investment return	**10,278**	**6,433**	**661**	**17,372**	6,586	5,792	195	12,573
Technical profit/(loss)* (Note 4c)	**(14,722)**	**5,541**	**2,447**	**(6,734)**	968	2,393	617	3,978
Combined ratios (%)	**105.9%**	**97.7%**		**103.1%**	104.3%	102.6%		102.7%

*Before movement in equalisation provision.

c) Reconciliation of 100% level technical results to Group results

	2000 £000	1999 £000
Technical profit for 100% of continuing operations (Note 4b)	**(6,734)**	3,978
Notional share attributable to Group at current level of capacity ownership	**(96)**	3,180
Adjustments to reflect lower levels of capacity in prior years:		
1998 (1997) year of account	**(500)**	(1,749)
1999 (1998) year of account	**502**	(509)
Investment return on Group underwriting capital	**4,893**	5,800
Long term business result	**–**	774
Conversion scheme adjustment	**1,184**	–
Trading profit for Group share of continuing operations (Note 4d)	**5,983**	7,496

4 Segmental Information continued

d) Profit on ordinary activities before taxation

	2000 Lloyd's Business*/ Group £000	2000 Insurance Company £000	2000 International Operations £000	2000 Total £000's	1999 Lloyd's Business*/ Group £000	1999 Insurance Company £000	1999 International Operations £000	1999 Total £000
Gross premiums written	225,523	127,347	31,866	384,736	202,042	97,814	23,821	323,677
Net premiums earned	125,322	100,995	15,133	241,450	112,420	83,039	5,993	201,452
Investment return, based on longer term rate of return	9,128	6,433	661	16,222	7,655	5,792	195	13,642
Net claims incurred	(74,348)	(52,998)	(20)	(127,366)	(68,751)	(43,798)	(93)	(112,642)
Acquisition costs	(58,776)	(33,958)	(13,318)	(106,052)	(40,960)	(29,035)	(5,145)	(75,140)
Expenses	(3,561)	(14,931)	(9)	(18,501)	(5,177)	(13,605)	(333)	(19,115)
Other technical income	1,184	–	–	1,184	–	774	–	774
Trading result:**								
aligned capacity	(2,005)	5,541	2,447	5,983	3,712	3,167	617	7,496
non aligned capacity	954	–	–	954	1,475	–	–	1,475
Agency and other income	5,049	–	5,192	10,241	2,793	–	3,047	5,840
Profit commission	387	–	–	387	(482)	–	–	(482)
Expenses	(5,938)	–	(6,413)	(12,351)	(2,048)	–	(4,889)	(6,937)
Loan interest	(951)	–	–	(951)	(707)	–	–	(707)
Goodwill and capacity amortisation	(1,313)	–	–	(1,313)	(1,258)	–	–	(1,258)
Operating profit/(loss)	(3,817)	5,541	1,226	2,950	3,485	3,167	(1,225)	5,427
Short term fluctuations in investment return	(764)	1,742	65	1,043	(2,338)	(1,572)	238	(3,672)
Profit on sale of long term business	–	846	–	846	–	–	–	–
Profit on sale of non-managed Lloyd's capacity	957	–	–	957	–	–	–	–
Movement in equalisation provision	–	(2,309)	–	(2,309)	–	(1,643)	–	(1,643)
Profit/(loss) on ordinary activities before taxation	(3,624)	5,820	1,291	3,487	1,147	(48)	(987)	112
Net assets								
Tangible assets	59,972	50,231	(1,048)	109,155	65,322	44,536	(2,058)	107,800
Intangible assets	24,407	–	–	24,407	21,785	–	–	21,785
Total	84,379	50,231	(1,048)	133,562	87,107	44,536	(2,058)	129,585

*Including Hiscox Dedicated Corporate Member Ltd, Hiscox Syndicates Ltd, Hiscox Select A to J, Hiscox Investment Management Ltd and Hiscox plc.
**Based on longer term investment return, before movement in equalisation provision and elimination of inter company transactions.

5 Movement in Prior Years' Claims Provision*

	2000 £000	1999 £000
Net loss provision brought forward as at 1 January	**85,904**	62,451
Net payments during the year in respect of those provisions	**(16,270)**	(17,541)
Net loss provision carried forward in respect of claims provided at 1 January	**(56,202)**	(37,451)
Over provision in prior years	**13,432**	7,459

*These figures exclude amounts in respect of non-aligned capacity held by Hiscox Select, for which the information is not readily available. The figures in respect of aligned capacity relate to closed years of account at 1 January 2000 only.

6 Net Operating Expenses

	2000 £000	1999 £000
Acquisition costs	**103,484**	86,989
Change in deferred acquisition costs	**662**	(14,181)
Reinsurance commission	**(2,185)**	(234)
Administrative expenses, including profit commission	**18,501**	19,115
	120,462	91,689

7 Equalisation Provision

Equalisation provisions are established in accordance with the requirements of the Insurance Companies (Reserves) Act 1995. These provisions, which are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date, are required by Schedule 9A to the Companies Act 1985 to be included within technical provisions at the balance sheet date notwithstanding that they do not represent liabilities at the balance sheet date. This has had the effect of reducing shareholders' funds by £8,647,000 (1999: £6,338,000). The movement in equalisation provision during the year resulted in a decrease in the technical account and the Group profit before taxation of £2,309,000 (1999: £1,643,000).

8 Investment Return

a) The total actual investment return before taxation comprises:

	2000 £000	1999 £000
Investment return on funds at Lloyd's and other corporate funds:		
Investment income	**3,636**	4,529
Unrealised gains/(losses) on investments	**1,631**	(1,755)
Realised gains/(losses) on investments	**(944)**	(63)
	4,323	2,711
Investment return on syndicate funds:		
Investment income	**4,660**	3,893
Realised gains/(losses) on investments	**498**	(468)
	5,158	3,425
Investment return on insurance company funds*:		
Investment income	**6,392**	5,737
Unrealised gains/(losses) on investments	**1,374**	5
Realised gains/(losses) on investments	**684**	(1,255)
	8,450	4,487
Investment management expenses	**(666)**	(653)
Total investment return	**17,265**	9,970
Allocation to the technical account based on the longer term rate	**(16,222)**	(13,642)
Short term fluctuations in investment return retained in the non-technical account	**1,043**	(3,672)

*Excluding investment return on the long term business.

b) Longer term investment return

The longer term return is based on a combination of historical experience and current expectations for each category of investments. The longer term return is calculated by applying the following yields to the weighted average of each category of assets.

	2000 %	1999 %
Shares and units in unit trusts	**7.0**	7.0
Debt securities and other fixed interest securities	**6.0**	6.0
Deposits with credit institutions	**6.0**	6.0

8 Investment Return continued

c) Comparison of longer term investment return with actual returns

The actual return on investments is compared below with the longer term investment return over the year ended 31 December 2000 and for the five year period from 1 January 1996 to 31 December 2000.

	2000 Funds at Lloyd's and other Corporate Assets £000	%	2000 Share of Syndicates £000	%	2000 Insurance Company £000	%	2000 Total £000
Actual investment return:							
Shares and units in unit trusts	213	0.9	574	15.7	447	2.5	1,234
Debt securities and other fixed interest securities	2,897	7.7	3,142	6.1	6,991	9.8	13,030
Deposits with credit institutions	1,014	5.7	945	4.1	737	5.1	2,696
Other	–	–	305	3.9	–	–	305
	4,124		4,966		8,175		17,265
Longer term investment return:							
Shares and units in unit trusts	1,740	7.0	256	7.0	1,268	7.0	3,264
Debt securities and other fixed interest securities	2,264	6.0	3,072	6.0	4,294	6.0	9,630
Deposits with credit institutions	1,062	6.0	1,395	6.0	871	6.0	3,328
Other	–	–	–	–	–	–	–
	5,066		4,723		6,433		16,222
Short term fluctuations in investment return	(942)		243		1,742		1,043

	1999 Funds at Lloyd's and other Corporate Assets £000	%	1999 Share of Syndicates £000	%	1999 Insurance Company £000	%	1999 Total £000
Actual investment return:							
Shares and units in unit trusts	2,320	13.8	(20)	(0.9)	1,602	23.5	3,902
Debt securities and other fixed interest securities	(958)	(2.1)	2,202	4.2	2,259	2.6	3,503
Deposits with credit institutions	327	6.0	327	8.6	211	7.1	865
Other	681	4.3	871	9.5	148	8.9	1,700
	2,370		3,380		4,220		9,970
Longer term investment return:							
Shares and units in unit trusts	1,175	7.0	162	7.0	478	7.0	1,815
Debt securities and other fixed interest securities	2,793	6.0	3,166	6.0	5,137	6.0	11,096
Deposits with credit institutions	326	6.0	228	6.0	177	6.0	731
Other	–	–	–	–	–	–	–
	4,294		3,556		5,792		13,642
Short term fluctuations in investment return	(1,924)		(176)		(1,572)		(3,672)

	1996-2000 £000
Longer term investment return credited to operating profit and to the general business technical account	65,320
Actual investment return included in profit on ordinary activities in the non-technical account	69,845
Effect of short term fluctuations over the period.	4,525

9 Other income and expenses

	2000 £000	1999 £000
Agency salaries	**2,908**	2,554
Profit commission	**387**	(482)
Profit on sale of long term business	**846**	–
Profit on sale of non-managed Lloyd's capacity	**957**	–
Other	**3,242**	720
Total other income	**8,340**	2,792

	2000 £000	1999 £000
Operating profit is stated after charging:		
Loan interest payable	**951**	707
Amortisation of goodwill and Lloyd's capacity costs	**1,313**	1,258
Finance lease charges	**172**	491
Operating lease charges (net of recharges to the managed syndicate)	**1,670**	274
Depreciation (net of recharges to the managed syndicate) on tangible fixed assets:		
– Owned assets	**518**	742
– Leased assets	**222**	165
Exchange gains or losses	**(823)**	(18)
Provisions for bad and doubtful debts	**100**	–

10 Auditors' Remuneration

	2000 Group £000	2000 Company £000	1999 Group £000	1999 Company £000
Remuneration – Audit Fees	**199**	**64**	226	87
Remuneration – Other fees paid to the auditor and its associates	**66**	**28**	52	44
	265	**92**	278	131

11 Employees' Remuneration

Their aggregate remuneration and associated costs were:

	2000 £000	1999 £000
Wages and salaries	**17,600**	15,148
Social security costs	**1,922**	1,673
Other pension costs	**2,529**	2,476
	22,051	19,297

The average monthly number of staff employed by the group was 361 (1999: 301) comprising 144 underwriting and 217 administrative staff (1999: 153 and 148 respectively). Of the total remuneration shown above an amount of £11,884,000 was re-charged to the syndicate managed by Hiscox Syndicates Limited (1999: £13,073,000).

12 Taxation

	2000 Group £000	2000 Company £000	1999 Group £000	1999 Company £000
UK corporation tax at 30.0% (1999: 30.25%)	**1,204**	**(692)**	4,644	84
Adjustment in respect of prior years	**(1,373)**	**–**	(1,595)	(161)
Deferred tax at 30.0% (1999: 30.0%)	**3,078**	**–**	(3,021)	–
Adjustment in respect of prior years	**(4,852)**	**–**	–	–
	(1,943)	**(692)**	28	(77)

The difference between the expected Corporation Tax charge at 30% of profit before tax and the actual tax credit of £1,943,000 relates mainly to the offset of brought forward tax losses together with the recognition of a deferred tax asset in respect of losses in Hiscox Insurance Company Limited where utilisation is anticipated in the foreseeable future.

13 Earnings per ordinary share

	2000 Earnings £000	2000 Average number of shares '000	2000 EPS p	1999 Earnings £000	1999 Average number of shares '000	1999 EPS p
Basic, based on operating profit after tax (on longer term investment return)	**5,054**	**142,472**	**3.5**	3,751	141,662	2.6
Basic, based on profit on ordinary activities after tax	**5,430**	**142,472**	**3.8**	84	141,662	0.1
Diluted, based on profit on ordinary activities after tax	**5,430**	**144,577**	**3.8**	84	143,044	0.1

Earnings per share has also been calculated based on the operating profit before exceptional items and after taxation as the directors believe this earnings per share figure provides a better indication of operating performance.

The reconciliation of basic earnings per share based on ordinary activities after tax to basic earnings per share based on operating profit after tax is as follows:

	2000 EPS p	1999 EPS p
Basic based on ordinary activities after tax	**3.8**	0.1
Short term fluctuations in investment return	**(0.5)**	1.7
Exceptional items	**(0.9)**	–
Movement in equalisation provision	**1.1**	0.8
Basic based on operating profit after tax	**3.5**	2.6

Diluted earnings per share has been calculated taking into account 1,816,000 (1999: 1,087,000) options under employee share schemes and 289,000 (1999: 295,000) options under SAYE share schemes.

14 Intangible assets

a) Goodwill	£000
Cost	
At 1 January 2000	**7,741**
Goodwill acquired	**52**
At 31 December 2000	**7,793**
Amortisation	
At 1 January 2000	**770**
Charge for the year	**389**
At 31 December 2000	**1,159**
Net book value at 31 December 2000	**6,634**
Net book value at 31 December 1999	**6,971**

14 Intangible assets continued

b) Other intangible assets	£000
Cost	
At 1 January 2000	**15,745**
Additions	**3,883**
At 31 December 2000	**19,628**
Amortisation	
At 1 January 2000	**931**
Charge for the year	**924**
At 31 December 2000	**1,855**
Net book value at 31 December 2000	**17,773**
Net book value at 31 December 1999	**14,814**
Valuation at 31 December 2000*	**7,692**

Other intangible assets represent the cost of acquiring syndicate capacity at the Lloyd's auctions.
*Based on average 2000 auction prices.

15 Investments – Group

a) Land and buildings	Freehold £000	Short Leasehold £000	Total £000
Valuation			
At 1 January 2000	407	664	**1,071**
Disposals	–	(555)	**(555)**
At 31 December 2000	407	109	**516**
Depreciation			
At 1 January 2000	–	120	**120**
Charge for the year	–	8	**8**
Disposals	–	(49)	**(49)**
At 31 December 2000	–	79	**79**
Net book value at 31 December 2000	407	30	**437**
Net book value at 31 December 1999	407	544	**951**

None of the freehold land and buildings were occupied by the Group for its own use during the current financial year.

15 Investments – Group continued

b) Other financial investments

2000

	Funds at Lloyd's and other Corporate Assets		**Share of Syndicates**		**Insurance Company**		**Total**	
	Market Value £000	**Cost £000**	**Market Value £000**	**Cost £000**	**Market Value £000**	**Cost £000**	**Market Value £000**	**Cost £000**
Shares and units in unit trusts	**28,387**	**24,285**	**4,346**	**1,747**	**20,977**	**19,184**	**53,710**	**45,216**
Debt securities and other fixed income securities	**32,831**	**32,943**	**57,468**	**56,225**	**78,819**	**77,647**	**169,118**	**166,815**
Deposits with credit institutions	**17,970**	**17,937**	**4,576**	**4,106**	**16,005**	**15,802**	**38,551**	**37,845**
Other	**73**	**73**	**2,203**	**1,823**	**–**	**–**	**2,276**	**1,896**
	79,261	**75,238**	**68,593**	**63,901**	**115,801**	**112,633**	**263,655**	**251,772**

1999

	Funds at Lloyd's and other Corporate Assets		Share of Syndicates		Insurance Company		Total	
	Market Value £000	Cost £000	Market Value £000	Cost £000	Market Value £000	Cost £000	Market Value £000	Cost £000
Shares and units in unit trusts	19,404	15,146	2,468	2,343	18,263	13,961	40,135	31,450
Debt securities and other fixed income securities	46,796	50,689	41,042	41,487	93,876	93,561	181,714	185,737
Loans secured by mortgages	–	–	–	–	35	35	35	35
Deposits with credit institutions	4,038	4,038	3,278	2,898	867	867	8,183	7,803
Other	259	259	1,669	1,650	–	–	1,928	1,909
	70,497	70,132	48,457	48,378	113,041	108,424	231,995	226,934
Assets held to cover linked liabilities					(3,016)		(3,016)	
					110,025		228,979	

Of the above investments, all of the shares and units in unit trusts, and all the debt securities and other fixed income securities are listed on a recognised stock exchange.

16 Debtors arising out of direct insurance operations

	2000 £000	1999 £000
Policyholders	**137**	254
Intermediaries	**135,693**	99,937
	135,830	100,191

17 Tangible Assets – Group

Cost	Computer Equipment £000	Fixtures Fittings and Equipment £000	Motor Vehicles £000	Total £000
At 1 January 2000	3,715	4,879	2,087	**10,681**
Additions	403	614	395	**1,412**
Disposals	(335)	(91)	(634)	**(1,060)**
At 31 December 2000	3,783	5,402	1,848	**11,033**
Depreciation				
At 1 January 2000	2,487	987	517	**3,991**
Charge for the year	743	454	352	**1,549**
Disposals	(335)	(11)	(293)	**(639)**
At 31 December 2000	2,895	1,430	576	**4,901**
Net book value at 31 December 2000	888	3,972	1,272	**6,132**
Net book value at 31 December 1999	1,228	3,892	1,570	**6,690**

Assets held under finance leases account for £1,454,555 of the net book value of the assets above (1999: £1,881,154). The total depreciation for the period relating to these assets amounted to £430,482 (1999: £541,775).

18 Fixed Assets – Company

a) Tangible Assets	Art £000
Cost at 1 January 2000	**394**
Additions	**7**
Disposals	**(55)**
Cost at 31 December 2000	**346**

b) Investment in subsidiary undertakings	2000 £000	1999 £000
Hiscox Dedicated Corporate Member Ltd	**1,500**	1,500
Hiscox Holdings Ltd	**38,647**	38,647
Hiscox Insurance Holdings Ltd	**29,983**	29,983
Hiscox Select Insurance Fund PLC	**45,102**	45,102
Hiscox Investment Management Limited	**225**	225
	115,457	115,457

For details of principal subsidiary undertakings see note 30.

c) Investments	Shares and units in unit trusts £000	Debt securities and other fixed income securities £000	Deposits with credit institutions £000	Other £000	Total £000
Cost at 1 January 2000	7,000	19,049	404	39	26,492
Purchases	4,551	4,742	10,038	–	19,331
Sales	–	(16,532)	–	–	(16,532)
Cost at 31 December 2000	**11,551**	**7,259**	**10,442**	**39**	**29,291**
Market value at 31 December 2000	**13,211**	**7,325**	**10,451**	**39**	**31,026**
Market value at 31 December 1999	8,705	18,411	404	39	27,559

The Company has given a fixed and floating charge over its investments and other assets to secure obligations to Lloyd's in respect of its corporate member subsidiaries. Further details are given in note 27.

19 Other Debtors

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Due from Group companies	**–**	–	**49,058**	60,158
Taxation recoverable	**6,724**	3,068	**887**	2,038
Other debtors	**40,683**	34,013	**26**	867
	47,407	37,081	**49,971**	63,063

20 Other Creditors including taxation and social security

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Proposed dividend	**3,404**	3,323	**3,404**	3,323
Due to Group companies	**–**	–	**12,766**	19,564
Taxation payable	**3,101**	5,845	**–**	–
Amounts owed to credit institutions	**681**	396	**–**	396
Obligations under finance leases	**753**	820	**–**	–
Other creditors	**22,836**	21,551	**263**	1,061
	30,775	31,935	**16,433**	24,344

21 Creditors: Amounts falling due after more than one year

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Open year underwriting loss provisions	**–**	1,659	**–**	–
Obligations under finance leases	**762**	1,109	**–**	–
	762	2,768	**–**	–

22 Provision for other risks and charges

	Group Deferred Tax £000	Group Other £000	Group Total £000	Company Deferred Tax £000
At 1 January 2000	1,714	15	**1,729**	574
Adjustment to provisions during the year	(1,714)	640	**(1,074)**	74
At 31 December 2000	–	655	**655**	648

There is no unprovided deferred tax liability for the Company or the Group. The provision for "Other" relates to costs incurred by the Group in relation to discussions with the Chubb Corporation.

23 Share Capital

Called up share capital	Number of shares	£000
Authorised		
As at 1 January 2000 and 31 December 2000 Ordinary shares of 5p each	172,000,000	**8,600**
Issued and fully paid		
As at 1 January 2000: Ordinary shares of 5p each	144,471,379	**7,223**
As at 31 December 2000: Ordinary shares of 5p each	148,000,785	**7,400**

During the year 94,363 Ordinary Shares of 5p each were issued on exercise of share options. 3,435,043 shares were issued to the converting Names on the Hiscox Select F to J Limited companies as part of the agreed terms on the acquisition of those companies by Hiscox Select Insurance Fund PLC.

24 Reconciliation of Movement in Shareholders' Funds

a) Total shareholders' funds
Group

	Total Issued Share Capital 2000 £000	Share Premium Reserve 2000 £000	Merger Reserve 2000 £000	Capital Redemption Reserve 2000 £000	Capital Reserve 2000 £000	Profit and Loss Account 2000 £000	**Total Share-holders' Funds 2000 £000**	Total Share-holders' Funds 1999 £000
At 1 January	7,223	69,042	4,723	33,244	–	15,353	**129,585**	133,916
Exercises of share options (note 25)	5	79	–	–	–	–	**84**	1,070
Share issue for conversion scheme	172	3,353	–	–	–	–	**3,525**	–
Revaluation of fixed assets	–	–	–	–	–	–	**–**	(413)
Exchange differences taken to reserves	–	–	–	–	–	50	**50**	(91)
Retained profit/(loss) for the year	–	–	–	–	–	318	**318**	(4,897)
At 31 December	7,400	72,474	4,723	33,244	–	15,721	**133,562**	129,585

b) Total shareholders' funds
Company

	Total Issued Share Capital 2000 £000	Share Premium Reserve 2000 £000	Merger Reserve 2000 £000	Capital Redemption Reserve 2000 £000	Capital Reserve 2000 £000	Profit and Loss Account 2000 £000	**Total Share-holders' Funds 2000 £000**	Total Share-holders' Funds 1999 £000
At 1 January	7,223	69,042	58,970	33,244	931	13,520	**182,930**	185,151
Exercises of share options (note 25)	5	79	–	–	–	–	**84**	1,070
Share issue for conversion scheme	172	3,353	–	–	–	–	**3,525**	–
Unrealised gains	–	–	–	–	147	–	**147**	315
Retained (loss) for the year	–	–	–	–	–	(6,045)	**(6,045)**	(3,606)
At 31 December	7,400	72,474	58,970	33,244	1,078	7,475	**180,641**	182,930

The cumulative amount of goodwill charged to the consolidated profit and loss account, attributable to assets not subsequently sold, is £55,017,000 (1999: £55,017,000).

25 Directors' Emoluments

a)	**2000 Basic salary/fees £000**	**2000 Benefits £000**	**2000 Bonus £000**	**2000 Total £000**	1999 Basic salary/fees £000	1999 Benefits £000	1999 Bonus £000	1999 Total £000
Executive directors								
R.R.S Hiscox	260	26	–	**286**	258	23	–	281
B.E Masojada	230	16	–	**246**	228	14	–	242
R.S Childs	230	19	–	**249**	228	19	–	247
S.J Bridges	173	18	–	**191**	162	11	–	173
I.N Thomson	230	21	–	**251**	228	20	–	248
Non-executive directors								
S.H Hall	30	–	–	**30**	40	–	–	40
A.G.C Howland Jackson	25	–	–	**25**	25	–	–	25
D.N.D Netherton	30	–	–	**30**	12	–	–	12
C Franklin Engler	20	–	–	**20**	12	–	–	12

In addition to the benefits shown above certain directors participate on the managed syndicates and benefit from the waiver of profit commission and agency salary, these do not constitute emoluments.

b) Pension Entitlements
The pension entitlements of the directors on the Hiscox defined benefit scheme were as follows:

	Increase in accrued pension during the year 31 December 2000 £000	Accumulated total accrued pension at year end £000	Transfer value of the increase in accrued pension £000
R.R.S Hiscox	1	159	19
B.E Masojada	2	15	23
R.S Childs	3	88	55
S.J Bridges	3	6	35
I.N Thomson	1	140	20

Notes
The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year. The increase in accrued pension for the year excludes any increase for inflation. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. No contractual contributions were due or have been paid by the directors during the year.

25 Directors' Emoluments continued

c)
Total directors' remuneration of which £901,000 was recharged to the managed syndicates (1999: £1,025,000) was:

	2000 £000	1999 £000
Salaries, benefits and bonuses	**1,223**	1,519
Pension contributions to defined benefit schemes	**225**	287
Gains made on exercise of share options	**–**	15
Fees to non-executive directors	**105**	101
	1,553	1,922

No directors exercised their share options during the year (1999: 3).

The total remuneration of the highest paid director was:

	2000 £000	1999 £000
Salaries, benefits and bonus	**286**	281
Gains made on exercise of share options	**–**	3
Accrued pension at end of the year on the defined benefit scheme (per annum)	**159**	151

d)

(i) Directors' share interests

	31 December 2000 5p Ordinary Shares Number of shares Beneficial	31 December 2000 5p Ordinary Shares Number of shares Non Beneficial	31 December 1999 5p Ordinary Shares Number of shares Beneficial	31 December 1999 5p Ordinary Shares Number of shares Non Beneficial
Executive directors				
R.R.S Hiscox	**7,825,546**	**835,311***	7,573,546	798,311*
B.E Masojada	**1,123,191**	**170,311***	1,118,191	170,311*
R.S Childs	**495,888**	**170,311***	495,888	170,311*
S.J Bridges	**30,000**	**170,311***	20,000	170,311*
I.N Thomson	**8,590,260**	**170,311***	8,490,260	170,311*
Non-executive directors				
S.H Hall	**23,000**	**–**	18,000	–
A.G.C Howland Jackson	**15,431**	**–**	15,431	–
D.N.D Netherton	**–**	**–**	–	–
C Franklin Engler	**–**	**–**	–	–

* Hiscox Trustees Ltd is the trustee of the Hiscox plc group Employee Share Ownership Plan Trust (ESOP) and at 31 December 2000 was interested in 170,311 (1999: 170,311) ordinary shares of the company. The executive directors are potential beneficiaries of the ESOP and are deemed to have an interest in these shares. There have been no changes in the directors' interests in shares and share options subsequent to the year end.

25 Directors' Emoluments continued

d) continued

(ii) Share Options

The share options disclosed below include replacement options in Hiscox plc relating to Hiscox Holdings Ltd and Hiscox Insurance Holdings Ltd share options granted prior to acquisition by Hiscox plc, plus options under the Hiscox plc Approved and Unapproved Share Options Schemes.

	No. of options at 1 January 2000†	No. of options granted	No. of options exercised	No. of options at 31 December 2000	Exercise Price £	Market price at date of exercise	Date from which exercisable	Expiry date
S.J Bridges	75,000	–	–	**75,000**	1.45	–	13 Oct 02	12 Oct 09
	–	100,000	–	**100,000**	1.15	–	15 Jun 03	14 Jun 10
	75,000	100,000	–	**175,000**				
R.S Childs	100,727	–	–	**100,727**	0.22	–	7 May 96	6 May 03
	151,091	–	–	**151,091**	0.33	–	29 Jun 97	28 Jun 04
	201,454	–	–	**201,454**	1.15	–	13 May 99	12 May 03
	80,000	–	–	**80,000**	1.92	–	17 Dec 00	16 Dec 04
	80,000	–	–	**80,000**	1.78	–	20 Oct 01	19 Oct 05
	100,000	–	–	**100,000**	1.45	–	13 Oct 02	12 Oct 09
	–	150,000	–	**150,000**	1.15	–	15 Jun 03	14 Jun 10
	713,272	150,000	–	**863,272**				
R.R.S Hiscox	80,000	–	–	**80,000**	1.92	–	17 Dec 00	16 Dec 04
	65,000	–	–	**65,000**	1.78	–	20 Oct 01	19 Oct 05
	15,000	–	–	**15,000**	1.78	–	20 Oct 01	19 Oct 08
	–	50,000	–	**50,000**	1.15	–	15 Jun 03	14 Jun 10
	160,000	50,000	–	**210,000**		–		
B.E Masojada	503,635	–	–	**503,635**	1.15	–	13 May 99	12 May 03
	80,000	–	–	**80,000**	1.92	–	17 Dec 00	16 Dec 04
	15,000	–	–	**15,000**	1.78	–	20 Oct 01	19 Oct 08
	65,000	–	–	**65,000**	1.78	–	20 Oct 01	19 Oct 05
	100,000	–	–	**100,000**	1.45	–	13 Oct 02	12 Oct 09
	–	150,000	–	**150,000**	1.15	–	15 Jun 03	14 Jun 10
	763,635	150,000	–	**913,635**				
I.N Thomson	15,000	–	–	**15,000**	1.92	–	17 Dec 00	16 Dec 07
	65,000	–	–	**65,000**	1.92	–	17 Dec 00	16 Dec 04
	80,000	–	–	**80,000**	1.78	–	20 Oct 01	19 Oct 05
	–	50,000	–	**50,000**	1.15	–	15 Jun 03	14 Jun 10
	160,000	50,000	–	**210,000**				
Other Employees	20,145	–	20,145	**–**	0.30	1.38	19 Jan 93	18 Jan 00
	40,290	–	–	**40,290**	0.19	–	01 May 95	30 Apr 02
	70,508	–	–	**70,508**	0.22	–	07 May 96	06 May 03
	231,673	–	–	**231,673**	0.33	–	29 Jun 97	28 Jun 04
	513,707	–	–	**513,707**	1.15	–	13 May 99	12 May 03
	435,000	–	–	**435,000**	1.92	–	17 Dec 00	16 Dec 04
	271,500	–	–	**271,500**	1.92	–	17 Dec 00	16 Dec 07
	475,000	–	–	**475,000**	1.78	–	20 Oct 01	19 Oct 05
	211,000	–	–	**211,000**	1.78	–	20 Oct 01	19 Oct 08
	861,000	–	–	**861,000**	1.45	–	13 Oct 02	12 Oct 09
	–	1,543,000	–	**1,543,000**	1.15	–	15 Jun 03	14 Jun 10
	–	105,000	–	**105,000**	1.13	–	09 Nov 03	08 Nov 10
	3,129,823	1,648,000	20,145	**4,757,678**				
Total	**5,001,730**	**2,148,000**	**20,145**	**7,129,585**				

†These figures are stated net of a total of 146,500 share options which lapsed during the year ended 31 December 2000.

25 Directors' Emoluments continued

d) continued

(ii) Share Options continued

The interests of directors and employees under the SAYE share option schemes of the Group are set out below:

	No. of options at 1 January 2000†	No. of options granted	No. of options exercised	No. of options at 31 December 2000	Exercise Price £	Market price at date of exercise	Date from which exercisable	Expiry date
S.J Bridges	–	10,049	–	**10,049**	0.96	–	1 Aug 03	31 Jan 04
R.S Childs	–	10,049	–	**10,049**	0.96	–	1 Aug 03	31 Jan 04
R.R.S Hiscox	8,209	–	–	**8,209**	1.18	–	1 Dec 02	31 May 03
B.E Masojada	8,209	–	–	**8,209**	1.18	–	1 Dec 02	31 May 03
I.N Thomson	8,209	–	–	**8,209**	1.18	–	1 Dec 02	31 May 03
Other employees	11,310	–	11,310	**–**	1.00	1.38	1 Nov 99	30 Apr 00
	94,282	–	50,320	**43,962**	1.06	1.06/1.13	1 Oct 00	31 Mar 01
	23,956	–	–	**23,956**	1.50	–	1 Nov 01	30 Apr 02
	239,559	–	2,838	**236,721**	1.18	1.39/1.21	1 Dec 02	31 May 03
	–	959,426	–	**959,426**	0.96	–	1 Aug 03	31 Jan 04
Total	393,734	979,524	64,468	**1,308,790**				

† These figures are stated net of 1,023,639 SAYE share options which lapsed during the year.

The aggregate gains made by the directors on exercise of the above options (based on market price at date of exercise less the exercise price) was £nil (1999: £15,000). The market price of Hiscox plc shares at 31 December 2000 was 141.5p. The highest and lowest values of Hiscox shares during 2000 was 144p and 83p (1999: 202.5p and 130.5p).

(iii) Performance share plan

The following conditional awards have been made under the performance share plan.

	No. of shares at 1 January 2000†	No. of shares awarded	No. of shares at 31 December 2000	Date from which exercisable	Expiry date
S.J Bridges	75,000	–	**75,000**	1 April 03	31 Dec 09
	–	25,000	**25,000**	1 April 04	31 Dec 10
	75,000	25,000	**100,000**		
R.S Childs	100,000	–	**100,000**	1 April 03	31 Dec 09
	–	25,000	**25,000**	1 April 04	31 Dec 10
	100,000	25,000	**125,000**		
R.R.S Hiscox	–	25,000	**25,000**	1 April 04	31 Dec 10
	–	25,000	**25,000**		
B.E Masojada	100,000	–	**100,000**	1 April 03	31 Dec 09
	–	25,000	**25,000**	1 April 04	31 Dec 10
	100,000	25,000	**125,000**		
Other employees	417,500	–	**417,500**	1 April 03	31 Dec 09
	–	287,500	**287,500**	1 April 04	31 Dec 10
	417,500	287,500	**705,000**		
Total	**692,500**	**387,500**	**1,080,000**		

† These figures are stated net of a total of 20,000 shares awarded which lapsed during the year ended 31 December 2000.

26 Pension Contributions
During the year, the Group contributed to two defined benefit pension schemes. The majority of Group employees are members of these schemes which are non contributory. The two defined benefit schemes were merged with effect from 1 July 1997. The funds of the schemes are administered by trustees and are independent of the Group's finances. The adequacy of the pension funds is assessed by triennial valuations carried out by independent actuaries.

Defined benefit schemes
The latest valuation was at 1 January 2000 and showed that the market value of the scheme's assets at that date using the projected accrued benefit method was £34,240,000. It was assumed that the investment return would be 9.0%, that salary increases would average 6.5% per annum and that future pensions will increase at a rate of 4.5% per annum. The actuarial value of these assets expressed as a percentage of the liability for benefits accruing to date calculated on an actuarial basis was 101%.

The contribution rate until the next valuation will be 23.1% as recommended by the scheme's actuary. The pension charge for the year amounted to £2,351,000 (1999: £2,355,000) of which £1,759,000 was recharged to managed syndicates (1999: £1,957,000).

Defined contribution scheme
At 1 January 2001, Hiscox introduced a non contributory defined contribution scheme for all staff joining the Group.

27 Guarantees and Contingencies
i) The Company entered into a deed of covenant in respect of its corporate member subsidiaries, Hiscox Select B and C Ltd, to meet the subsidiary's obligations to Lloyd's. The total guarantee given by the Company under this deed of covenant (subject to limited exceptions) amounts to £15,155,636 (1999: £15,481,750). Hiscox Select Insurance Fund PLC has entered into identical deeds of covenant in respect of its corporate member subsidiaries Hiscox Select A, D to J Ltd totalling £36,474,589 (1999: £36,117,899). The obligations under these deeds of covenant are secured by a fixed and floating charge over certain of the investments and other assets of the Company and of Hiscox Select Insurance Fund PLC in favour of Lloyd's. Lloyd's has a right to retain the income on the charged investments in circumstances where it considers there to be a risk that the covenant might need to be called and might not be met in full.

ii) The Company has an agreement with Chase Manhattan International Ltd, an agent for a syndicate of banks, for a £75,000,000 irrevocable standby Letter of Credit facility. Commencing 1 January 2001, £53,000,000 was drawn down to support part of Hiscox Dedicated Corporate Member Ltd's underwriting activities for the 2001 account. Hiscox plc has a fixed and floating charge over the Company's assets as a guarantee to the group of banks led by Chase Manhattan plc in connection with their Letter of Credit.

iii) Hiscox Insurance Company Limited has arranged a letter of credit of £600,000 with Natwest Bank plc to support its consortium activities with Lloyd's.

iv) Hiscox Syndicates Limited provides sponsored guarantees of £270,000 to Lloyd's on behalf of employees who were Names at Lloyd's for the 1998 year of account.

28 Lease Commitments

a) Operating Leases
The Group has the following commitments under operating leases:

	Land and buildings 2000 £000	Other 2000 £000	Total 2000 £000	Land and buildings 1999 £000	Other 1999 £000	Total 1999 £000
Operating leases which expire:						
Within one year	**7**	**46**	**53**	322	16	338
From two to five years inclusive	**845**	**370**	**1,215**	768	306	1,074
Over five years	**2,452**	**–**	**2,452**	2,387	–	2,387
	3,304	**416**	**3,720**	3,477	322	3,799

b) Finance Leases
The finance lease obligations to which the Group is committed are:

	2000 £000	1999 £000
In one year or less	**753**	820
Between two and five years	**762**	1,109
	1,515	1,929

29 Related Parties

The operations listed below are related parties within the definition of FRS 8. Hiscox Syndicates Limited, a wholly owned subsidiary of the Company received management fees and profit commissions for providing a range of management services to Syndicate 33 in which Hiscox Dedicated Corporate Member Limited and the corporate member subsidiaries of Hiscox Select Insurance Fund PLC participated.

The value of services received from the syndicates in the year was as follows:

	2000 £000	1999 £000
Services provided by Hiscox Syndicates Limited to the undertakings below:		
Lloyd's Syndicate 33	**2,402**	4,234
Balances due at the balance sheet dates were as follows:		
Due from respective related parties as at 31 December:		
Lloyd's Syndicate 33	**3,675**	(1,462)

No amounts have been written off in respect of related parties during the current accounting period.
The interests of Directors as Names on Syndicates managed by Hiscox Syndicates Ltd (shares of total syndicate capacity) are as follows:

Year of account	1995 £000	1996 £000	1997 £000	1998† £000
R.R.S Hiscox	1,381	1,309	1,154	1,235
R.S Childs	525	621	586	713
A.G.C Howland Jackson	47	50	–	–
I.N Thomson	2,009	1,858	1,779	1,829

No other director had an interest as a Name on the managed syndicates.
† All Hiscox directors and staff working Names followed the advice of their Members' Agency, Roberts & Hiscox Ltd, to resign from Lloyd's underwriting at the end of 1998. Therefore no directors were Names at Lloyd's for years of account after 1998.

30 Principal subsidiary companies
As at 31 December 2000

Company	Nature of business	Country of Incorporation
Hiscox Assurances Services SARL†	Underwriting agents	France
Hiscox Insurance Company Ltd†	General and life insurance	England
Hiscox Insurance Company (Guernsey) Ltd†	General insurance	Guernsey
Hiscox Dedicated Corporate Member Ltd	Lloyd's corporate name	England
Hiscox Select Insurance Fund PLC	Insurance holding company	England
Hiscox Select Holdings Ltd†	Insurance holding company	England
Hiscox Select A to J Ltd†	Lloyd's corporate name	England
Hiscox Holdings Ltd	Insurance holding company	England
Hiscox Insurance Holdings Ltd	Insurance holding company	England
Hiscox International Holdings BV†	Insurance holding company	Netherlands
Hiscox Syndicates Ltd†	Lloyd's managing agent	England
Hiscox Underwriting Ltd†	Lloyd's underwriting agent	England
Hiscox AG†	Underwriting agent	Germany
Hiscox BV†	Underwriting agent	Netherlands
Hiscox Investment Management Limited	Investment Management	England

All companies are wholly owned. The proportion of voting rights of subsidiaries held is the same as the proportion of shares held.
†Held indirectly.

A full list of subsidiaries is given in the Group's Annual Return.

Hiscox Holdings Limited held 2,154,770 shares (1999: 2,207,250 shares) in Hiscox plc at 31 December 2000 with a market value of £2,992,000 (1999: £3,034,968).

31 Exceptional item
On 1 April 2000, the Group transferred the whole of its long term business to Century Life Plc under Part 1 of schedule 2c to the Insurance Companies Act 1982, resulting in a profit on disposal of the long term business of £846,000 (net of a tax charge of £230,000).

During the year, in accordance with the terms under which Hiscox Select Insurance Fund plc was acquired, the loan stockholders of the Hiscox Select F to J companies converted their loan stock into Hiscox plc shares and reimbursed Hiscox plc for the estimated losses on the 1998 and 1999 years of account. As a result of this conversion, Hiscox plc is now the recipient of the economic benefits of the Hiscox Select F to J Limited companies. The year to 31 December 2000 is therefore the first year in which the results, assets and liabilities of the Select F to J Limited companies have been included in the consolidated financial statements of Hiscox plc. The profit on the sale of the non aligned capacity of £957,000 which occurred in 1998 in the Select F to J companies has therefore been brought in to the consolidated accounts this year and is disclosed as an exceptional item. The profit is stated net of a tax charge of £429,956.

32 Post balance sheet events
On 31 January 2001, the Group acquired 100% of the issued share capital of The Construction and General Guarantee Insurance Company Ltd (CGGI) for a consideration of IR£2,988,000. CGGI is a company incorporated and based in Ireland which specialises in the provision of construction bond guarantees.

33

a) Reconciliation of Operating Profit to net cash inflow from operating activities:	2000 £000	1999 £000
Operating profit before taxation after interest, based on longer term investment return	**2,950**	5,427
Depreciation and amortisation of fixed assets	**2,959**	2,899
Increase in general insurance technical provisions, net of reinsurance	**23,451**	36,610
Increase/(decrease) in amounts owed to agents	**20,794**	(7,622)
(Increase)/decrease in amounts owed by agents	**(34,634)**	3,958
Decrease in other debtors	**780**	1,481
Increase/(decrease) in other creditors	**11,061**	(23,870)
Cash received from Lloyd's business (note d)	**1,284**	12,021
Realised and unrealised investment gains/(losses)	**(2,690)**	3,068
Short term fluctuations in investment return	**1,043**	(3,672)
Interest expense	**951**	933
(Profits)/losses relating to Lloyd's business	**12,866**	(1,284)
Other non-cash transactions	**488**	(1,218)
Net cash inflow from operating activities	**41,303**	28,731

b) Movement in opening and closing portfolio investments net of financing	Notes	2000 £000	1999 £000
Net cash inflow/(outflow) for the period	33(f)	**895**	(16,752)
Portfolio investments	33(f)	**27,587**	27,123
Decrease in loans	33(f)	**129**	8,462
Movement arising from cash flows		**28,611**	18,833
Movement in long term and Lloyd's business	33(f)	**10,177**	(23,056)
Changes in market value and exchange rate effects	33(f)	**6,881**	(3,169)
Total movement in portfolio investments net of financing		**45,669**	(7,392)
Total portfolio investments net of financing at 1 January		**254,256**	261,648
Total portfolio investments net of financing at 31 December		**299,925**	254,256

c) Cash flows of the long term business	2000 £000	1999 £000
Premiums received	**89**	468
Claims paid	**(605)**	(1,031)
Net portfolio investments	**436**	1,017
Other net cash flows	**(94)**	(329)
Taxation	**(809)**	(233)
Net cash flow before retention and transfers out of the fund	**(983)**	(108)
Schedule 2c transfer of long term business	**(18,889)**	–
Cash retained in long term business	**(19,872)**	(108)

33 continued

d) Cash flows of the Lloyd's business

	2000 £000	1999 £000
Premiums received	**201,740**	132,377
Claims paid	**(90,052)**	(89,253)
Net portfolio investments	**5,238**	3,507
Other net cash flows	**(84,704)**	(57,558)
Net cash flow before retention and transfer to the Group	**32,222**	(10,927)
Transfer to the Group	**(1,284)**	(12,021)
Cash retained in the Lloyd's business	**30,938**	(22,948)

e) Analysis of cash flows for headings netted in the cash flow statement

	2000 £000	1999 £000
Servicing of finance		
Interest paid	**(784)**	(1,638)
Interest paid element of finance leases	**(198)**	(197)
	(982)	(1,835)
Capital expenditure		
Payments to acquire tangible fixed assets	**(429)**	(1,837)
Receipts from sales of tangible fixed assets	**60**	1,326
Receipts from sales of land and buildings	**–**	1,339
Payments to acquire intangible fixed assets	**(4,025)**	(613)
Receipts from sales of intangible fixed assets	**–**	49
	(4,394)	264
Acquisitions and disposals		
Net cash proceeds on sale of long term business		**846**
–		
	846	–
Financing		
Proceeds from share issues	**3,609**	1,070
New bank loan	**285**	–
Repayment of bank loan	**–**	(8,213)
Capital element of finance leases	**(549)**	(581)
Net cash flow from financing	**3,345**	(7,724)
Portfolio investment		
Purchase of shares and units in unit trusts	**18,143**	13,194
Purchase of debt securities and other fixed income securities	**143,244**	104,559
Sale of shares and units in unit trusts	**(124)**	(571)
Sale of debt securities and other fixed income securities	**(162,376)**	(90,046)
Increase/(decrease) in deposits with credit institutions	**28,891**	(271)
Increase/(decrease) in other investments	**(191)**	258
	27,587	27,123

33 continued

f) Movement in cash, portfolio investments and financing*	At 1 Jan 2000 £000	Cash flow £000	Changes in other business £000	Changes to market value and currencies £000	At 31 Dec 2000 £000
Cash at bank and in hand	27,602	895	9,969	–	38,466
Shares and units in unit trusts	40,135	18,019	(6,007)	1,563	53,710
Debt securities and other fixed income securities	181,714	(19,132)	4,554	1,982	169,118
Deposits with credit institutions	8,183	28,891	1,212	265	38,551
Loans secured by mortgages	35	(5)	(30)	–	–
Other investments	1,928	(186)	479	55	2,276
Assets held to cover linked liabilities	(3,016)	–	–	3,016	–
	256,581	28,482	10,177	6,881	302,121
Loans due within 1 year	(396)	(285)	–	–	(681)
Finance leases	(1,929)	414	–	–	(1,515)
Total	254,256	28,611	10,177	6,881	299,925

* These amounts are the same as the balance sheet amounts reported. They include amounts relating to long term business which are required to be consolidated by the EC Insurance Accounts Directive and amounts relating to syndicate participations. The long term business was transferred to Century Life Plc on 1 April 2000 (Note 31).

g) Scope of cash flow

The consolidated cash flow statement excludes cash flows relating to both underwriting on Lloyd's syndicates and on long term business in respect of policyholders.

Notice is hereby given that the Annual General Meeting of Hiscox plc will be held at 1 Great St Helen's London EC3A 6HX on 4 July 2001 at 10 am for the following purposes:

Ordinary business

1) To receive the accounts of the company for the year ended 31 December 2000 together with the directors' and auditor's report thereon.

To re-appoint the following who retire as directors in accordance with the Articles of Association:

2) S.H Hall

3) B.E Masojada

4) To re-appoint KPMG Audit Plc as auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company at a remuneration to be determined by the directors.

5) To declare a final dividend on the ordinary shares.

Special business

To consider, and if thought fit, pass the following resolutions, of which resolution numbers 6, 8 and 9 will be proposed as ordinary resolutions and number 7 will be proposed as a special resolution.

Ordinary resolution

6) The directors be generally and unconditionally authorised (in substitution for all existing authorities) pursuant to Section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (within the meaning of that Section) up to a maximum aggregate nominal value of £1,199,960.75 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) fifteen months from the date of the passing of this resolution provided that the authority of the directors shall extend to the making of any offer or agreement before the expiration or revocation of the power which would or might require securities to be allotted after the expiration or revocation of this power and the directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of this power.

Special resolution

7) The directors be empowered (in addition to all existing authorities) pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred by Resolution 6 as if Section 89(1) of the Act did not apply to the allotment. This power expires 15 months after the date of the passing of this Resolution, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the directors may allot equity securities in pursuance of that offer or agreement and is limited to:

(i) allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient:
   (a) to deal with equity securities representing fractional entitlement; and
   (b) to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange, in any territory; and

(ii) the allotment of ordinary shares for cash otherwise than pursuant to paragraph (i) up to an aggregate nominal amount of £370,489.59.

Ordinary resolution

8) To approve amendments to the Hiscox Approved Share Option Scheme, the Hiscox Unapproved Share Option Scheme and the Hiscox Performance Share Plan (together the 'Existing Schemes') as set out in the rules of the Existing Schemes incorporating the proposed amendments, as put on display, produced to the Meeting and initialled for the purposes of identification. The proposed amendments to the Existing Schemes are as follows:

1 The Existing Schemes have certain flow rate limits which it is proposed be deleted. These are that:
   (i) the number of shares that may be issued on the exercise of options granted under all the Company's employee share schemes in a five year period may not exceed 5% of the ordinary share capital; and
   (ii)the number of shares that may be issued on the exercise of options granted either under all the Company's employee share schemes or under the Company's executive share option schemes in a three year period may not exceed 3% of the ordinary share capital.

   It is intended to retain the limit that the number of shares that may be issued on the exercise of options granted under all the Company's employee share schemes in any ten year period may not exceed 10% of the ordinary share capital.

2 The Hiscox Unapproved Share Option Scheme (the "Unapproved Scheme") will be amended to permit the annual grant of options to participants and the existing four times remuneration cumulative limit on new issue options will be deleted. In place of the present limit, it is proposed that there is a limit on the value of shares which may be placed under option under all of the Company's option schemes (other than a savings-related share option scheme) in favour of an individual in each financial year. The limit will be twice annual basic salary but the revised rule will allow the Company to grant options in excess of this limit in exceptional circumstances, such as the recruitment of a new executive director or senior executive.

Ordinary resolution

9) To approve the Hiscox All-Employee Share Ownership Plan (the 'AESOP') and to authorise the directors to do all such acts and things as may be necessary or desirable to carry the AESOP into effect (including adopting or approving further sets of rules substantially in the format of the rules of the AESOP and governing the award of shares under the AESOP in over-seas territories but modified, where appropriate, to take account of local tax, exchange control or securities laws in overseas territories).

The Hiscox All-Employee Share Ownership Plan (the 'AESOP') is an Inland Revenue approved plan, enabling all UK employees to acquire shares in the Company on tax advantageous terms. The Company's shareholders will be asked to approve the AESOP at the Company's Annual General Meeting. The rules are summarised below:

1 *Administration*

The AESOP, which will be submitted to the Inland Revenue for approval under Schedule 8 to the Finance Act 2000, will be administered by a UK resident trust. The trustees of this trust (the 'Trustees') will be a subsidiary company or professional trustees. The Trustees will buy or subscribe for shares that are subsequently awarded to employees.

2 *Operation*
The AESOP will provide employees with the opportunity to receive shares in one of four ways:
- an employee can buy shares from pre-tax salary up to a maximum of £125 a month (or 10% of total salary, if less) ('Partnership Shares')
- the Company can give an employee up to two free matching shares for each Partnership Share the employee buys ('Matching Shares')
- the Company can give up to £3,000 of free shares a year to an employee ('Free Shares').
- dividends on the Partnership Shares, the Matching Shares and the Free Shares (subject to an annual limit) can be used by an employee to purchase shares ('Dividend Shares').

The Company may offer any combination of Partnership Shares and/or Matching Shares and/or Free shares. Awards under the AESOP (other than the pre-tax salary used to acquire Partnership Shares) are not pensionable.
3 *Participation*
All UK tax-resident employees (whether working full or part time) of the Company who have completed a specified period of continuous service are eligible to participate in the AESOP. The Company has the discretion to allow other employees to participate in the AESOP.
4 *Partnership Shares*
When offering Partnership Share purchase agreements, the Company will determine a savings period which may not exceed 12 months. This period is known as the 'accumulation period', in which employees may choose to allocate a specified amount (not exceeding £125 per month or 10% of taxable salary (if less)) of their pre-tax salary for the purchase of shares. Payment will be made by way of monthly payroll deductions to the Trustees.

Within 30 days of the end of each accumulation period, the Trustees will acquire Partnership Shares on behalf of the employees. The number of Partnership Shares received by an employee may be determined by reference to the accumulated savings divided by the lower of the market value of shares at the beginning and end of the accumulation period.
5 *Matching Shares*
The Company may offer free Matching Shares to an employee who has purchased Partnership Shares. If awarded, Matching Shares must be awarded on the same basis to all employees up to a maximum of two Matching Shares for every Partnership Share purchased. The Company may decide that any offer of Matching Shares be subject to a holding period of between three and five years during which time the employee cannot withdraw the Matching Shares from the AESOP, unless he or she leaves employment. In addition, the Company can, at its discretion, provide that Matching Shares will be forfeited if the employee ceases to work for the Company (during a period not to exceed three years from the date of that award) other than in circumstances of death, injury, disability, redundancy, retirement or transfer of the employing business or company or sells his Partnership Shares.
6 *Free Shares*
Up to £3,000 of Free Shares can be awarded to each employee in a tax year. Shares can be awarded on a similar terms basis (i.e. by reference to criteria such as remuneration and/or length of service) or, if the Company so determines, by reference to fair and objective performance targets.

Free Shares are subject to the same holding period as Matching Shares. The employees may, if the Company so determines, forfeit the Free Shares on leaving employment within a period of up to three years of the date on which the Free Shares are awarded.
7 *Reinvestment of Dividends*
The AESOP provides that all dividends in respect of an employee's shares held in the AESOP may be applied in acquiring further shares on his behalf ('Dividend Shares') provided that the amount so applied may not exceed £1,500 per year. The holding period during which Dividend Shares must generally remain in the AESOP is three years.
8 *Equity Dilution Limits*
The number of shares that may be issued pursuant to rights granted in any 10 year period under the AESOP and under any other employee share scheme of the Company may not exceed 10% of the ordinary share capital of the Company.
9 *Amendments*
With the prior approval of the Inland Revenue, the Board may at any time alter or add to the key features of the rules of the AESOP or the terms of any award made under it. The Board may amend the non-key features of the AESOP without Inland Revenue approval. However, any provisions relating to:
- the persons to whom shares are provided under the AESOP;
- the limitations on the number of shares subject to the AESOP;
- the maximum entitlement of any one participant under the AESOP (other than to take account of increases in limits imposed by relevant tax legislation);

cannot be altered to the advantage of participants without the prior consent of the shareholders of the Company in general meeting (except for minor amendments to benefit the administration of the AESOP, any amendments to take account of a change of legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company, any subsidiary or the Trustees).

By order of the Board
S.J Bridges
Secretary
10 May 2001

Note
A member entitled to attend and vote may appoint one or more proxies to attend and vote instead of him. The instrument of proxy must be in writing and specify whether the proxy is to vote for or against the specified resolutions except where such resolution is a motion for adjournment.

A proxy need not also be a member of the Company.

The above summaries do not form part of the rules of the AESOP or of the schedule of amendments to the Existing Schemes and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules and the detailed schedules of amendments. Copies of the draft rules of the AESOP and the rules of the Existing Schemes incorporating the proposed amendments will be available for inspection at the registered office of the Company during usual business hours on weekdays (Saturday and public holidays excepted) up to the date of the Annual General Meeting and at the meeting itself (and for 15 minutes beforehand). The directors reserve the right up to the time of the meeting to make such amendments and additions as they may consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out above.

Key shareholder information

Annual General Meeting	4 July 2001
Ex-dividend date*	2 May 2001
Record date for 2001 final dividend**	4 May 2001
Payment of final dividend	11 July 2001

* Shares bought on or after this date will not qualify for the dividend.
**Shareholders must be on our register on this date to receive the dividend

Enquiries
Alex Gordon Shute at Hiscox plc, 1 Great St Helen's, London EC3A 6HX, UK
or visit our website at www.hiscox.com

Designed and produced by Baber Smith