HISCOX

YearEnd23

Hiscox Ltd
Report and Accounts 2023

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Scan the QR code to view 'the making of the Hiscox community portrait' video.

Q&A:

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Read about the Hiscox community portrait

As a Bermuda-incorporated company, Hiscox is not subject to the UK Companies Act. However, the material provisions of Section 172 of the UK Companies Act are substantively covered by the Bermuda Companies Act, which is the applicable legislation that the Company is required to comply with under Bermuda law. As a company listed on the London Stock Exchange, we comply with the requirements set out in the UK Corporate Governance Code 2018 and the Listing Rules and Disclosure & Transparency Rules of the UK Financial Conduct Authority. Our remuneration report is consistent with UK regulations. Any additional disclosures over and above these requirements, have been made for the benefit of shareholders, on a voluntary basis.

The people behind the policy: Hiscox community portrait

During 2023, we embarked on an exciting engagement programme across the Group.

Everyone at Hiscox has a key role to play, and working with globally renowned artist, Tim Mann, we've been busy capturing that sense of community in a piece of art.

Find out more about what 'community' means at Hiscox on the pages that follow.

Q&A:

with Aki Hussain
Group Chief Executive Officer

Aki Hussain joined Hiscox in 2016 as Group Chief Financial Officer, before stepping up to the role of Group Chief Executive Officer in January 2022. Under his leadership the business has undergone a 'strategic tilt', allowing it to focus on realising the opportunities in each of its geographies and business segments, while managing volatility through the market cycle.

Driving force

Since Aki was appointed Group Chief Executive Officer of Hiscox two years ago, he has refreshed the Group strategy, established a new-look leadership team and led the business to deliver record profits and its highest employee engagement scores in ten years. >

Q&A:

with Aki Hussain
Group Chief Executive Officer

Q: You've been Group Chief Executive Officer of Hiscox for two years now. How is it going?
A: It's always a privilege, and it's also a lot of fun. It's been a great time to become the Group Chief Executive Officer; market conditions have been improving, which drives opportunity on multiple fronts. We've refreshed our leadership team, bringing together veterans who have helped to build the business, with new talent from outside Hiscox and even outside the insurance industry. Each one brings fresh perspectives, new ideas and new ways of thinking. Blending that deep expertise and understanding of our culture with fresh thinking is good for our culture and our business; anything that remains static for too long risks losing its relevance, and that's not where I want us to be.

Q: What have been the major highlights of your tenure so far?
A: Business performance is obviously fundamental. Seeing the new leadership team coming together has been another highlight. That's partly a result of the culture here – we tend to be pretty open, low ego, and good at both bringing our views forward and listening to other people, and I think that has helped us quickly gel as a team. For me, though, one of the most significant highlights has been our employee engagement, which is now at a record high. Without colleagues who are happy and motivated and believe in the strategy, we're not going to achieve a great deal, so that's something I'm especially proud of.

Q: What do you put that increase in engagement down to?
A: Last year we made a big effort to modernise our thinking. We relaunched our strategy with what we refer to as a 'strategic tilt' – not a radical departure from the past, but a refreshed approach to our future. It provides clarity on our direction of travel and priorities. We all know what we're doing and why we're doing it, and that's so important. We have also modernised some of our benefits to make them more relevant to the organisation we are now, with over 3,000 people and a changing demographic. And we've been quite open about the fact that work should be fundamentally enjoyable; it shouldn't be a chore. It's so important that we try to make the work itself, and the environment in which we work, as engaging as possible, and I'm pleased to see how our people are responding to our efforts.

Q: How important is it to you to be engaging directly with people at every level of the organisation?
A: Incredibly important. From day one I've been travelling the world to get to know people. It allows me not only to share my priorities but also to listen to colleagues in all of our different countries and to understand what's top of their mind. When I travel to an office, I always do a 'townhall' where I get the whole team together. I talk for five minutes, and leave the bulk of the time for their questions. It's through those questions that I find out what's really on people's minds. I can never get enough of hearing from our people. Those interactions are key to me understanding the health of the business from a people perspective.

Q: Is it useful to hear from people outside the organisation too?
A: Definitely. When I took on the role, I knew there would be what I call the 'ambassador' component, where you're out in the world promoting Hiscox and absorbing information from all kinds of places. I spend a lot of time with brokers, who are an incredibly important part of the insurance ecosystem and a really good source of information. I also attend a number of industry roundtables where I absorb as much as I can. The ones I'm most drawn to are those where I'll get to meet and talk to CEOs from insurance and other industries. You always learn something new.

Q: What are your current priorities?
A: Our focus is on profitable growth while managing volatility. We're looking to grow in a scaleable way, making smart decisions about technology and about people. We know that a significant amount of technical expertise in a range of professions is required to be able to decide prices and fulfil our promises to our customers. That means investing in our people to ensure we have the skills and competencies needed not just today, but for the future of our business.

And of course, the biggest priority for us is delivering on our promise to our customers, and being attuned to their changing needs. It's about evolving our model, our products and our customer journeys so that we're easy to do business with – whether you're a small business owner, an individual insuring their home or a broker placing a risk for a listed company.

Q: Where do you see those opportunities for profitable growth?
A: For our big-ticket business, written through Hiscox London Market and Hiscox Re & ILS, the growth opportunities are often cyclical. At the moment both of those businesses are in the upward part of the cycle, and we have allocated additional capital which, combined with our underwriting teams'

"One of the things we, at Hiscox, have an appetite for is experimenting with and adopting new technologies that we believe make our business better. That has given us particular advantages in building our digital business globally, and we've also seen how technology can improve the way we do things – whether that's using data to enhance our products or to streamline processes so our people can focus on the areas where human ingenuity and creativity really matter."

capabilities, means we are growing strongly. On the retail side, the paradigm is a bit different. There, we have what we call a structural growth opportunity, where it's much less cyclical. The market is large, it's fragmented, and we have a particular expertise in the products we offer and the way we distribute those products. We want to grow in the areas we already have expertise, and as new compelling opportunities emerge where we can specialise, we will look to invest and grow into them. We're always looking to build new areas of expertise and expand our universe of risk, but in a highly specialist way.

Q: The speed of technological change continues – are you more excited by the potential of new technology or concerned about its risks?
A: I have an optimistic view. All technological change brings both good and bad, but I believe that the good far outweighs the bad. Generative AI is bringing about another big transition, but beyond that, new industries and professions will emerge that we can't even imagine today.

One of the things we, at Hiscox, have an appetite for is experimenting with and adopting new technologies that we believe make our business better. That has given us particular advantages in building our digital business globally, and we've also seen how technology can improve the way we do things – whether that's using data to enhance our products or to streamline processes so our people can focus on the areas where human ingenuity and creativity really matter. A good example of this is the work we're doing with Google Cloud, where we're using generative AI technology – together with our own proprietary AI platform – to automate some of the underwriting process, which is incredibly exciting. But, the important thing to remember is that whatever benefits these new technologies bring, we still need that human touch where it counts. Ultimately, you need people to take responsibility and accountability and the creativity needed to prosper – a machine will not do that for you.

Q: Do you feel a sense of community at Hiscox, and if so, how is that best exemplified?
A: We are one community, even if we're dispersed over thousands of miles in different continents. From everything I've seen, people here care a lot for each other. There is a genuine sense that we are invested in each other's success. That might be the person sitting next to you, or someone 4,000 miles away across the Atlantic – it doesn't matter. You want them to be successful. ■

Our key performance indicators (KPIs)

Financial KPIs

Insurance contract written premium*†
$4,598.2m

2023	4,598.2
2022‡	4,355.4

Net insurance contract written premium*†
$3,555.8m

2023	3,555.8
2022‡	3,225.5

Profit before tax
$625.9m

2023	625.9
2022‡	275.6

Undiscounted combined ratio*†
89.8%

2023	89.8
2022‡	91.1

Basic earnings per share
162.7¢§

2023	162.7§
2022‡	73.8

Ordinary dividend
37.5¢

2023	37.5
2022	36.0
2021	34.5
2020	0.0
2019	13.8

Net asset value per share†
951.1¢

2023	951.1
2022‡	764.5

Return on equity†
21.8%§

2023	21.8§
2022‡	10.1

* New KPI for 2023 due to the adoption of IFRS 17.
† Represents alternative performance measure (APM) used by the Group. APM measure definitions used by the Group are included within the condensed consolidated financial statements on page 246.
‡ Restated for the adoption of IFRS 17 and IFRS 9.
§ Excludes Bermuda deferred tax asset (DTA). Including Bermuda DTA, basic earnings per share is 206.1¢ and return on equity is 27.6%.

Non-financial performance

UK gender pay gap **16.0%**

In the UK, we have been annually disclosing our UK gender pay gap since 2017, and have seen steady progress over time in our UK gender pay gap on a mean basis. Improving DEI at Hiscox is a high priority; we enhanced our ethnicity reporting in our 2022 Report and Accounts with the disclosure of all-staff ethnicity data, and this year we have disclosed a new ethnicity target in line with the Parker Review (see page 66).

2023	16.0%
2022	16.0%
2021	19.1%
2020	21.2%
2019	26.1%

London Market broker satisfaction **61%**

The Hiscox London Market broker survey acts as a barometer for how our brokers perceive Hiscox London Market across each of our lines of business. This year's score is lower than prior years, with some brokers moving from 'satisfied' to 'neutral', but at the same time broker dissatisfaction has decreased and continues to remain low.

2023	61%
2022	79%
2021	71%
2020	69%
2019	78%

UK customer satisfaction **90%**

In the UK, customers who speak to one of our insurance experts in our customer experience centre in York are asked to rate their experience of Hiscox at the end of the call. Whether they have phoned for advice, a quote, to purchase a new policy or make changes to an existing one, their feedback helps us to constantly improve our service.

2023	90%
2022	92%
2021	92%
2020	92%
2019	89%

Employee engagement **82%**

In 2022, we reported our highest employee engagement score in ten years and are proud to have sustained such a high level of engagement in 2023. We continue to evolve our employee listening strategy and how we gather feedback on specific topics to ensure we have timely feedback on what is working well and where we may need to make a change. In 2023, our global pulse survey focused on engagement levels and hybrid working and was completed by 80% of our people (see page 47).

2023	82%
2022	82%
2021	64%
2020	68%
2019	71%

Germany customer satisfaction **95%**

Germany is our largest operation in Continental Europe, and here we ask all customers that purchase a policy to provide feedback on their experience so that we can continue to improve our service. This includes quantitative analysis on their experience with us and qualitative insight on what they were satisfied with, whether they would recommend Hiscox, and any areas for improvement, so we are pleased to have maintained consistently high scores over time.

2023	95%
2022	96%
2021	95%
2020	90%
2019	99%

US customer reviews using Feefo **4.7/5**

In the USA, we ask customers to review their experience of Hiscox post-purchase. We do this using Feefo, which has a five-star rating system, and are pleased to maintain such high scores year after year, even as the business grows.

2023	4.7
2022	4.6
2021	4.8
2020	4.8
2019	4.8

At a glance

Hiscox is a FTSE-listed, global specialist insurer with 1.6 million retail customers, 3,000 employees and 34 offices across 14 countries.

Our vision

For Hiscox to be the leading specialist insurer in material markets – not the biggest, but the most respected.

We want to be known by customers for being true to our word, by our employees as a great place to work and grow for those who are ambitious and talented, and as an industry leader in growth, profits and value creation.

Our purpose

We give people and businesses the confidence to realise their ambitions.

To do this, we need differentiated products and services that address our customers' needs, great talent and energised and connected teams. Success is measured in our reputation, financial performance and customer attraction and retention.

"Our distinctive mix of big-ticket and retail business means we are well positioned to generate sustainable and profitable growth through the cycle."

Paul Cooper
Group Chief Financial Officer

Our values

We have had a strong set of values for decades and they are incredibly important to us; we talk about them often and they guide our decision-making.

We want our values to differentiate us, which is why they play an important part in our strategy and how we operate, in being a business our customers can relate to, and in providing all employees with a work environment in which they can flourish. We periodically review our purpose, values, culture and vision to ensure they are still true to the business and fit for the future.

Human
Clear, fair and inclusive.

Connected
Together, build something better.

Integrity
Do the right thing, however hard.

Ownership
Passionate, commercial and accountable.

Courage
Dare to take risk.

Strong track record of growth

$1.5bn
Returned to shareholders over the last ten years.

11.1%
Average return on equity over the last ten years.

327%
Growth in customer numbers over the last ten years.

Our business model

The Hiscox Group has grown from its roots as a niche Lloyd's underwriter into a diversified international specialty insurance group, headquartered in Bermuda. We have a powerful consumer brand, strong balance sheet and plenty of room to grow in each of our chosen markets. Our strategy is focused on high-quality growth (see pages 10 to 11) and designed to provide opportunities throughout the insurance cycle, reducing undue reliance on any one division for the Group's overall profitability.

Hiscox London Market

Hiscox London Market uses the global licences, distribution network and credit rating of Lloyd's to insure clients throughout the world with large, and often complex, insurance needs. This business is written through a number of our syndicates including Syndicate 33, one of the largest syndicates at Lloyd's of London. Our product range includes property, casualty, crisis management (including terrorism and kidnap and ransom), marine, energy and specialty areas such as space insurance. We now lead on more open market risks, with a combination of underwriting and digital expertise that differentiates us. See pages 26 to 27 for more information.

Hiscox Re & ILS

Hiscox Re & ILS serves clients worldwide in different ways. Hiscox Re is our global reinsurance business, written out of London and Bermuda and offering property, specialty, cyber, marine and aviation and risk excess of loss reinsurance products, as well as retrocessional cover. Hiscox ILS is our alternative investment advisor, which manages capital for third parties through insurance-linked strategies. See pages 27 to 28 for more information.

Hiscox Retail

Hiscox Retail comprises our retail businesses around the world: Hiscox UK, Hiscox Europe (which operates across five markets) and Hiscox USA. Our retail operations focus on specialist areas of personal lines, such as high-value homes and fine art, and commercial lines including emerging professions, media and tech, and small business insurance, and we aim to be available however customers choose to purchase – whether that's through a broker, via our website or over the phone. With each of our retail operations at different stages of maturity, we are focused on building scale as the size of our addressable markets is huge, so we continue to invest in our brand, distribution and technology. See pages 24 to 26 for more information.

	Group				
Structure	Re & ILS	London Market	Retail† USA	Retail† UK	Retail† Europe
Proposition	Property	Property	Commercial	Commercial	Commercial
	Marine and specialty	Marine, specialty and energy		High-value personal lines	High-value personal lines
	ILS*	Casualty			
		Crisis management			
Distribution	Brokers	Brokers	Direct and partners	Direct	Direct
			Brokers	Brokers	Brokers
Customer	Insurers and reinsurers	Corporates	SMEs	SMEs	SMEs
				High net worth	High net worth

†DirectAsia is no longer regarded as part of the core Hiscox Retail portfolio and is classified as a disposal group held for sale in the financial statements.
*Includes ILS, quota share and catastrophe bond funds.

Our strategy and how we create value

A strategy focused on high-quality growth

The Hiscox Group comprises four businesses facing different opportunities and challenges, but with a common set of capabilities and the capital support required for success.

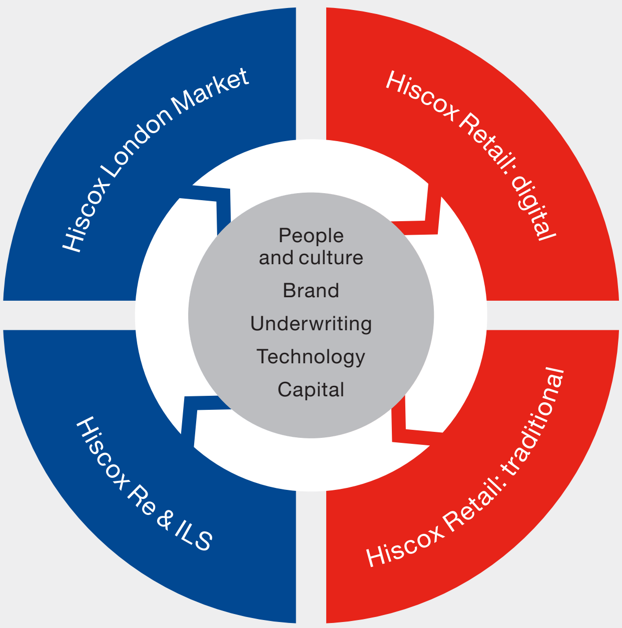
Balanced portfolio of large and complex risks

- Global risks through Lloyd's platform
- Heritage of deep technical expertise
- Leading the market in applying technology to distribution and underwriting

Delivers profits and capital generation for reinvestment

- Specialist reinsurance capability
- Holistic risk insights
- Expert alternative capital manager

Delivers underwriting profit and capital-light fee income



SME and personal lines

- Small and micro businesses
- Digitally traded, with low-cost distribution and auto-underwriting
- Partnership management capability through digital connectivity

Significant structural growth opportunity

- Focus on SMEs, not traded digitally
- Leadership in specialist lines
- Long-term broker partnerships

Delivers stable profit generation and growth

Attractive and sustainable returns for shareholders

Long-term profitable growth	Operational leverage	Attractive and sustainable ROE	Managed volatility delivering lower cost of capital	Progressive dividend

Building through the cycle

54m SMEs

We currently have 1.6 million retail customers against an addressable market of 54 million SMEs across the UK, USA and Europe, which represents a huge opportunity to build market share over time.

Two-thirds

We currently lead on two-thirds of the London Market business we write, enabling us to set terms and conditions, and are leading the way in augmenting underwriting through the use of digital and AI.

Diverse capital

We doubled our fee income in 2023 in Hiscox Re & ILS and continue to leverage the benefits that come from our strong partnerships and diverse access to capital which includes our own balance sheet, ILS, quota share and catastrophe bond funds.

Over the years, we have built a strong reputation as a specialist insurer in our chosen segments. In our big-ticket businesses – Hiscox London Market and Hiscox Re & ILS – we focus on building balanced portfolios through controlled growth and with an emphasis on leading the business we write. In retail, where more stable returns have typically offset the greater volatility of our big-ticket businesses, we focus on building a differentiated brand and product offering that customers value.

Volatility exists in every part of insurance, but through a focus on building and maintaining balanced portfolios we create more manageable volatility across the Group. As such, we are well positioned to maximise both the profitable, cyclical growth and the structural growth opportunities ahead, and to balance consistent and progressive shareholder returns with continued reinvestment into the business to support long-term growth and value creation.

Our strategy in practice

Opportunity

There is an abundance of opportunity ahead for Hiscox. In many of our chosen lines and markets, our market shares remain small, giving us plenty of headroom for growth. This is where our specialist knowledge and multi-year investments in digital trading differentiate us.

Innovation

The insurance industry consists of an ecosystem of different types of business; there are the ‘wave surfers’ for example, who enter the market on the upside of opportunity and retreat when it recedes. Hiscox aims to be a ‘game changer’ and here for the long term: innovating through long-held market experience and underwriting acumen, embracing technology, taking risks to evolve with, and lead market change, and being there for our customers.

Growth

Growth is important to us, but not at the expense of profitability. That’s why our focus is on maximising the structural growth opportunities ahead as we see them in retail, and in building out balanced portfolios in our bigger-ticket businesses where we currently see exceptional market conditions.

Volatility

Our business is naturally exposed to volatility. We manage this through our underwriting experience and expertise, our investment in data, and our risk management processes, and we work hard to ensure the risks we take are commensurate with the premium that is paid.

A differentiated offering

Global reach

We are a truly international business, but we invest in local market knowledge and experience to truly understand the markets we operate in and provide relevant products and services.

Specialist products

In every part of the Hiscox Group, we focus on providing products and services that differentiate us. These range from high-value home insurance and fine art – areas where we have deep foundations to build on – to small business, flood and kidnap and ransom – where innovative products and service set us apart.

Claims experience

Being true to our word is the cornerstone of our claims service. Each customer and each claim is different, which is why we have embedded experienced claims teams with specialist product knowledge in every part of our business.

Talented and highly skilled people

The quality of our people is a crucial factor in our continuing success. Their expertise, energy and commitment drive our reputation for quality and professionalism. In return, we aim to provide a work environment that brings out the best in everybody and rewards hard work.

Powerful brand

We have invested significantly over many years to build a recognised and renowned brand. Our distinctive marketing campaigns are developed from a deep understanding of our customers and positively contribute to consumer buying decisions.

Key risks*

The risk	Risk landscape and how we manage the risk
As an insurance group, specific risks related to our business include:	
Strategic risk The possibility of adverse outcomes resulting from ineffective business plans and strategies, decision-making, resource allocation or adaptation to changes in the business environment. The Group's continuing success depends on how well we understand our clients, markets and the various internal and external factors affecting our business, and having a strategy in place to address risks and opportunities arising out of this. Not having the right strategy could have a detrimental impact on profitability, capital position, market share and reputation.	We consider strategic risks in a holistic way, to better prepare our business for emerging threats, shifting trends, and opportunities in the environment in which we operate. During 2023, we have remained vigilant to potential adverse impacts of economic, geopolitical, social, technological and regulatory developments on our Group strategy. Our Group strategy was refreshed during 2021, with clarity of focus on consistent delivery from our big-ticket businesses, accelerated growth in retail digital and balanced growth in retail traded. The Group strategy remains unchanged with a strong focus on execution throughout 2023. The external environment remains complex and uncertainties persist, but our robust strategy means that despite the external headwinds there is still tremendous opportunity for Hiscox in each of our chosen segments.
Underwriting risk The risk that insurance premiums prove insufficient to cover future insurance claims and associated expenses. Likely causes include failing to price policies adequately for the risk exposed, making poor risk selection decisions, allowing insurance exposures to accumulate to an unacceptable level, or accepting underwriting risks outside of agreed underwriting parameters. This includes people, process and system risks directly related to underwriting, and considers emerging external risks such as climate, geopolitical and changing customer trends.	We continue to focus on maintaining and improving, where needed, the quality and balance of our portfolios, strengthening our pricing and risk selections, and growing where the opportunities are commensurate with the risk. During the year, we continued to navigate a set of complex external conditions impacting underwriting risk. These ranged from the more volatile geopolitical environment (notably, the Russia/Ukraine conflict and more recently the conflict in Israel and the Gaza Strip), macroeconomic shifts (particularly inflationary pressures in most Western economies), emerging societal trends (such as increased propensity to litigation), and the continued potential impact of climate change. Our active monitoring and enhanced view of economic and social inflation, impact from supply chain disruptions, the heightened threat of cyber attacks, and emerging litigation trends, has continued to allow Hiscox to respond promptly, ensuring our pricing keeps pace with costs. We continue to monitor and evolve our view of property exposure risks from natural catastrophes influenced by climate change through our set of realistic disaster scenarios (see pages 38 to 39). Our underwriting exposure remains well within our Board-approved risk appetite levels. We also continue to invest in the underwriters of the future through our award-winning faculty of underwriting training academy, which was first rolled out in 2022 to help manage and mitigate underwriting talent risks.

*The key risks to which we refer here, and elsewhere in this document, also constitute the emerging and principal risks required under the UK Corporate Governance Code 2018.

36 50 191
Risk management is also discussed in our risk management section, TCFD, and note 3.

“We operate within a complex and rapidly evolving risk landscape, and actively manage risk through our embedded policies, processes and practices Group-wide.”

Fabrice Brossart
Group Chief Risk Officer

The risk As an insurance group, specific risks related to our business include:	**Risk landscape and how we manage the risk**
Reserving risk The Group makes financial provisions for unpaid claims, defence costs and related expenses to cover liabilities both from reported claims and from ‘incurred but not reported’ (IBNR) claims. Reserving risk relates to the possibility of unsuitable case reserves and/or insufficient outstanding reserves being in place to meet incurred losses and associated expenses, which could affect the Group’s future earnings and capital.	Our consistent and prudent reserving philosophy serves to manage the risk of insufficient reserves to cover claims cost and associated expenses. The Group’s reserve levels remain resilient and we continue to respond to the heightened inflationary environment through maintaining and enhancing processes focused on reviewing our key inflation assumptions against emerging experience and explicitly allowing further reserve margins for uncertainty. Close monitoring of developments will continue in 2024.
Credit risk There remains an increased threat of global recession, particularly given central bank interest rate response to inflation, which could, in turn, increase default risk. There is also the risk of a reinsurance counterparty being subject to a default or downgrade, or that for any other reason they may renege on a reinsurance contract or alter the terms of an agreement. The Group buys reinsurance as a protection, but if our reinsurers do not meet their obligations to us, this could put a strain on our earnings and capital and harm our financial condition and cash flows. Similarly, if a broker were to default, causing them to fail to pass premiums to us or pass the claims payment to a policyholder, this could result in Hiscox losing money.	Many of our counterparties have faced the same external conditions as we have, and there remains an increased threat of global recession, particularly given central bank interest rate responses to inflation, which would, in turn, increase default risk. We closely monitor our counterparty exposures throughout the year, and while the risk factors have increased, our credit exposures remain within the Group’s risk appetite. We also take into account the economic outlook in our decision-making on outwards reinsurance purchasing for 2024.
Market risk There is the threat of unfavourable or unexpected movements in the value of the Group’s assets or the income expected from them. This includes risks related to investments – for example, losses within a given investment strategy, exposure to inappropriate assets or asset classes, or investments that fall outside of authorised strategic or tactical asset allocation limits.	Whilst the economic environment has remained volatile, the rises in inflation and accelerated interest rate increases, which drove mark-to-market investment losses on our bond investment portfolio during 2022, have now led to higher returns during 2023. The Group also maintains modest exposure to selected non-fixed income investments which provide diversification benefits to the overall portfolio. We continue to look at incrementally improving long-term risk and capital-adjusted outcomes through further diversification across the wider investment universe.

The risk As an insurance group, specific risks related to our business include:	Risk landscape and how we manage the risk
Liquidity risk The risk of being unable to meet customer or other third-party payments as they fall due. This could result in high costs in selling assets or raising money quickly to meet our obligations.	The Group's liquidity risk appetite is designed to ensure that appropriate cash resources are maintained to meet obligations as they fall due, both in business-as-usual and stressed circumstances. This is measured using a liquidity coverage ratio, which compares liquidity sources to stress-tested liquidity requirements. The Group's liquidity position remains robust, with around $1 billion of fungible liquidity at 31 December 2023 (including $600 million of undrawn committed facilities). The Group has access to further liquidity through the debt capital markets.
Regulatory, legal and tax governance This relates to the risk that the business fails to act, or is perceived to have failed to act, in accordance with applicable legal, regulatory, and tax requirements in all of the jurisdictions where the Group operates. The regulatory, legal and tax environment continues to be complex, with frequent changes in rules and expectations which increase complexity in this area.	We monitor the regulatory, legal and tax compliance landscape for emerging changes to local and international laws and regulations in the jurisdictions in which we operate. Regulatory developments during the year have included several ongoing developments in relation to Solvency II (for example, Bermuda Solvency II equivalence status and proposed changes to the application of Solvency II in the UK), as well as the FCA Consumer Duty impacting our UK entities. Our embedded sanctions management processes, supported by the compliance team, have continued to ensure our business can respond quickly and adhere to changes in the sanctions landscape, as was seen during 2022 following the Russian invasion of Ukraine. In relation to tax developments, 2023 saw the continued movement towards implementation of the OECD's Global Anti-Base Erosion Model Rules (Pillar Two) at a local level; and in December 2023, Bermuda enacted a new corporate income tax, effective 2025. Our preparations for the incoming rules have included working with expert advisors and industry bodies such as the ABI and the ABIR to ensure industry-specific issues are identified and addressed, as well as working transparently and collaboratively with our key tax authority stakeholders. We invest in proactive engagement with all of our regulators, including through our participation in the annual college of supervisors, hosted by the BMA, which is an opportunity to update all of our regulators together on strategic developments across the Group.
Climate change-related risk This relates to the range of complex physical, transition and liability risks arising from climate change. It includes the risk of higher claims as a result of more frequent and more intense natural catastrophes; the financial risks which could arise from the transition to a low-carbon economy; and the risk that those who have suffered loss from climate change might then seek to recover those losses from others who they believe may have been responsible. Climate change-related risk is not considered a stand-alone risk, but a cross-cutting risk with the potential to amplify each existing risk type.	We continue to monitor climate change-related risk through a number of lenses, including underwriting selection, pricing, multi-year view of natural catastrophe risk, asset types, and developments in potential climate litigation. Every year we run a range of realistic disaster scenarios, in line with emerging trends and updated with our in-house climate research. We utilise investment dashboards for each of our insurance carriers and we continue to embed our greenhouse gas targets for the Group, which in 2023 has included progressing work on a supporting action plan. More information on how we manage climate change-related risks can be found in our TCFD disclosure on pages 50 to 61.

The risk

As an insurance group, specific risks related to our business include:

Risk landscape and how we manage the risk

Operational risk

The risk of direct or indirect loss resulting from internal processes, people or systems, or from external events. This includes cyber security risk, which is the threat posed by the higher maturity of attack tools and methods and the increased motivation of cyber attackers, in conjunction with a failure to implement or maintain the systems and processes necessary to protect the confidentiality, integrity or availability of information and data. Operational risk also covers the potential for financial losses, and implications from a legal, regulatory, reputational or customer perspective, for example, major IT, systems or service failures.

Risks from people, process, systems and external events are closely monitored by senior executives across the business. Ongoing competition and retention of talent, heightened threat of cyber attacks and continued growth in hybrid working practices are all examples of risks affecting the operational risk landscape.

We continue to evolve our operational risk management processes including our defences against, and response to, information security and cyber threats. Our information security policy is updated annually and approved by the Board. The policy sets out the Group's approach and commitment to information security, including the Group's requirements for a robust approach to protect, preserve and manage the confidentiality, integrity and availability of the Group's information assets and information systems (including technology infrastructure). It is supported by a suite of other policies including our acceptable use policy, encryption policy, access control policy, data classification policy, and third-party security policy. We also buy insurance against liabilities including but not limited to those related to cyber and information security risks.

We regularly reassess our information security standards and methodologies to ensure appropriate governance and consistency has been applied to our approach. For example, a maturity assessment facilitated by an independent external third party was conducted in 2022, and another maturity assessment involving both our internal audit team and an independent external third party will take place in 2024. Our approach to information security risk management extends to third-party providers, so through our procurement and claims teams we ensure third parties receive notification of the security requirements expected of them upon contract signing and at contract renewal.

2023 also saw a continued focus on Group-wide crisis management response planning, which included performing a series of cyber crisis simulations to test and enhance the response plans that are embedded across business areas and functions including business continuity plans, surge plans, people plans and communication plans.

The organisation has also established an enterprise portfolio management (EPM) capability during 2023, aimed at strengthening operational maturity and controls in relation to the Group's change agenda over the next two to three years.

Talent and capabilities risk is also being actively managed. We continue to monitor and adapt our hybrid working policies and practices and ensure that our workforce is equipped with the necessary technology to enable this. In the second half of 2023, we also completed a 'ways of working' review. These measures have continued to be successful in addressing the associated operational risks and we are pleased to have maintained a high level of employee engagement in 2023 (see pages 7 and 47).

Please see the glossary on page 248 for definitions of acronyms.

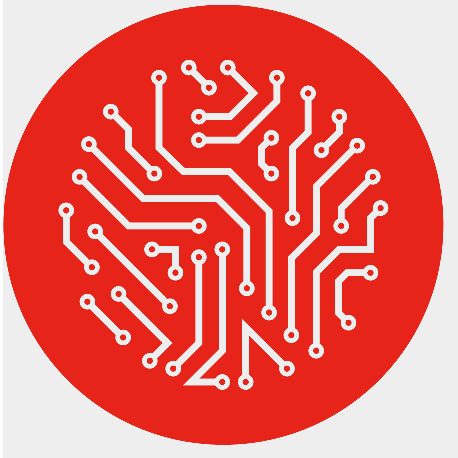
Business priorities for 2024

"The underwriting environment in 2023 and into 2024 is attractive yet complex, requiring balance between capturing the opportunity and retaining discipline, so we continue to focus on technical excellence, disciplined profitable growth, managing volatility, and technology as a competitive advantage."

Joanne Musselle
Group Chief Underwriting Officer

1. Profitable growth and managed volatility

We continue to pursue cyclical growth and managed volatility in our big-ticket businesses, while targeting structural growth in retail. In big-ticket, we will focus on the continued optimisation of our underwriting portfolios, while also prioritising innovation and digitisation. In retail, we will continue to evolve our digital SME ecosystems, invest in our brand, and embed systems transformation to further build our reputation as a best-in-class insurer for specialist classes, such as small business insurance.



2. Technical excellence

Technical excellence remains a long-term priority for the Group, and we continue to advance our capabilities through the closer alignment of underwriting, claims, reserving and pricing. In particular, we will continue to build out and expand our Management information and analytics capabilities, to further enhance the timeliness, volume and quality of data-driven insights feeding into business performance – driving earlier insights into portfolio performance.

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Find out more about our 2023 business performance in our Chief Executive's report.

3.
Operational leverage

During 2023, we made significant progress in refining and maturing our operating model, resulting in a rebalancing of global versus local capabilities and allowing us to start to unlock the benefits of scale and consistency. This year will see a detailed review of key activities, particularly across our retail businesses, to identify opportunities to further optimise structures, processes, technology and tools across the organisation.

4.
Connected and energised teams

Building connected and energised teams has been a multi-year priority, which, in 2022, resulted in our highest employee engagement scores for ten years. In 2023, we are proud to have retained such a high level of engagement. Our 2024 priority is the development of a strategic workforce plan that ensures we have the relevant skills and capabilities in place to drive future growth and build a diverse and multi-talented employee base around the world. We will also continue to embed our new employee value proposition, enabling us to attract and retain top talent, while fostering a high-performance culture.

5.
Customer-centricity

Our Company purpose is to help people and businesses realise their ambitions, and understanding and serving our customers continues to be our top priority. In 2023, we enjoyed strong customer service and claims satisfaction scores in many of our chosen markets, and in 2024 we will continue to promote and embed our customer-centric culture across the Group. We will do this by evolving our service and product offerings to keep pace with customer needs and respond to changing consumer behaviours.

Q&A:

with Jonathan Bloomer
Chair

Jonathan Bloomer was appointed Hiscox Group Chair in July 2023. He brings with him invaluable experience as the former Chief Executive Officer of several major companies in the financial services and insurance sectors, including Prudential Plc, and as the Chair of several boards across a range of industries.

In the chair

In 2023, Hiscox appointed a new Chair of the Board, the first Chair in the Company's history from outside of the business. >

Q&A:

with Jonathan Bloomer
Chair

Q: When did you first become aware of Hiscox, and what were your perceptions of the business from the outside?
A: I've known of Hiscox for decades and I always thought it was a high-quality company. In fact, I've been a Hiscox policyholder for ten years or more. That came from a recommendation from a broker, originally. Because I've grown up in the insurance industry, I'm not a normal buyer of insurance. Whenever I get quotes or recommendations, I always have a strong view on whether it's a company I want to be insured by, so the decision to buy a policy is not one I take lightly! One of the things I've noticed since taking on this role is that lots of people I meet say: *"Well, I'm insured with Hiscox".* And they've all given me a brief anecdote, whether it's about underwriting, or claims or whatever, as to why they think it's a great business. So it's all been really positive.

Q: Is there anything that has particularly surprised you about Hiscox since you've joined?
A: One thing is the concept of the Hiscox Partnership; something the business has operated for years whereby significant contributors are recognised by becoming a Hiscox Partner. I'm struck by what an interesting and important part of the culture it is. In most companies, partnership is a mark of seniority, but here it's a much broader church. It's about people's commitment to Hiscox over time. It's about going the extra mile, carrying the culture, and really influencing people. Our Partners are very proud to belong to it.

More generally though, I've been extremely encouraged by the positive attitude that people here have, and the partnership is just one manifestation of that as it shows that people are really invested in the business.

Q: What do you think the Board was looking for in your appointment?
A: I'm the first external person to Chair the business. With Robert Hiscox – well, the clue is in the name – and my predecessor, Robert Childs, had also been here many years before taking on the role. Talking to Robert Childs, he considered part of his role for the past few years to be getting the organisation to a point where they could bring in an external Chair. I think the Group was looking for someone who was already an experienced Chair, who has fulfilled this function at other organisations. I arrived here having a clear view of what chairing a business is like, and what the role means. I think it's probably much easier coming in as an outsider if you already know the industry, and while I have a lot to learn about the nuts and bolts of the business, I do know the industry inside out.

Q: How would you characterise the role of Chair?
A: It's about making sure the Board is focused on the right things, and that the relationship between the Non Executive and the Executive sides of the Board, and the Executive more broadly, is effective – that we've got a constructive degree of challenge between the two. As Chair, it's also vital that you build a positive relationship with the Chief Executive. You need to act as a sounding board, someone the CEO can discuss issues and challenges with, and you need to have a broad enough business experience for that conversation to be meaningful. Parts of the role, though, are somewhat intangible. It's tricky to describe an elephant, but you know it when you see it in the same way as it's tricky to describe an effective Board, but you know one when you see one and I've certainly seen that here.

Q: How important then is that Chair/CEO dynamic?
A: I wouldn't be sitting here in this seat if Aki and I hadn't immediately had a good connection and thought we could work effectively together. From my own experience as a Chief Executive, I know that finding people you can talk to about difficult topics in a safe way is so important for any CEO. A CEO will find a range of people they can do that with, but one of them needs to be the Chair. And I think we've already developed that relationship. We also have very similar views of where we want to take this business and what the business can achieve. That means really seizing the opportunities we've got in our retail markets, creating more volume and handling that volume efficiently. On the Lloyd's side, we're currently in a cycle where it's a strong market, and we think we're getting paid well for the risk we're taking on. But dealing with a cyclical business like that, it's about making sure we see how the trends are going and when we might want to pull back a bit. We need to make sure we stay profitable as the cycle changes. We have a clear strategy; the key now is in its execution.

Q: Hiscox is also focused on building a sustainable business with a diverse workforce. How important is that to you?
A: There's an absolute imperative to do it – not because we need to, but because it's the right thing for the business. It comes back to the fact that at heart, we're a people business. We want the best people to work for us and achieving that means being open to a diversity of people. We want a culture where everybody feels welcome and involved.

“We want the best people to work for us and achieving that means being open to a diversity of people. We want a culture where everybody feels welcome and involved. That’s just critical.”

That’s just critical. And we want our impact on people outside of Hiscox to be a positive one too, so keeping that focus on sustainability is a fundamental part of our business.

Q: What have your initial areas of focus been?
A: Financial services is ultimately a people business, so you’re not just learning about the business – you have to understand the people working within it. So that’s been one of my priorities. Another focus for me has been understanding IFRS 17, which has been a big change in insurance accounting standards, but which our Chief Financial Officer, Paul Cooper, has done a great job of explaining to our investors. I’ve also been focused on understanding our US business. The USA is a huge market, and although I’ve run US companies in the past, we’re functioning in a very particular segment of it. So I’m spending some time with our American team, becoming familiar both with the people and with the business we do there. The same is true of parts of our European operations and the segments of big-ticket business we’re involved in. In all those areas, it’s about making sure I understand the details. Where are we strong now and where do we want to be strong? Half the fun of doing a role like this is learning the particulars of the business – that’s what I really enjoy.

Q: From what you’ve seen so far, what has struck you most about the sense of community at Hiscox?
A: I’ve taken over chairing the Hiscox Foundation, which Hiscox has had since the 1980s. A lot of the focus there is on supporting charities and organisations that our colleagues and people are already involved with, or that do work that’s important to them. They choose who we support. It’s their way of giving back to their communities. To me, that’s a big part of what Hiscox should be about: supporting communities not only within our business, but within the wider ecosystem that our colleagues are part of. ■

Chief Executive's report

"Our business has delivered excellent results, with record profits of $625.9 million underpinned by a 36% improvement in the underwriting result and a record investment income. The Group combined ratio below 90% and ROE of 21.8%[1] have led to very strong capital generation, which we are deploying for further growth in all parts of the business in addition to a special return to shareholders of $150 million."

Aki Hussain
Group Chief Executive Officer

Strategic execution

Underwriting excellence and investment result drive record profits

I am pleased to announce the Group has delivered a record profit before tax of $625.9 million. High-quality net ICWP growth of 10.7% in constant currency at expanding margins resulted in an undiscounted combined ratio of 89.8% and an insurance service result approaching half a billion Dollars, up 36% year on year. This is complemented by a record net investment income of $384.4 million, as higher bond reinvestment yields are now earning through. Group ROE of 21.8%[1] is the highest the business has delivered in seven years. These record profits are underpinned by continued growth in each of our business segments, as we execute our strategy and capture both cyclical and structural growth opportunities across our portfolio.

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

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

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

[1]Excludes impact of Bermuda DTA.

to support growth across all of these opportunities in line with our strategy.

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

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

Enabling technological transformation

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

Hiscox London Market is collaborating with Google Cloud to create the first AI-enhanced lead underwriting model in the Lloyd's market. The proof of concept was undertaken in Hiscox's terrorism line of business, although the principles will apply to other lines of business within and beyond big-ticket insurance. The collaboration combines our recently built in-house technology platform called Hiscox AI Laboratories (Hailo) with Google Cloud's generative AI technology to automate lead algorithmic underwriting from submission to quote. A manual quoting process that used to take up to three days has been shortened to just three minutes when using AI tools, freeing up time for our underwriters to focus on higher-value tasks. We are very excited about the potential applications of this new technology more widely across our business.

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

Building the business of the future

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

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

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

People are at the heart of our success

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

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

We remain focused on building a connected and engaged workforce and are pleased to have maintained a high level of employee engagement of 82% in 2023, after posting this highest employee engagement score in ten years for the first time in 2022. Diversity, equity and inclusion (DEI) is another constant area of focus. We seek to recruit from the whole talent pool regardless of gender, ethnicity or background and to ensure everyone who works at Hiscox feels a sense of pride and belonging. We have chosen to participate in the updated Parker Review by setting an ethnic minority representation target of 13% for Senior Management to be achieved by the end of 2027. This is part of our efforts to build transparency, and to ensure that everyone has an equal opportunity to make the most of their potential and progress to the highest levels in their business careers.

Business performance

Hiscox Retail

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

Retail ICWP of $2,368.5 million (2022: $2,273.1 million) increased by 4.2% in constant currency. We continue to see strong momentum in Europe and accelerating growth in US DPD, although overall retail growth is below our expectations. In US broker, ongoing competitiveness of cyber pricing

> "The Hiscox Retail business has been an organic endeavour. Over the years we have continued to invest in building this business and becoming the leading specialist insurer for small businesses and selective personal lines. The long-term growth opportunity ahead remains extraordinary and our objective is to build a material position and capture this opportunity."

Hiscox Retail

	2023 $m	2022* $m
Insurance contract written premium	2,368.5	2,273.1
Net insurance contract written premium	2,197.7	2,071.3
Insurance service result	180.2	182.5
Investment result	203.9	(98.9)
Profit before tax	267.3	130.2
Combined ratio (%)	91.6	91.0
Undiscounted combined ratio (%)	96.2	93.7

*As restated under IFRS 17.

impacted growth, as we chose pricing discipline over short-term growth. In the UK, we exited some non-core underwriting partnerships which were outside of our risk appetite, and fourth-quarter growth fell short of Management expectation following later than expected activation of signed broker distribution deals. However, the issues in both US broker and the UK are transient and we have taken action to reverse these trends. As result, we are seeing positive momentum build early in 2024. Adjusted for cyber headwinds in the USA and the exit of underwriting partnerships in the UK, retail growth was within the 5% to 15% target range in 2023.

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

The Hiscox Retail business has been an organic endeavour. Over the years we have continued to invest in building this business and becoming the leading specialist insurer for small businesses and selective personal lines. The long-term growth opportunity ahead remains extraordinary and our objective is to capture it and build a material position. In doing this we will remain disciplined, as we have done in 2023 when we increased our investment in marketing by 29% and strengthened reserves, while achieving a Group RoE of 21.8%[2]. Our intention remains to run our retail business within the 89%-94% operating range for the long-term benefit of our shareholders.

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

Hiscox USA

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

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

[2]Excludes impact of Bermuda DTA.

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

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

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

Hiscox London Market

	2023 $m	2022* $m
Insurance contract written premium	1,243.4	1,114.7
Net insurance contract written premium	908.5	789.2
Insurance service result	176.0	123.3
Investment result	109.9	(54.4)
Profit before tax	251.4	101.0
Combined ratio (%)	79.1	84.5
Undiscounted combined ratio (%)	83.8	86.7

*As restated under IFRS 17.

in sequential quarters with the trend continuing into 2024.

Hiscox Europe

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

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

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

Hiscox UK

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

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

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

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

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

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

Hiscox London Market

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

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

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

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

Hiscox Re & ILS

	2023 $m	2022* $m
Insurance contract written premium	986.3	967.6
Net insurance contract written premium	449.6	365.0
Insurance service result	136.1	55.1
Investment result	70.6	(34.0)
Profit before tax	221.4	46.9
Combined ratio (%)	68.3	84.5
Undiscounted combined ratio (%)	69.8	85.6

*As restated under IFRS 17.

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

our expectations and the majority of risks written in 2023 are in the renewables space.

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

Hiscox Re & ILS

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

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

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

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

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

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

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

Strong foundations

Reserves

Consistent with the Hiscox conservative reserving philosophy, we have decided to further strengthen reserves. As at 31 December 2023, the Group's net reserves are at the 83% confidence level (HY 2023: 77%) and a risk adjustment above best estimate of $272.9[3] million (HY 2023: $211.13[4] million).

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

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

Capital

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

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

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

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

Liquidity

The Group, at the holding company level, continues to retain a significant level of liquidity with fungible assets in the region of $1 billion, comprised of liquid assets and undrawn borrowing facilities. A full-year 2023 leverage for the Group on a pro-forma basis post share buyback of $150 million is 17.5%[5], comfortably within the range that the Group chooses to operate in.

Investments

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

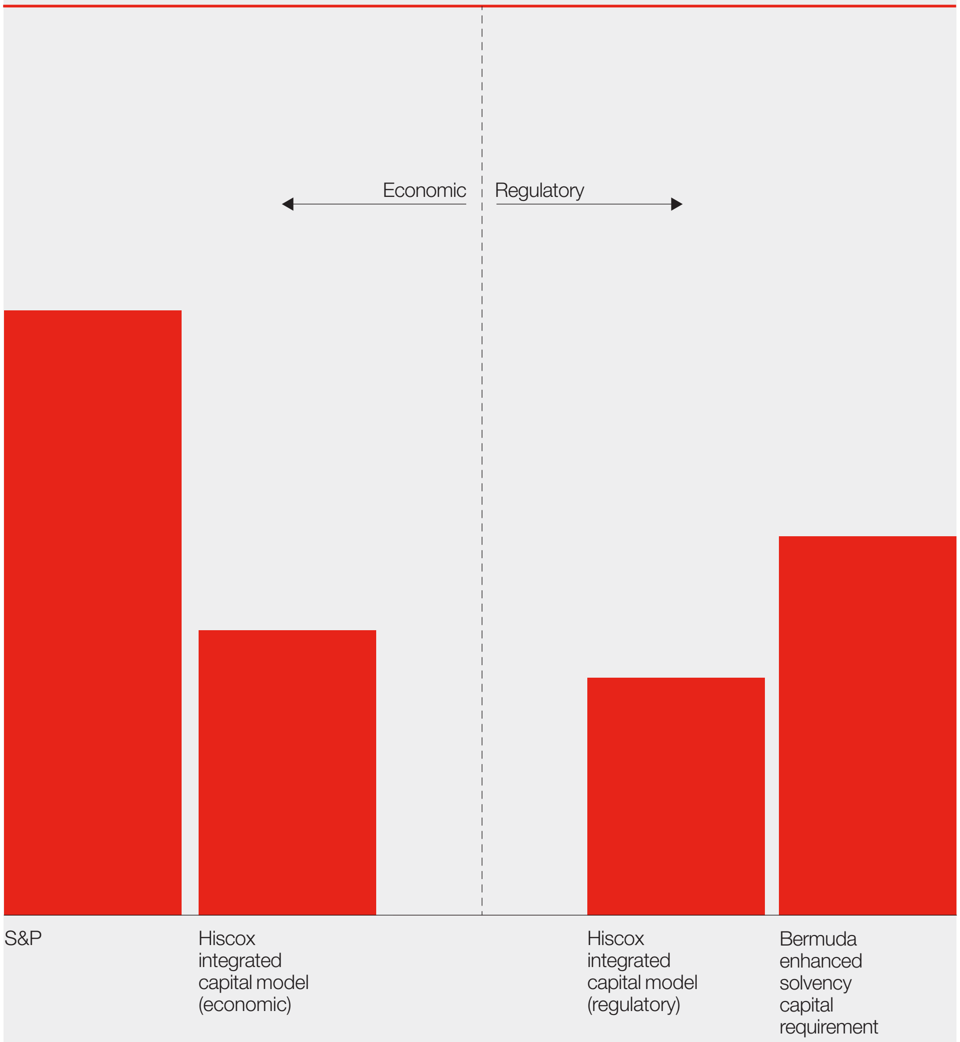
Inflation continued to fall over the course of 2023, while employment remained resilient and economic growth avoided the more severe adverse outcomes that can accompany a sharp rise in interest rates. The robust economic backdrop gave central banks room to first raise and then hold interest rates at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

[3]Allows for the reclassification of LPT recoveries into claims.
[4]Excludes impact of Bermuda DTA.

[5]Leverage defined as borrowings over borrowings and shareholder equity.

Projected capital requirement

$3.32 billion available capital



Rating agency assessments shown are internal Hiscox assessments of the agency capital requirements on the basis of projected year-end 2023. Hiscox uses the internally developed Hiscox integrated capital model to assess its own capital needs on both a trading (economic) and purely regulatory basis. All capital requirements have been normalised with respect to variations in the allowable capital in each assessment for comparison to a consistent available capital figure. The available capital figure basis has been updated for IFRS 17 and comprises net tangible assets and subordinated debt. Benefit of IFRS 17 discounting is allowed for within the internal capital model position.

times during the year as to the likely timing of peak rates and when the interest rates may be cut.

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

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

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

Tax

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

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

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

Outlook

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

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

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

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

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

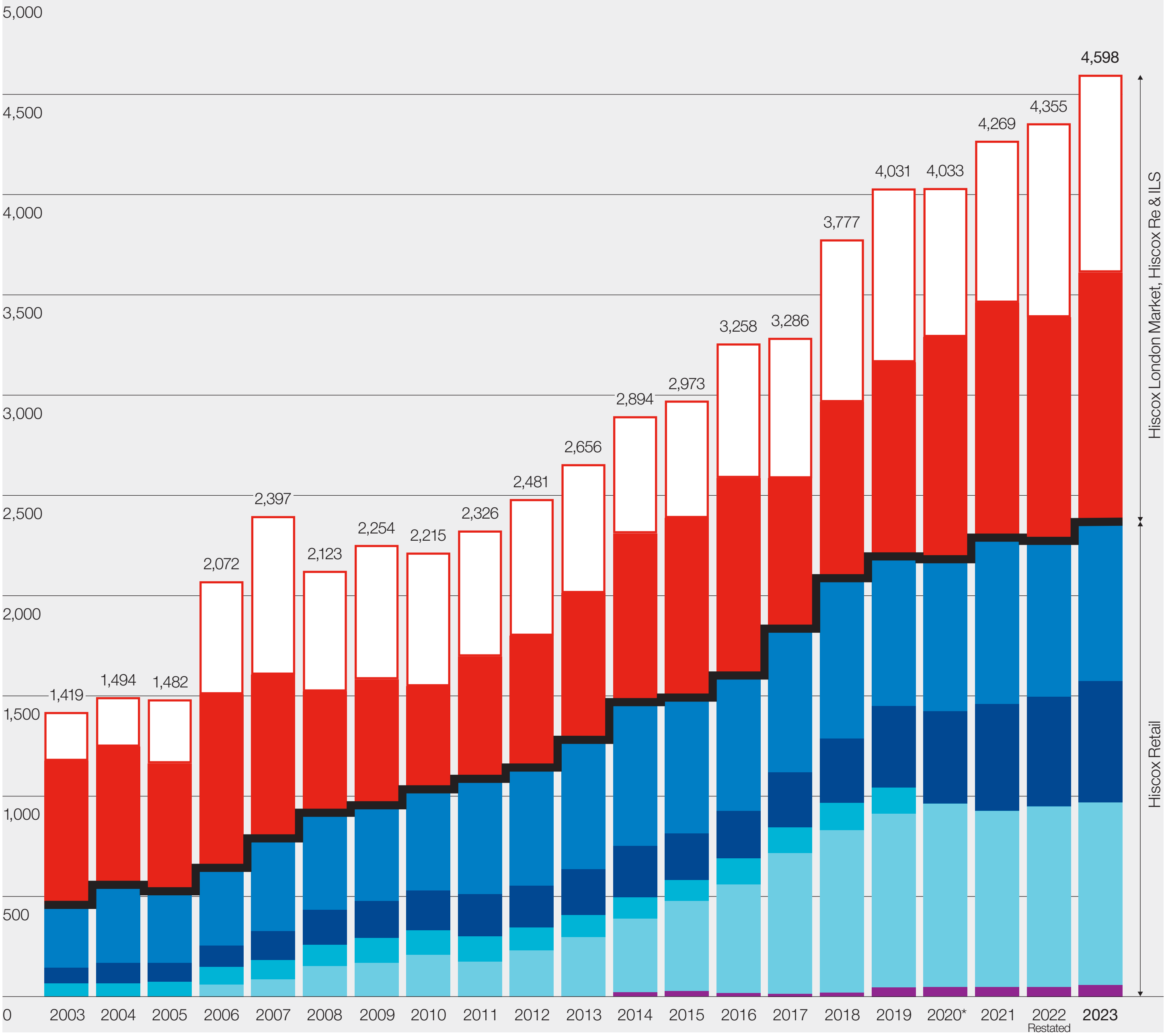
Aki Hussain
Group Chief Executive Officer
5 March 2024

Big-ticket business
- Hiscox Re & ILS
- Hiscox London Market

Retail business
- Hiscox UK
- Hiscox Europe
- Hiscox Special Risks
- Hiscox USA
- Hiscox Asia

*2020 restated for Hiscox Special Risks.
†Historic amounts have not been restated for IFRS 17, but are presented as gross written premiums on an our-share basis.

Total Group insurance contract written premium†
($m)



Q&A:

with Kate Markham
Chief Executive Officer, Hiscox London Market

Kate Markham joined Hiscox in June 2012 to run the UK Direct business, after 12 years at Vodafone. She took over as Chief Executive Officer of Hiscox London Market in 2017 and since then has been responsible for leading the Group's big-ticket insurance business through the ever-changing market cycle.

Market force

By committing to being a leader in key insurance classes, Hiscox London Market is seeking to maximise opportunities in the highly specialised London insurance marketplace. >

Q&A:

with Kate Markham
Chief Executive Officer,
Hiscox London Market

Q: How would you characterise the condition of the Lloyd's marketplace over the past year?
A: What's been notable about the past few years is that each class of business has been at its own distinct point in the cycle. So, some of the classes we write are in strong hard-market territory, where pricing is going up and terms and conditions are improving. At the same time though, literally across the table, we're seeing other classes coming off a hard market, where prices are falling and terms and conditions are softening.

Q: Faced by those contrasting extremes, what is your overarching strategy?
A: The whole strategy in London Market is about balance. Where we're seeing opportunity, we're saying: *"Yes, we want to support that, we've got capital behind us, and we're going to make the most of that opportunity."* In property, for example, where we're seeing hard market conditions, we're really stepping forward. But in D&O and cyber, where the market has been much softer, we've had the courage to pull back. We've shrunk our business and had the confidence to say no. That's a tough thing to do but striking that balance is important for our business.

Q: Are you able to predict with any certainty when those market conditions are likely to change?
A: It's not easy, for lots of reasons. That's because the conditions of each market are triggered by so many factors beyond our control. I can't control where the Atlantic storms may or may not make landfall, but where they do will have a material impact on the property market. I also can't control what goes on in the reinsurance market, but that has a direct impact on what we can do because what it does impacts our economics. What we can control, however, is our level of preparedness. What metrics should we be looking at now to know when the market is turning? What actions are we going to take to protect the profitability of the book? We need to make the most of good times while preparing for the market to turn, so that's been a focus for 2023 and will be for 2024 too.

Q: How do you set yourselves up to be successful in the classes you're stepping into?
A: It's a big market and there's a lot going on. In every market, there are leaders and followers and we've made the strategic choice to be a leader. But to be a market leader, there's a level of expertise and experience you need to have. We can't do that in all classes, so we pick the classes we intend to lead in and make sure we're building the deep technical expertise, credibility and capability required. Our starting point is to hire the best people: the best underwriters, the best pricing people, the best actuaries, the best claims people. Then, to give them an edge, we're building the right ecosystem around them with the right operational and tech capabilities; an ecosystem that harnesses our data to give them the best insights, an ecosystem that means they don't spend half their time doing admin. We're working hard to automate manual tasks so that our people can use their brain power on managing the complex risks we see.

A great example of how we're doing this is through our collaboration with Google Cloud, where we're using generative AI technology to automate lead underwriting from submission to quote. That might sound incredibly technical, but what it's enabling us to do is take the data and insights we receive from email submissions and turn that into a policy quote – a process that could take up to three days traditionally, but with this technology can now be done in just three minutes. We completed the proof of concept during 2023 in our sabotage and terrorism line of business, where it worked really well, and we're excited about other potential applications in other lines of business but also beyond big-ticket insurance, so that's something we'll be exploring more throughout 2024.

Q: In 2023, you launched a Lloyd's sub-syndicate, ESG 3033, which provides additional capacity for companies with strong ESG credentials. What was the thinking behind that?
A: Energy transition is a source of massive opportunity, and insurance is one of the key enablers of that transition. Trillions of Dollars of investment are coming in to build more renewable forms of energy, so the demand for insurance capacity is huge – and that's something we're keen to be part of. We're building the capabilities we need to underwrite those risks within our main syndicate, Syndicate 33, using our own capital, but right now there are lots of financial backers out there that are keen to provide capital to support the transition, backers who don't have the underwriting capabilities to deploy their capital on their own. That's what we can offer. By creating a sub-syndicate, we can underwrite those risks on behalf of third-party capital providers, and we can do it in a way that means we're not competing against Syndicate 33, so we've got skin in the game, but we're not competing with ourselves.

We wrote our first risk in June so it's still relatively early days, but so far it's going

"Energy transition is a source of massive opportunity, and insurance is one of the key enablers of that transition. Trillions of Dollars of investment are coming in to build more renewable forms of energy, so the demand for insurance capacity is huge – and that's something we're keen to be part of."

really well. The brokers love it, and the clients love it as well, to an extent we hadn't anticipated. When they attract capacity from 3033, they see it as a gold star for what they're doing around ESG, which is just the icing on the cake for us and for them.

Q: You're also the Executive Sponsor of DEI at Hiscox. What made you want to take up that role?
A: I'm just a massive believer in all forms of talent. For us to win, we need to be able to attract, develop and retain the very best talent. We need to create a culture where talented people with different perspectives and experiences can thrive. And that's a work in progress. On diversity and equity, which is about having the right mix of people and then ensuring there is a level playing field, I think we're making progress. There is always more to do, but we're making sure we have the right recruitment strategies in place, the right policies, the right sponsorship. The bit I think is more complex, and the part I'm particularly passionate about, is the inclusion piece. How can we make sure everybody feels truly comfortable and valued in their working environment? How can we make sure people feel appreciated for who they are? That's the part that takes the longest time.

Q: As a leader, what can you do within your own area to bring that to life in a meaningful way?
A: It's about creating an environment where people do the right thing, and if people don't do the right thing, others instantly spot it and call it out. We all want this to be a great place to work for everyone, so you've got to make sure that when it's not, you've got a culture on the ground where people feel able to call it out. I've seen our culture in practice so I know that we're doing lots of the right things to make sure our people do feel empowered in this way. We're all owners of the business, and ownership is one of our values, and these things actually go a long way to seeing the right behaviours modelled in every part of the business.

Q: What do you think best exemplifies the sense of community at Hiscox?
A: I see it all the time, but it's even more palpable when things go wrong. It might not happen to you, or to your team, but people really rally round when times are tough. I've been in other businesses where people would have just gone home, but here they don't because they care about their colleagues and they care about making things right for our customers. When times are tough, it's not: *"Well, thank God it's not me."* It's: *"What can I do to help?"* That type of community spirit is something I think you see all the time in Hiscox and is as strong today as when I first joined the business.

Risk management

"Having an effective risk management culture, while continuing to evolve our risk management maturity, is key and both have been areas of focus for the Risk Committee during 2023."

Lynn Pike
Independent Non Executive Director and Chair of the Risk Committee

The Group's core business is to take risk where it is adequately rewarded to maximise returns to shareholders. The Group's success is dependent on how well we understand and manage our exposures to key risks.

Risk strategy

Our robust risk strategy positions us to capture the upside of the risks we pursue and effectively manage the downside of the risks to which we are exposed. It is based on three key principles:

- we maintain underwriting discipline;
- we seek balance and diversity through the underwriting cycle;
- we are transparent in our approach to risk, which allows us to continually improve awareness and hone our response.

Risk management framework

The Group takes an enterprise-wide approach to managing risk. The risk management framework provides a controlled system for identifying, measuring, managing, monitoring and reporting risk across the Group. It supports innovative and disciplined underwriting across many different classes of insurance by guiding our appetite and tolerance for risk.

Exposures are monitored and evaluated both within the business units and at Group level to assess the overall level of risk being taken and the mitigation approaches being used. We consider how different exposures and risk types interact, and whether these may result in correlations, concentrations or dependencies. The objective is to optimise risk-return decision-making while managing total exposure, and in doing so remain within the parameters set by the Board.

The risk management framework is underpinned by a system of internal control, which provides a proportionate and consistent system for designing, implementing, operating and assessing how we manage our key risks. This framework is regularly reviewed and enhanced to reflect evolving practice on risk management and governance. During 2023, we have continued to maintain and further strengthen our system of internal control.

Risk appetite

The risk appetite sets out the nature and degree of risk the Group is prepared to take to meet its strategic objectives and business plan. It forms the basis of our exposure management and is monitored throughout the year.

Our risk appetite is set out in risk appetite statements, which outline the level of risk we are willing to assume, both by type and at an aggregate level, and define our risk tolerances: the thresholds which would represent a 'red alert' for Senior Management and the Board.

Risk appetites, which are set for the Group as a whole and for each of our insurance carriers, are reviewed annually, enabling us to respond to internal and external factors such as the growth or reduction of an area of the business, or changes in the underwriting cycle that may have an impact on capacity and rates.

Risk management across the business

The Group coordinates risk management roles and responsibilities across three lines of defence. These are set out in the model on page 37. Risk is also overseen and managed by formal and informal committees and working groups across the first and second lines of

Three lines of defence model

1st

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

2nd

Assesses, challenges and advises on risk objectively
Provides independent oversight, challenge and support to the first line of defence. Consists of the Group risk team and the compliance team.

3rd

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

Risk management framework
Understanding and managing the significant exposures we face.

Hiscox Own Risk and Solvency Assessment (ORSA) framework
The Group's ORSA process is an evolution of its long-standing risk management and capital assessment processes.

The Risk Committee relies on frequent updates from within the business and from independent risk experts. At each of its meetings during the year, the Risk Committee reviews and discusses a risk dashboard and a critical risk tracker which monitors the most significant exposures to the business, including emerging risks and risks that have emerged but continue to evolve. The Risk Committee also engages in focused reviews on our key risks and monitors emerging risks throughout the year. In 2023, additional risks considered include risks associated with adapting to emerging technologies, AI and ESG. An overview of the processes for identifying emerging risks through the Grey Swan Group is described on page 57. Stress tests and reverse stress tests (scenarios such as those shown on pages 38 to 39, which could potentially give rise to business failure as a result of either a lack of viability or capital depletion) are also performed and reported on to the Risk Committee.

defence. These focus on specific risks such as catastrophe, cyber, casualty, sustainability, reserving, investments and credit, as well as emerging risks. The Group Risk and Capital Committee and the Group Underwriting Review Committee are sub-committees of the Risk Committee and make wider decisions on risk. More information on these Committees can be found on pages 56 to 57.

The Own Risk and Solvency Assessment (ORSA) process
The Group's ORSA process involves a self-assessment of the risk mitigation and capital resources needed to achieve the strategic objectives of the Group and relevant insurance carriers on a current and forward-looking basis, while remaining solvent, given their risk profiles. The annual process includes multi-disciplinary teams from across the business, such as capital, finance and business planning.

The role of the Board in risk management and key developments during 2023
The Board is at the heart of risk governance and is responsible for setting the Group's risk strategy and appetite, and for overseeing risk management including the risk management framework. The Risk Committee of the Board advises on how best to manage the Group's risk profile by reviewing the effectiveness of risk management activities and monitoring the Group's risk exposures, to inform Board decisions.

The Risk Committee also provided input into a number of important risk management developments during 2023:

- the risk management maturity framework, introduced during 2022 to help set the organisation's maturity goals against six key dimensions of risk management, continued to be further embedded. This included continuing to monitor progress made against risk management maturity goals during the year;
- processes to assess risk culture have been maintained, including the risk culture survey for all staff, which is completed as part of annual risk management training and was first rolled out at the end of 2022;

Our risk management policies can be found at **hiscoxgroup.com/about-hiscox/group-policies-and-disclosures.**

- there has been a continued focus during the year on performing targeted risk reviews at both Group and legal entity level. Reviews have focused on risk management maturity, capital model validation deep dives, regulatory risk and change, as well as specific topics such as inflation.

The Risk Committee also supports the Board in its review of the effectiveness of the Group's risk management and internal control systems through key activities that took place over the course of 2023, including reviewing its annual declaration of compliance with the BMA's Group Supervision Rules, reviewing the results of the annual Group-wide risk and control self-assessment and associated second-line review, reviewing changes to Hiscox Group risk policies and the Hiscox Risk and Control Register, as well as considering risk management and internal control effectiveness as a specific topic at a 2023 meeting.

The Board, through the Risk Committee, has conducted a robust assessment of the emerging and key risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, and is satisfied that no material changes to the key risks are required.

Casualty extreme loss scenarios

As our casualty businesses continue to grow, we develop extreme loss scenarios to better understand and manage the associated risks. Losses in the region of $75-$850 million could be suffered in the following extreme scenarios:

Event		Estimated loss
Multi-year loss ratio deterioration	5% deterioration on three years' casualty premiums	$245m
Economic collapse	An event more extreme than witnessed since World War II*	$400m
Casualty reserve deterioration	Estimated 1:200 view of a casualty reserve deterioration on current reserves of c.$2.2bn	$850m
Pandemic	Global pandemic considering broader and alternative impacts than Covid-19	$125m
Cyber	A 1:200 cyber event, such as a major cloud outage or mass ransomware attack. Includes exposures from outside the cyber product line†	$400m
Marine scenarios	Range of events covering collision and sinking of vessels and any resultant pollution	up to $75m
Offshore platform	Total loss to a major offshore platform complex	up to $100m
Terrorism	Aircraft strike terror attack in a major city	up to $350m
Property catastrophe‡	1-in-200 year catastrophe event from $280bn US windstorm	$650m

*Losses spread over multiple years.
†Losses incurred from non-cyber product lines from a cyber event.
‡As a point of comparison.

The role of the Group risk team

The Group risk team is responsible for designing and overseeing the implementation and continual improvement of the risk management framework. The team is led by the Group Chief Risk Officer who reports to the Group Chief Executive Officer and the Risk Committee of the Board. During 2023, Hanna Kam was succeeded as Group Chief Risk Officer by Fabrice Brossart, and more information on Fabrice can be found on page 76.

The team works with the first-line business units to understand how they manage risks and whether they need to make changes in their approach. It is also responsible for monitoring how the business goes about meeting regulatory expectations around enterprise risk management.

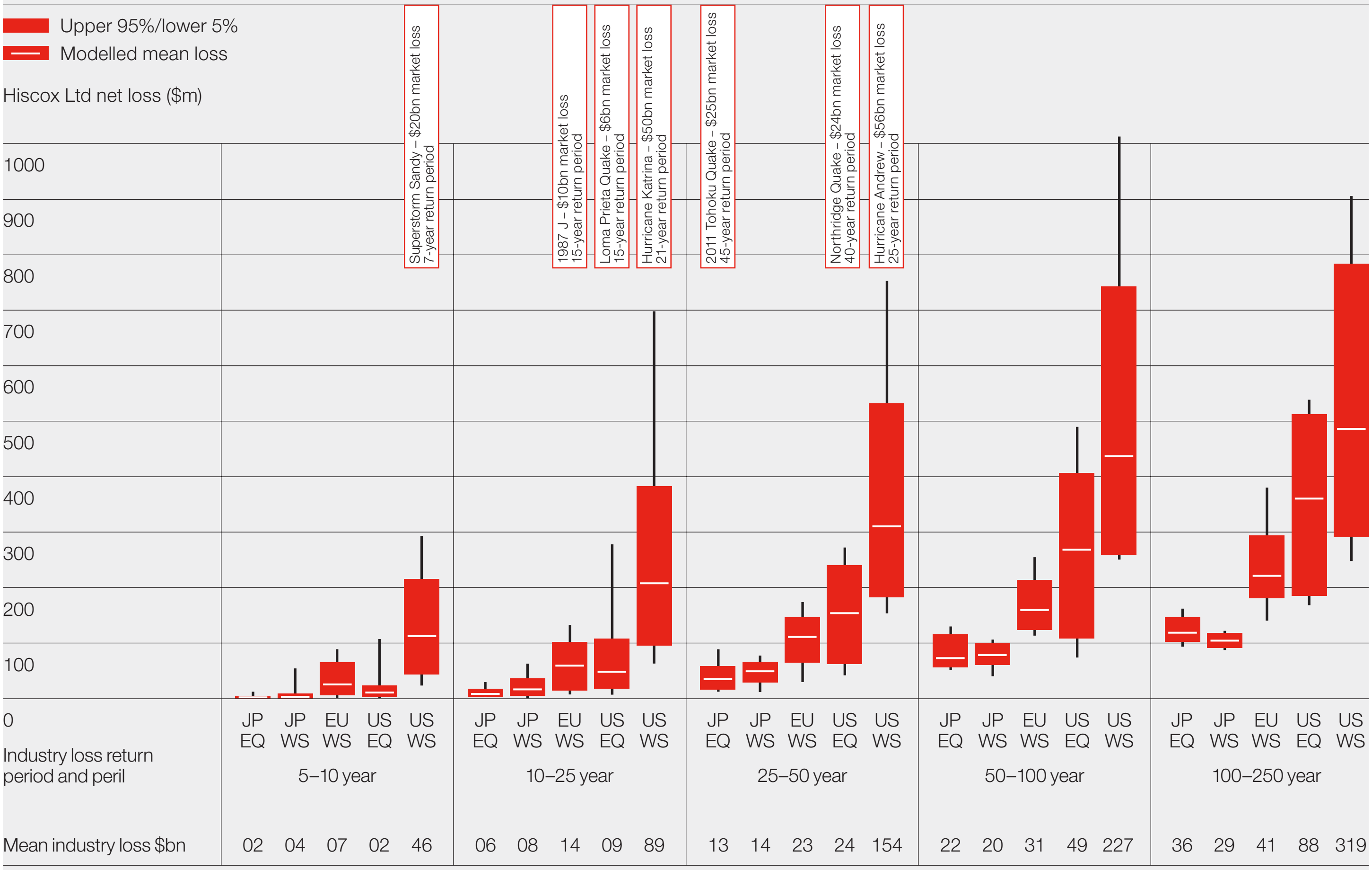
During 2023, a target operating model review was completed for the second-line Group risk and compliance function. This has resulted in a re-organisation of the function into dedicated business unit and Group-level second-line teams, as well as an increase in second-line resource, which further enhances the function's ability to provide critical challenge to the business and to ensure robust risk management oversight.

12
Read more about our key risks.

Property extreme loss scenarios

Boxplot and whisker diagram of modelled Hiscox Ltd net loss ($m) January 2024.

Stress tests and reverse stress tests are regularly performed and reported on to the Risk Committee of the Board. These include climate-related scenarios such as those shown in the chart below.



This chart shows a modelled range of net loss the Group might expect from any one catastrophe event.
The white on the red bars depicts the modelled mean loss.

The return period is the frequency at which an industry insured loss of a certain amount or greater is likely to occur.
For example, an event with a return period of 20 years would be expected to occur on average five times in 100 years.

JP EQ – Japanese earthquake, JP WS – Japanese windstorm, EU WS – European windstorm, US EQ – United States earthquake, US WS – United States windstorm.

Stakeholder engagement

Shareholders

Our shareholders value our clear strategy, strong underwriting discipline and sound capital management, and we maintain ongoing engagement with them.

Regular investor dialogue

We maintain regular dialogue with capital markets stakeholders, predominantly via our Group Chief Executive Officer, Group Chief Financial Officer and Director of Investor Relations, who meet with existing shareholders, potential investors and research analysts regularly to discuss our strategy, trading conditions, business performance and other factors affecting our operations.

We run several comprehensive investor roadshows a year in the UK, Europe and USA and participate in a range of investor conferences. During 2023, the Company conducted over 400 meetings and met with over 170 investors, representing approximately 78% of our issued share capital.

Financial reporting

We report to the market on Company performance four times per year, providing shareholders with an overview of recent business performance and trading conditions. These are available on our corporate website and as an email alert for subscribers.

Annual Report and Accounts

Our Annual Report and Accounts gives shareholders a more detailed view of the business and includes some additional corporate governance disclosures beyond our statutory requirements.

Annual General Meeting (AGM)

Our AGM provides another regular investor touchpoint. At the 2023 AGM, all resolutions were passed with a significant majority.

Employees

We want to build teams that are as diverse as our customers and create a vibrant work environment where all employees feel a sense of belonging and can thrive.

Annual employee engagement survey

Our annual employee engagement survey gives all our employees the opportunity to provide honest feedback on how they feel about Hiscox, with the results discussed at all levels including Board level and informing future plans.

Board-level Employee Liaison

Non Executive Director, Anne MacDonald, also serves as the Group's Employee Liaison, working with the Group's representative employee engagement network to ensure that workforce views are considered in Board decision-making.

Employee networks

Many of our employees are actively engaged in at least one of our 18 employee network chapters, including WeMind, Pan-African, parents and carers, and Pride. These networks are supported by our Executive Directors, who contribute to discussions and events.

Communication updates

Employees have access to Company-wide 'connected' events, annual 'launch' events and 'box' meetings, many of which are led or attended by our Executive Directors to share news, align on strategy and objectives and celebrate successes.

Partners' meetings

Hiscox Partner is an honorary title given to employees who make significant contributions to the development and profitability of the Group. Up to 5% of the total workforce are Hiscox Partners, and have the opportunity to influence the direction of our business through regular formal and informal Partners' meetings, which of all of our Board Directors also attend.

Brokers

The risks we write through brokers account for around 85% of our business, so we look to build strong and lasting relationships with those that share our values.

Annual Hiscox broker events

We hold an annual preferred broker summit for our UK brokers, to share insight and expertise, and a London Market broker academy to educate and inform. These events are supported and often attended by our Executive Directors.

Broker satisfaction survey

Each year we measure broker satisfaction with our products and services, including through qualitative broker interviews, with the results shared and discussed at Board level and informing future plans.

Attending key industry events

We participate in key industry events in every part of our broker-facing business, including at Executive Director level. This includes: BIBA, a UK insurance and broker conference; the CIAB, a US marketplace meeting for commercial property and casualty brokers and insurers; and in our big-ticket businesses, Monte Carlo, Baden Baden, and RIMS.

Thought leadership

We produce thought leadership that enhances our broker relationships and our position as experts in our chosen areas. In 2023, this included our cyber readiness report which examines the cyber threat landscape, and HAT 100 which explores key trends in the contemporary art market.

We also conduct broker briefings and workshops for our crisis management brokers, which this year included 'The Control Room' – a broker-focused experiential event to help better educate brokers about our malicious attack product.

Customers

We have over 1.6 million retail customers worldwide and providing each of them with products they can rely on is what we are here for.

Customer satisfaction

We talk to thousands of customers each year, through both quantitative surveys and qualitative research – including feedback after they have bought a product or made a claim – which are reviewed by our leadership teams and help to continually improve our offering. More information on our customer satisfaction scores for 2023 can be found on pages 7 and 47.

Consumer awareness

We also measure the health of our brand through regular brand tracking surveys which assess consumer brand awareness and perception. These are shared with Senior Management and inform marketing and sales activities.

Informing our marketing and communications

Marketing and communications activity across our markets is informed by the qualitative and quantitative research we carry out with both existing and potential customers.

Customer-focused products and tools

We use a combination of customer insight and claims experience to develop our risk transfer products and risk mitigation tools. These include our cyber exposure calculator and the Hiscox CyberClear Academy, an NCSC-approved cyber training programme for customers, as well as Leakbot, an early warning leak detection tool that we offer to all of our UK high-value home customers to help mitigate escape of water claims.

Regulators

We are a global business with a responsibility to engage with regulators in all jurisdictions where we operate. The Group is regulated in Bermuda and has regulated subsidiaries worldwide.

Regular dialogue

Our Chief Compliance Officer and compliance teams worldwide lead our relationships with our regulators and maintain regular dialogue with them, with involvement from Senior Management and the Board when required. This includes the annual supervisory college, hosted by the BMA as our Group supervisor, which gives an important annual opportunity for us to present a consistent message to all of our regulators on issues of common interest, and in 2023 was attended by members of the Group's Senior Management team, including all of the Executive Directors.

Regulatory change

We contribute to the regulatory change process, both directly and through active membership of trade associations, such as the ABIR and the ABI. Our Executive Directors are important contributors to this work.

Scenario analysis and stress testing

We maintain a regular cycle of stress testing and scenario analysis to ensure we manage risk well and evolve at the same pace as the risks we cover.

Regulatory reporting

The Group and its subsidiaries met all material regulatory reporting obligations for 2023.

Suppliers

Our suppliers are an important extension of our in-house expertise, which is why we aim to work with like-minded businesses that share our purpose.

Robust procurement processes

We want to work with businesses that align with our values and support our goals, and we reflect this in our robust procurement processes. These processes ensure we assess suppliers against a wide range of criteria, encompassing financial stability, culture and ethics, as well as innovation and development. For larger contracts, these processes also include a degree of Executive Director involvement or oversight.

Supplier code of conduct

We expect our suppliers to adhere to high standards in areas such as risk management and compliance, and to do the right thing when it comes to issues such as DEI, progressive labour practices and environmental practices, in line with our regulatory requirements. These expectations form the basis of our supplier code of conduct, which applies to all suppliers and subcontractors.

Measuring and monitoring sustainable practices

During 2023, we started working with a global provider of business sustainability ratings to further reflect sustainability in our procurement practices. Suppliers' ESG ratings will become part of how we manage the performance of our suppliers and, over time, our decision-making.

Active dialogue

We maintain active dialogue with our suppliers to ensure our expectations, ambitions and ways of working remain aligned. This dialogue is often driven by the relationship managers for each contract and supported or facilitated by our Group procurement experts, and for larger contracts will include Senior Management or Executive Director involvement.

Q&A:

with Steve Parry
Group Claims Director

Steve Parry arrived at Hiscox in July 2023 from AIG, where he had been working as their Global Head of Technical Claims. At Hiscox, he is responsible for driving Hiscox's Group-wide claims strategy, setting standards, performance metrics and controls, and providing market-leading technical expertise through a number of centres of excellence.

Claim to fame

When you're in the business of paying claims, having an effective and efficient claims function, with the right expertise, as well as a human touch, is absolutely vital. >

Q&A:

with Steve Parry
Group Claims Director

Q: What is it that first drew you into the insurance world?
A: So, I'm originally from Manchester. My dad's a builder. He owns a construction firm, and all my family work there – everybody. The funny thing is, I can't even wire a plug, I'm just useless at anything like that, so I applied for jobs in banks, insurance companies and financial institutions instead. I really wanted something with a customer-centric approach, and that's what I found with insurance. I was offered roles in underwriting and claims, but I was most interested in directly helping people with their problems, so I went down the claims route. I initially worked for AIG as a roaming casualty investigator around North West England, then moved to London, where I ended up leading property and energy clients for AIG internationally. I left them and joined ACE, which then became Chubb, but AIG tempted me back five years ago into a global role. Having held both global and regional leadership roles gave me a real focus on how I could provide a global lens into claims, which will help retain and attract customers through our differentiated claims service.

Q: Has your experience at the coalface, dealing directly with customers in a crisis, informed how you think about claims?
A: Completely. I've spent a lot of time in rooms with people whose faces have been drained of all colour, helping them navigate some really problematic issues. You're saying: *"Don't worry, we're going to help with this. We're going to do the following things to help in the short term and the long term."* It's almost like everybody fires back up again, the colour comes back. That moment of truth is really powerful. I remember flying out to Japan after the Fukushima earthquake. There were only two or three flights out of London, so the plane was full of emergency services, Red Cross personnel, all these people who do such important work. They were asking me: *"What do you do? Who do you work for?"* I was like: *"Oh, I'm the insurance guy."* At first, it felt really embarrassing. But then I thought, actually I'm here to help as well, but in a different way. The work we do keeps people and businesses going and gives them reassurance when they need it most. It's important we remember that.

Q: What have your first impressions of the Hiscox approach to claims been?
A: In some ways, Hiscox is quite traditional in its approach in that we like to hold people's hands all the way through the claims process. My thinking is that a lot of people like that, but not everybody does. If I'm a high net worth customer I might expect a concierge service, a white glove service at every point, which is what we offer. But if I'm a small business owner, I might want to buy my insurance through digital channels when it suits me, and then expect to be able to notify my insurer of a claim through the same route. People's expectations can be slightly different, so my goal is to always exceed those expectation levels. That's really good service.

Q: How does what you learn through your interactions with customers feed into the rest of the business?
A: Claims is basically the early warning system for the whole organisation. It's really important that we take the actionable learnings from claims and get them into the business quickly, so we can reflect them in reserving, wording and pricing. I'm currently heavily involved in a project called 'trilogy', which covers the relationship between claims, underwriting and actuarial. We're building some real momentum, and I think it could lead us to some interesting places, particularly around thought leadership with our customer base.

Q: How do you see the evolution of technology impacting on the claims process in the coming years?
A: Look, there's no doubt there is some real potential out there, especially when it comes to AI. Firstly, it's helping us with our data – having AI pointing to the golden nuggets in our dataset is really, really powerful. And then there's the customer journey piece. Any AI that will enhance the customer journey is something I'm really interested in – and I don't mean a bot asking you pre-set questions and then exploding because it doesn't understand your answers. I'll give you an example: you ring to make a claim on your mobile phone, and because we have your number in our dataset, it already knows all your customer details and what cover you have, so it can enhance your claims journey from acknowledgment to resolution using technology-based adjudication or, where needed, referral to a Hiscox claims professional who can provide that technical help and support to our customers. Technology can be a real accelerator and enabler, but it has to come at the right time and for the right customers.

Q: In claims, what are you looking for in your people?
A: Basically, we employ people who are good at solving problems for customers. That means we need to employ experts who know their fields inside out: the energy claim, the art theft, the house fire, the intellectual property issue, whatever it is. Customers buy that deep expertise from us: that's why they come to Hiscox.

We employ people who are good at solving problems for customers. That means we need to employ experts who know their fields inside out: the energy claim, the art theft, the house fire, the intellectual property issue, whatever it is. Customers buy that deep expertise from us: that's why they come to Hiscox."

We need claims professionals who can really help sort that tricky problem out for them, but also hold their hand through the journey – people who are good with customer interactions, and don't just talk in insurance language. That industry expertise is so important, because the knowledge base needs to be there, but so too is the communication part. So when you have a team of people that can do both, that's pretty special.

Q: Looking ahead to next year, what do you expect your focus to be?

A: A lot of it is about sharing learnings across the Group, looking for consistency in the way we run claims, whether you're in London, the USA or wherever. At the moment, everyone does things slightly differently so we can probably make better use of some of the natural synergies where they exist. There is also a real focus on the customer and how we leverage the touchpoints we have with them. My bank, for example, will message me on different things throughout the year, which is something we don't really do. Without overdoing it, we could have far more of a feedback loop, rather than: *"Take out your insurance, we'll see you in a year's time."* The only potential break in the cycle is if you have a claim.

I touched upon 'trilogy' earlier and it's something I'm passionate about embedding across the whole business. It has the ability to help accelerate our growth plans and learnings with claims, underwriting and actuarial working together as a constant learning, feedback and business barometer.

And the last thing is our people: investing in our people and making sure we have the right people in the right seats, doing the right things, thinking in much the same way. Getting that people piece right is really important to me.

Q: How have you felt a sense of community since you arrived at Hiscox?

A: Do you know, there isn't one person on the Group Executive Committee who hasn't said to me: *"We really want to help you and the claims teams be successful."* Before I presented at the GEC for the first time, members reached out to me in advance to offer advice and support. That was really powerful – they were setting me up for success, sharing their knowledge and experience to help me.

The other thing that almost made my voice go croaky was when I went into a Hiscox claims 'townhall' meeting, and there were about 45 or 50 people sat there, staring at me. I was pretty nervous, but they seemed genuinely interested in what I was going to say. There was a real sense of anticipation and excitement in the room. It was a bit overwhelming, actually. I wish I could bottle that and share that energy with everyone.

Sustainability

We take our role in the world seriously and want to play a responsible part in society, but we are pragmatic about what that looks like. We have established many of the structures, policies and processes that it takes to build a responsible business, but the sustainability landscape is rapidly evolving and so too must our approach.

During 2023, we reviewed our sustainability strategy in the context of not only our growing business and regulatory requirements, but also the changing expectations of some of our key stakeholders including customers, brokers and investors, as we want to understand the areas that matter most to them.

Our five strategic pillars – people, customers, governance, risk adaptation and impact – each represent important areas of focus for the Group. We want to be a great place to work, deliver exceptional customer experiences, adapt effectively to the changing risk landscape, do business in a responsible and ethical way, and play our part in the net-zero transition.

Activities, progress and oversight of each pillar will continue to be driven through our embedded sustainability governance structures, under GEC leadership.

Hiscox sustainability strategy

Group purpose

We give people and businesses the confidence to realise their ambitions.

Sustainability ambition

We want to be here for the long term, for our customers, colleagues and communities, operating in a sustainable way for the future.

Strategic pillars

People

We aim to be a great place to work, attracting, nurturing and retaining talent through:
- strong culture, lived values and sense of belonging;
- diverse, equitable and inclusive practices;
- continuous learning as a skills-based business;
- differentiating benefits;
- supporting our people and communities to thrive.

Customers

We want to give people and businesses the confidence to realise their ambitions through:
- delivery of our brand promise across the customer life cycle;
- best-in-class claims service;
- championing SMEs;
- effective products for risk transfer and mitigation.

Governance

We are committed to doing business in the right way through:
- robust and embedded structures, policies, processes;
- adherence to local laws and regulation wherever we operate;
- responsible investing;
- active risk management.

Risk adaptation

We continually adapt to an evolving risk landscape through:
- sustainable underwriting;
- understanding climate impacts on our underwriting;
- effective products and services for risk transfer and mitigation;
- use of data and technology for changing underwriting needs.

Impact

We are committed to having a positive impact by:
- reducing our GHG carbon footprint;
- contributing to the net-zero transition, including through responsible operational practices;
- using robust data to drive a sustainable and scaleable operating model.

"My passion is people and creating a framework that allows everyone to succeed and flourish, which to me is part of our sustainability narrative."

Nicola Grant
Chief People Officer and Sustainability Steering Committee member

People

Building connected and energised teams was a business priority for us in 2023 and we are proud of the progress we have made. We have evolved our employee listening strategy, as we look to capture more real-time feedback on what we're getting right and what we may need to change, replacing our annual employee engagement survey with more concise pulse surveys. In 2023, 80% of our people participated in our first pulse survey, in which 83% told us they would recommend Hiscox as a great place to work and 83% said they felt proud to work for Hiscox. We also maintained our overall engagement score of 82%, the same as 2022, which at that stage represented a ten-year high.

Providing continuous learning opportunities for our people also remained a significant focus in 2023 with 66 of our colleagues enrolling in the Hiscox Data Academy, an apprenticeship programme focused on increasing the data literacy of employees, and seven benefitting from our finance apprenticeship programme to support them in achieving their ACA qualification. All of our people have access to our learning management system for personal development and technical training, and in 2023, our people completed over 44,000 hours of training worldwide – that's almost 15 hours per person. We also provide on-the-job training, for example through our established internship and graduate programmes, where we continue to target a diverse pool of students. We do this through a range of partnerships with organisations such as the Bright Network and SEO London. In 2023, we provided nine UK summer internship placements and welcomed 20 new recruits through our global graduate programme. We also launched a new apprenticeship programme in Hiscox London Market, partnered with the London Market Association to host work experience students as part of VisionPath's Futures Academy, and ran an Insight Week in London, offering places to students from under-represented backgrounds.

Building a diverse and inclusive workforce matters to us and is a long-term priority. More information on our focus on DEI can be found on pages 62 to 67.

Beyond our own people, we also care about positively contributing to the diverse communities in which we live and work. We donate to good causes through the Hiscox Foundations in the UK and USA, and we fundraise and volunteer for the causes we care about through Hiscox Gives. In 2023, our collective efforts resulted in us supporting over 260 charities with donations totalling just over $2 million and 1,400 hours of volunteering. Find out more about our social impact in our impact report at hiscoxgroup.com/impactreport2022.

Customers

We are in the business of paying claims, and during 2023 we paid out $2 billion to customers around the world. Delivering a best-in-class claims service really matters to us, and this work was recognised not only through our customer and claims satisfaction scores, but also through industry awards including Insurance Post's Counter Fraud Team of the Year Award, Insurance Times' Claim Champion of the Year Award and, most recently, Consumer Intelligence's Claims Satisfaction Award.

2023 also saw the introduction of the FCA's new Consumer Duty rules in the UK. While we took a structured approach to implementing the new rules, we very much welcomed them as they not only aligned to our new UK strategy and overarching customer promise, but also provided an opportunity to strengthen our ability to deliver good outcomes for retail customers. Throughout 2023 we assessed and enhanced the way we deliver for our customers – including those with characteristics of vulnerability – and aligned the outputs with our own values as well as the FCA requirements. As a result, we have introduced a new overarching Customer Framework, the key features of which include: a more insightful set of customer metrics, outcome testing capabilities, enhanced root cause analysis and feedback loops, customer-driven insights and, perhaps most importantly, a cultural positioning of the customer at the centre of our decision-making and governance arrangements. This approach will contribute to the delivery of simplified customer journeys, reducing friction points and improving our ability to consistently deliver good customer outcomes.

More information on customer satisfaction, including some of our 2023 customer and broker satisfaction scores, can be found on page 7.

Find out more about our double materiality assessment process, including more information on the material issues it contains, at **hiscoxgroup.com/responsibility/doublemateriality.**

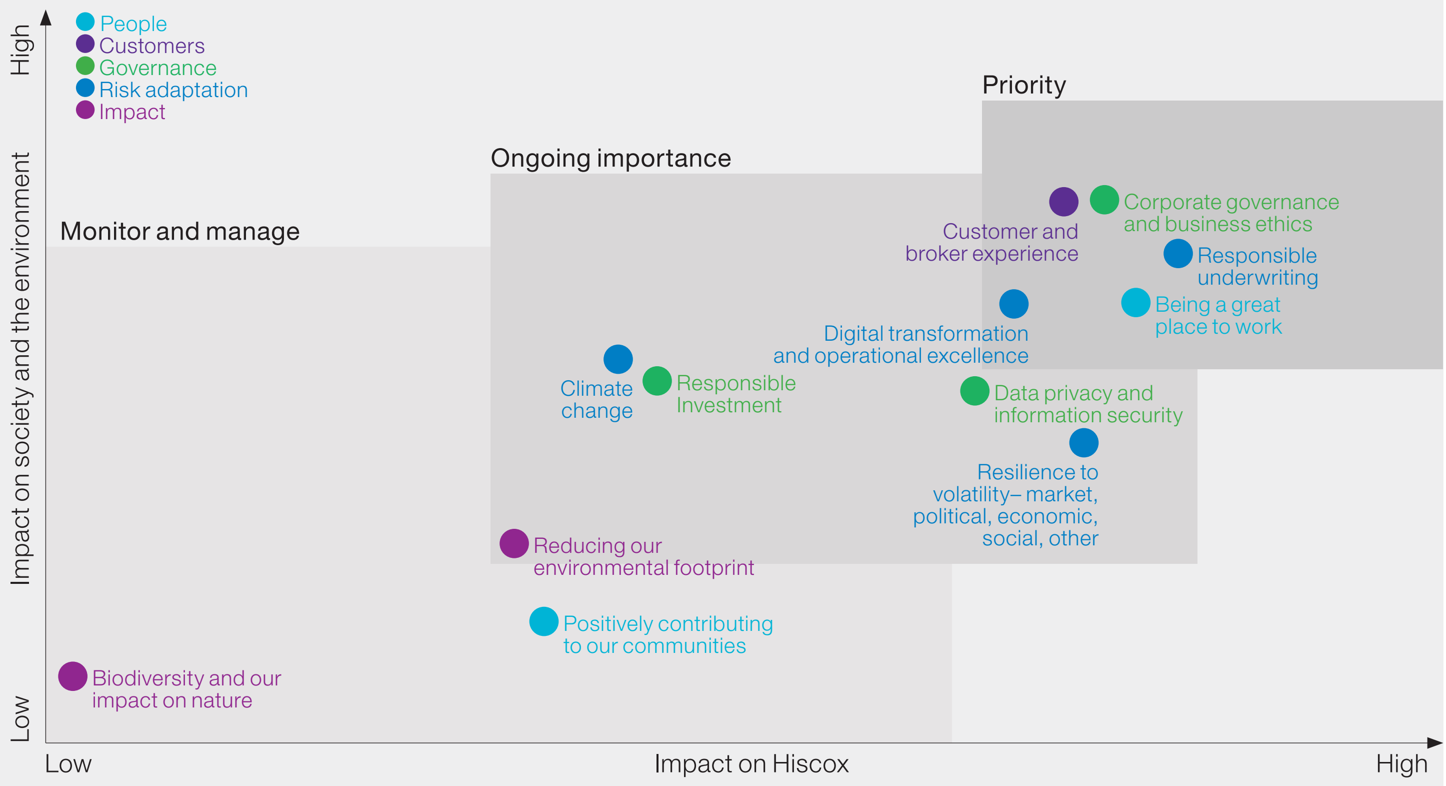
Governance

We continue to enhance our understanding of the material sustainability issues facing our business, and in 2023 we conducted a double materiality assessment to help us identify the most pressing sustainability topics we need to address, as well as the issues and opportunities of rising importance, and in support of emerging regulatory requirements including CSRD and ISSB's IFRS S1 and, to a lesser extent, S2.

Double materiality assessments are increasingly common practice: they are used by companies to help shape sustainability strategies, and by external consumers including investors to understand company thinking on sustainability – including areas of potential risk and significant opportunity.

They look both outwards at our impact on people and the planet, such as our GHG emissions, and inwards at the impact of specific issues on our business, such as the effects of climate change on the frequency and severity of extreme weather events and, as a result, our claims experience.

Hiscox materiality map



Key

Manage and monitor: topics of relatively lower impact at the point of assessment, but which are managed and monitored with a readiness to adapt to evolving internal and external requirements.

Ongoing importance: topics of ongoing importance due to their influence on our strategy, performance and stakeholder relationships and so require continuous focus and active management.

Priority: current mission-critical sustainability topics due to their potential to impact our reputation, financial performance, and ability to attract and retain customers, business partners and investors.

> There are many aspects to building a sustainable business, and the one that I will personally be driving in 2024 is our customer-centricity."
>
> Jon Dye
> Chief Executive Officer, Hiscox UK and Sustainability Steering Committee member

We consider it a five-step process.

1. Planning and stakeholder identification.
2. Horizon scanning, landscape review and issues identification.
3. Stakeholder engagement and consultation.
4. Analysis, mapping and validation.
5. Embedding in planning and governance structures.

The material issues mapped on page 48 were selected following a comprehensive review of strategic documents, such as the risk and control register; the external reporting and regulatory landscape, such as GRI; and through a process of media and peer review. This created an initial longlist of proposed material sustainability risks and opportunities, which through a period of internal review became a shortlist of 13 material topics that we then used to gain both qualitative and quantitative insights from key stakeholders. We did this through a range of one-to-one interviews, focus groups and targeted online surveys with over 200 stakeholders including top shareholders, investment managers, brokers, customers and representative internal stakeholders to capture a range of views and perspectives on the materiality of our prescribed range of sustainability issues. These insights were subsequently prioritised and weighted by stakeholder group in line with common weighting practices, which informed the positioning of each issue in the matrix and resulted in the 13 proposed material topics being distilled into the final 12 material topics mapped on page 48.

In line with our sustainability governance structure (see page 51), our materiality map was approved by the Sustainability Steering Committee, and will be refreshed periodically. The valuable insights we have gained through our first sustainability materiality assessment have already informed our sustainability strategy and 2024 activity plans. During the year ahead, we will focus on aligning our materiality assessment with our established risk management processes, as well as our longer-term sustainability plans.

Risk adaptation

We are passionate about risk adaptation in all its forms – from product innovation to risk mitigation tools – and as the underwriting risk landscape continues to evolve, so too does our approach. In 2023:

- we enhanced our sustainable underwriting strategy, with four key areas of focus: how we articulate our underwriting appetite and exclusions; how we understand, manage and seek to mitigate sustainability-related underwriting risks; the role of innovation and product development in the net-zero transition; and our data capture and measurement capabilities;
- we set out our ambition to grow our exposure to renewables through our new ESG 3033 sub-syndicate, which during 2023 has written risks ranging from offshore windfarms in Europe, hydro in New Zealand, battery energy storage systems in the UK and solar in the USA;
- we continued to support customers through the Hiscox Risk Academy, our free online risk management platform with e-modules tailored to business type, which has now been used by over 15,000 employees at over 2,700 businesses since it was established in 2022, with almost 36,000 courses completed;
- we provided over 1,400 Leakbot devices to our UK home insurance customers, giving them an early warning leak detection system that can help them avoid damaging cost of water claims.

More information on climate-related risk adaptation can be found in our TCFD disclosure on pages 50 to 61.

Impact

We continue to enhance our responsible operational practices in support of our sustainability ambition and net-zero goals.

During 2023, this included changes in our procurement and supplier management practices to ensure that, over time, we are able to consistently assess and track supplier performance against a wide range of sustainability issues. As such, we have commenced a pilot with a global provider of business sustainability ratings, starting with our largest suppliers. Our intention is that, over time, these ratings will form part of our buying decisions, as well as how we manage the performance of our suppliers.

In addition, we also continue to carefully monitor our GHG emissions. The half-year footprint process we introduced is proving effective, improving the quality of our data and providing oversight beyond a single point in time. A copy of our full GHG inventory for 2023, along with our SECR table, can be found in our TCFD disclosure on pages 50 to 61.

Task Force on Climate-related Financial Disclosures (TCFD)

Reporting against the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) is a requirement of the FCA for all premium-listed firms on a 'comply or explain' basis, and the mandatory climate-related financial disclosures by publicly listed companies, large private companies and LLPs.

We have been reporting against the TCFD-aligned ClimateWise Principles since 2019 and are public supporters of TCFD. Our annual climate report sets out our approach to climate-related matters in every part of our business, including from a governance, risk management, operations, underwriting, investment, and marketing perspective. It is our richest source of climate-related information and expands on the information set out in the pages that follow, so for more information go to: **hiscoxgroup.com/2023climatereport.**

Disclosures have been made against the TCFD recommendations, taking into account the TCFD supporting guidance, and in consideration of the FCA listing rules. Where additional information outside of this report aids our TCFD disclosure, links have been provided, and where we have not yet disclosed fully against the recommended TCFD disclosure, we have flagged this and where possible outlined current and planned actions being taken towards full disclosure.

Governance

Board oversight

We have an established and embedded governance structure for climate-related matters, with robust and rigorous processes for identifying, measuring, monitoring, managing and reporting climate-related matters (including climate-related risks and opportunities) across the Group. This spans from an operational level up to the Sustainability Steering Committee, the Risk Committee of the Board, and the Board itself – see page 51 for an overview of structure, membership, roles and responsibilities and frequency of meetings, including Management's role in assessing and managing climate-related risks and opportunities. Climate-related responsibilities are embedded across Board and Management committees, and where appropriate within job roles. The Board has oversight, with the Group Chief Executive Officer holding ultimate accountability. This ensures that climate action and ambition are driven by the Group's senior leaders as well as by individuals with day-to-day management responsibilities.

Sustainability governance structure

We have embedded climate into our sustainability governance structure, and the structure on page 51 shows how information flows between the working group, committees and the Board.

Management responsibilities

In 2023, we created a new Sustainability Manager role for the Group, to further enhance our coordination of sustainability and climate-related activities across the business and drive progress. Embedding this role within our business will be a key focus for 2024 to ensure climate-related commitments and objectives set by the Board and SSC are integrated into our operations.

We also reviewed our sustainability strategy in 2023 in line with our own ambitions and also taking into account our most material sustainability issues (see pages 46 to 49). The new Group sustainability strategy, outlined on page 46, has sharpened our focus on the areas that matter most to our business – our people, our customers, governance, risk adaptation and impact – but crucially it has also enhanced Management ownership and accountability for sustainability issues as we now have a member of the GEC leading each pillar. Risk adaptation and impact are of particular relevance to climate issues, so while our 2024 focus will be on embedding our new sustainability strategy and associated ways of working, we will also provide updates on climate-related progress against these pillars over time.

In our UK legal entities, this structure is bolstered by the appointment of senior managers with overall regulatory responsibility for managing the financial risks from climate change, in line with the UK's Senior Managers Certificate Regime (SMCR). As climate becomes further embedded in our business, and regulatory requirements continue to evolve, we may consider whether a similar approach is required in other parts of the business in the future.

Climate-related governance discussions

While this structure also covers broader sustainability matters, climate-related matters are an important component of this and as such are regularly debated and discussed. Examples of climate-related discussions during 2023 include:

- discussion and approval at the SSC of the 2023/24 ambitions outlined in our 2023 climate report;
- annual review of the ESG exclusions policy and the responsible investment policy, coordinated by the sustainability working group (and, in the case of the responsible investment policy, the Group Investment team) and approved by the SSC;

Environmentally focused commitments

ClimateWise

Principles for Sustainable Insurance (PSI)

Paris Agreement 2015

Sustainable Markets Initiative

Principles for Responsible Investment (PRI)

Task Force on Climate-related Financial Disclosures (TCFD)

Sustainability governance structure

This is how we manage and monitor sustainability issues, including climate issues, to ensure appropriate accountability and oversight. This structure is supported by other established roles and teams, including our employee-led networks and our green teams, our governance committees, and Management forums, such as those outlined on pages 56 and 57. While not explicitly shown here, these also feed into elements of this structure.

Board

- Oversight of long-term sustainability vision, strategy, priorities and performance against agreed metrics and targets.
- Ensures governance and accountability in place with sufficient support.
- Meets quarterly and discusses sustainability strategy, trends, opportunities, vulnerabilities, and emerging issues including climate issues at least annually.

Risk Committee

- Advises Board on sustainability strategy, key priorities, risk profile, risk exposures and opportunities.
- Meets quarterly and recommends proposals for consideration by the Board as required.

Group Risk and Capital Committee (GRCC)

- Quarterly reporting on sustainability and climate matters from the SSC.
- Sets high-level Group strategy, priorities and ensures delivery across the Group.

Group Executive Committee (GEC)

- Periodic sustainability sessions.
- Sets business unit or function sustainability-related strategy, priorities and drives delivery through business units and functions.

Sustainability Steering Committee (SSC)

- Sub-committee of the GRCC, responsible for execution of the agreed sustainability strategy, driving actions and delivery at a Group level.
- Typically meets quarterly and oversees the embedding of sustainability risks and opportunities.
- Oversees effective use of resources and tracks Group and entity-level sustainability performance.
- Ensures Senior Management-level involvement and accountability for sustainability issues, with senior representation from areas including underwriting, investments and operations.

Sustainability working group

- Operational body, providing a central point of coordination and expertise for sustainability and climate-related activity across the Group.
- Manages sustainability-related Group reporting, disclosures and communications.
- Meets monthly and provides input and recommendations to Management on sustainability matters.
- Focuses on sustainability-related research, including external monitoring and expectations.

Please see the glossary on page 248 for definitions of acronyms.

More information on our approach to sustainability and, in particular, climate can be found at **hiscoxgroup.com/responsibility.**

- meetings with catastrophe model vendors to discuss latest modelling developments, led by our catastrophe modelling team, which contribute to the work of the Natural Catastrophe Exposure Management Group by constantly evolving our climate modelling approach (see page 39);
- defining the Group's most material sustainability risks and opportunities, including climate-related risks and opportunities as part of the development of a double materiality assessment for the Group, which can be found on page 48;
- development of 'climate action plans' in our UK legal entities, which are a standing agenda item at the SSC to ensure full governance oversight. During 2023, these plans were the subject of a comprehensive review and embedded actions moved into 'business as usual' activities.

Training and building expertise

We also consider the training and development requirements of those with oversight responsibilities and accountability for climate-related matters to ensure we have appropriate awareness and expertise to drive progress. In 2023, this included an externally facilitated climate training session for the SSC and other relevant leadership team members, to explore the changing external landscape, with a specific focus on the evolving ESG sentiment, and the associated risks and opportunities. Externally facilitated climate-focused training is now an annual feature in our plans so we will continue to build out our expertise in this area in 2024.

Other opportunities to further build in-house expertise are also considered on a team-by-team, function-by-function basis. For example, senior members of our in-house investment team have gained accreditation in the form of the CFA Certificate in ESG Investing, while members of our central strategy and Investor Relations teams have also upskilled through the Sustainability in Insurance course for senior leaders, run by the LMA through the ESG Academy they established during 2023.

We will consider further ESG or climate-specific training in 2024 as appropriate.

Policies and processes

The governance structure we have embedded for climate-related issues is also supported by a range of relevant policies and processes that we expect both our staff and our third-party providers to adhere to. These policies are all published on **hiscoxgroup.com** and include the following:

- the Hiscox Group ESG exclusions policy, which outlines our ambition to reduce steadily and eliminate by 2030 our (re)insurance and investment exposure to thermal coal, oil sands, Arctic exploration (beginning in the ANWR region) and controversial weapons. Oversight of this policy occurs at the SSC, as well as through the relevant underwriting and investment committees, with implementation of it driven at a business unit and function level across both underwriting and investments. The policy is reviewed annually and its 2023 review resulted in no changes;
- the Hiscox Group responsible investment policy, which outlines our expectations of both our in-house investment team and our external asset managers. This includes: our investment processes and stewardship activities as we look to invest in companies that have sound ESG practices; how we evaluate our managers' ESG integration; and our approach to impact investing. This policy is owned by the Group investment team with oversight from both the SSC and the Group Investment Committee. The policy is reviewed annually and its 2023 review resulted in no changes;
- the Hiscox Group environmental policy, which outlines our approach to managing the environmental impact of our business activities and those that arise from our ownership and occupation of office premises. We actively manage and aim to minimise our environmental impacts, due to the resources we consume and the amount of waste our activities produce, as well as complying with relevant environmental legislation and other external requirements. While the policy is owned by our Chief Operations and Technology Officer and reviewed periodically, its effective implementation relies on Group-wide adherence to the environmental principles we wish to live by. During 2023, it was reviewed and further enhanced in line with our evolving environmental practices;
- the Hiscox Group supplier code of conduct, which outlines how our corporate values and commitments to doing business in a socially responsible way extends to our relationships with suppliers and any subcontractors they may use. It covers areas including our commitment to fairness in

Our climate-related policies can be found at hiscoxgroup.com/about-hiscox/group-policies-and-disclosures.

the supplier selection process; supplier diversity; engagement; our expectations of how our suppliers behave as well as their obligations in adhering to laws and regulations regarding employment, health and safety, human rights and labour practices, the environment, diversity and inclusion, and anti-bribery and corruption. It is owned by our Group procurement team and shared with suppliers during our procurement and supplier review processes. During 2023, we continued to review our supplier code of conduct and evolved our procurement and supply chain management practices with the introduction of a new independent ESG ratings assessment for new and existing suppliers.

These governance policies and processes are complemented by our long-standing active risk management practices, which include climate-related stress testing and scenario analysis (see pages 36 to 39), both through our own established internal programme of stress testing and scenario analysis and also as participants in market-wide activities when they occur, such as the Bank of England's Climate Biennial Exploratory Scenario (CBES) in 2021 and the PRA's General Insurance Stress test (GIST) in 2022. Examples of the outputs of our internal work include the property extreme loss scenarios detailed on page 38, which show the potential financial impact to the Group of events including Japanese earthquake, Japanese windstorm, European windstorm, US earthquake and US windstorm. Our risk management practices also include the work of our exposure management groups, which is outlined on pages 36 to 39.

Our governance work culminates in regular, repeatable climate-related public reporting and disclosures. This includes owned reports such as our annual climate report, as well as global standards that provide a means of independent peer comparison such as CDP, ClimateWise, Dow Jones Sustainability Index, MSCI and Sustainalytics. An overview of our 2023 performance resulting from these disclosures can be found on page 60. These scores are used to inform areas of improvement for the year ahead, alongside our own sustainability plans, with the resulting action plans driven by the sustainability working group and overseen by the SSC in line with our established governance structure (see page 51).

Strategy

Climate-related strategic objectives

Strategic climate-related objectives are considered in the Board-approved Group business plan as each business area or function considers the climate-related elements that affect them – for example, from an underwriting, investment or operational perspective. The Group business plan outlines the strategic priorities for the business and is used by Senior Management to guide the Group's annual business strategy and financial planning.

Specific climate-related strategic objectives for the Group in 2023 included further thinking on the Group's sustainable underwriting strategy (including the management of climate-related underwriting risks and how we will realise climate-related underwriting opportunities), and the development of a double materiality assessment for the Group which included identifying the most material climate-related risks and opportunities for the Group (see page 48).

Process for identifying climate risks and opportunities

Climate-related risks and opportunities are identified and either progressed or managed and mitigated in much the same way as any other risks and opportunities facing the Group. The relevant structures involved in identifying climate-related risks and opportunities in particular are outlined on page 54.

Climate scenario analysis

The governance and risk management structures we have in place are critical to the delivery of the annual Group operating plan and ensure a coordinated approach to climate and other issues across the Group. These structures are supported by investments in technology – to ensure the right modelling and data are available to support our pricing and exposure – and by in-house expertise – where we combine off-the-shelf climate views with our own claims expertise and insight to form a unique view (what we call the 'Hiscox view of risk'). Therefore, we consider the potential impact from climate-related issues over a range of short-, medium- and long-term time horizons. We consider short term to be 0-2 years, medium term to be 2-5 years, and long term to be five years and over, which aligns with some of our business planning timeframes.

While in the long term as a property casualty insurer, Hiscox is certainly exposed to climate-related risks, we believe our exposures can be managed through time as a result of how we conduct our business. For example, through the flexibility we have in our predominantly annual underwriting contracts, and through the liquidity of our

Identified climate-related risks and opportunities

Risk type	Time horizon	Risk	Risk to Hiscox	Mitigation	Associated metrics and targets
Physical	Short, medium and long term	Increased frequency and severity of natural catastrophes including floods and storms.	Increased claims from customers and changes to current claims patterns. These claims will not only come from damage to property but also from other knock-on effects, such as global supply chain disruption or scarce resources.	Given the majority of the policies we write are annual (re)insurance policies, we regularly consider our exposures to physical climate change risks which gives us the opportunity to adjust pricing and appetite accordingly.	–
Transition	Short, medium and long term	Slump in the price of carbon-intensive financial assets.	Financial market dislocation could have a negative impact on our investment portfolios if we do not actively reduce our exposure to carbon-intensive financial assets.	Our ESG exclusions policy, which will see us reduce steadily and eliminate by 2030 our exposure to the worst carbon emitters in both underwriting and investments, prepares us for this, as do our GHG emission reduction targets.	ESG exclusions policy to 2030. GHG targets to 2050.
Litigation	Medium and long term	Increased cases of legal action against those that are seen as being responsible for climate damage.	Where such claims are successful, those parties against whom the claims are made may seek to pass on some, or all, of the cost to insurance firms through policies such as professional indemnity or directors and officers' insurance.	Given the majority of the policies we write are annual (re)insurance policies, we regularly consider our exposures to climate litigation risks which gives us the opportunity to adjust pricing and appetite accordingly. We could also consider specific policy exclusions over time.	–

Opportunity type	Time horizon	Opportunity	Opportunity to Hiscox	Associated risk	Associated metric and target
Reducing GHG emissions	Short, medium and long term	Realise efficiencies through reducing GHG emissions.	Reducing our GHG emissions would reduce our exposure to volatile carbon offset costs and is likely to allow us to realise operational efficiencies across the Group, including in our operations in terms of what we consume and in areas such as business travel.	Continued exposure to volatile carbon offset costs.	GHG targets to 2050.
Product development	Short, medium and long term	Development of climate impact-focused products and services that effectively address evolving customer needs.	Supporting our customers with risk adaptation products, tools and services that meet changing customer needs represents a significant growth opportunity, particularly in the UK and the USA where we already serve the markets with flood insurance products, and in the London Market where our ESG 3033 sub-syndicate is increasing capacity for insurance cover in high-growth areas such as renewable energy.	Loss of customers as a result of lack of relevance in our product and service offering.	–

investment portfolio which lends itself to constant adjustment. This flexibility is our key tool for managing the multi-decade challenge of climate risks holistically.

We also conduct our own in-house stress testing and scenario analysis and contribute to industry events which can help us manage the risks related to climate impact. While there was not an industry-wide exercise in 2023, in 2022 Hiscox Syndicate 33, Syndicate 3624 and Hiscox Insurance Company (HIC) participated in the Bank of England's General Insurance Stress Test (GIST). The objectives of the GIST 2022 exercise were to assess resilience to severe but plausible natural catastrophe, as well as cyber scenarios, to gather information about firms' modelling and risk management capabilities and to enhance the PRA's and firms' abilities to respond to future shocks.

While the exercise did not aim to assess the financial impact specifically from climate change, the climate-related (atmospheric) scenarios it explored – US hurricanes, European/UK windstorms and UK flood – represented severe but plausible realisations of current climate conditions chosen to reflect firms' exposures and business models. Industry-wide stress tests such as the GIST support our established and embedded programme of internal stress testing and scenario analysis and contribute to their continued evolution, with the risks and opportunities identified contributing to the table on page 54.

Climate-related product development

We are continuously developing products that are necessary for our customers in the short, medium and long term and that consider changing needs including in relation to a changing climate. What that looks like varies by business area; for example, through our participation in Flood Re in the UK, we are better positioned to provide flood insurance to some clients that are in high-risk flood areas, and in the USA our FloodPlus products similarly improve market access to affordable flood cover.

Hiscox UK flood insurance

In UK retail, where our climate-related exposures are relatively low, we have been supporting homeowners and small businesses with effective flood insurance for a number of years. As such, we are a longstanding participant in Flood Re, the government-backed scheme designed to improve both the access and affordability of flood insurance for high-risk properties. Through our participation in Flood Re, we also support the 'Build Back Better' provision introduced to Flood Re in 2022. This provision enables customers to access further funds, above reinstatement costs, after a flood to install flood resilience measures that are designed to reduce the cost and impact of future flooding. However, for our high-value home insurance product this is an approach we have taken for some time because we have always believed that prevention is better than cure.

Hiscox UK sustainability and environmental professional indemnity

In UK retail, we offer a suite of tailored professional indemnity (PI) products for specific emerging professions and sectors. Given the continued growth in environmental and ESG-related professions, in recent years our PI product suite has included a bespoke product for green consultants – designed specifically for businesses, consultants or freelancers who are providing professional advice and consultancy on environmental goals and practices to protect them against claims arising from any poor or negligent advice given. During 2023, we reviewed our green consultants product offering and have evolved the product in line with the changing risk landscape, consumer expectations and feedback, and our own claims insights. The result of this work is our new sustainability and environmental PI product, which better reflects the current landscape of climate-related, environmental and broader sustainability professions which are emerging. As such, it is designed specifically for those professionals providing advice and services in the ESG sector, and who use their professional expertise to help clients reach their sustainability goals. In addition to the standard elements of PI cover, the policy provides more tailored elements of cover for risks associated with sustainability or climate-related incentives and tariffs, or environmental certificate providers – whether these risks relate to our customer's own practice, or those of their client.

Hiscox London Market FloodPlus

We also support clients with effective flood cover in our big-ticket London Market business, where our award-winning FloodPlus product offers higher limits and wider coverage than those provided by the National Flood Insurance Program (NFIP), the US government-backed scheme. Through FloodPlus, we also offer premium discounts for those who take steps to minimise the risk to their property from flood. Our pricing capabilities for FloodPlus are significant, as we use a combination of in-house modelling and additional model sources to identify location level pricing, and we work with data providers to augment the information we receive from vendor flood hazard maps which enhance our ability to view first-floor elevation data.

Hiscox London Market ESG 3033

During 2023, we launched ESG 3033 – a sub-syndicate of our Lloyd's Syndicate 33 – to recognise those businesses we provide insurance for who can show they have a positive ESG record. It is industry agnostic and brings additional insurance capacity to those clients to help them cover ESG-positive risks, such as wind and solar farms. In time, this should lead to premium savings for those businesses who show how their ESG performance makes them a more attractive risk.

Climate risk exposure management

Our natural catastrophe team uses catastrophe models, paired with atmospheric models, that are created with the latest IPCC science to achieve a quarterly risk review of Hiscox 's exposure to peril impacts. The team's work also results in a one-year forward-looking model of relevant natural catastrophe risks, which reflects the fact that the majority of the policies we write are annual in nature, and supports our ability to rapidly respond to emerging trends as required. The team includes historical claims data in the model to produce a realistic likelihood of risk exposure to Hiscox, and alongside other functions this work contributes to the development of UK entity level climate action plans which are reviewed and approved at both entity-level and through the SSC. One example of how an identified risk has been managed with the help of the natural catastrophe team relates to Japanese typhoon risks, where through modelling we identified changing typhoon patterns in terms of both size and intensity, which we were then able to reflect in how we price this particular business.

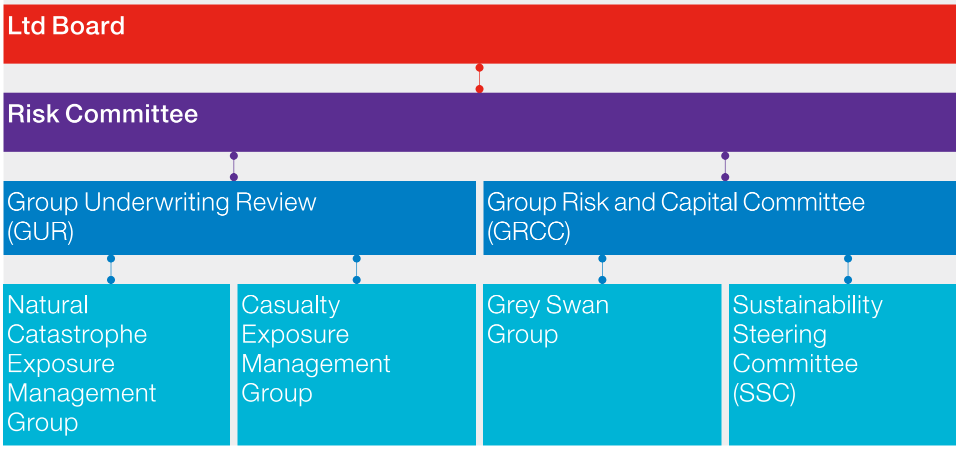
Decarbonisation

We are committed to reducing our emissions to minimise our impact on the environment and the impact of climate on our business, and we understand that

12 36

More information on our broader risk management structures and processes, of which climate-related risk management is one component, can be found in the key risks and risk management sections.

Climate risk management and oversight



by reducing our emissions, we are reducing our impact to some climate-related risks as our exposure to some transition risks will decrease. The business has set internal near-term targets that are aligned with the Paris Agreement, and our current focus includes reducing Scope 2 emissions by switching to renewable electricity across our office estate. We aim to build on this work in 2024 with the continued development of our decarbonisation (or low-carbon transition) plans.

Risk management

Approach to climate risk management

While there are certain nuances to climate risk, we consider it to be a cross-cutting risk with the potential to impact each existing risk type rather than a stand-alone risk. We look at how climate interacts with different risks and whether this may result in correlations or concentrations of exposure that we need to know about, monitor and manage.

Climate-related risks, among other major exposures, are monitored and measured both within our business units and at Group level. By design, our Group risk management framework provides a controlled and consistent system for the identification, measurement, mitigation, monitoring and reporting of risks (both current and emerging) and is structured in a way that allows us to continually and consistently manage the various impacts of climate risk on the risk profile. Examples of the climate-related risks identified can be found on page 54, and for more information on the risk management framework, see page 37.

Our risk and control register, risk and control self-assessment process, and risk policies include relevant climate considerations against each of our existing risk types, including our key risks which can be found on pages 12 to 15. Therefore, climate-related risk drivers are not considered a single risk factor but are assessed and recorded against the risks on our risk and control register.

Climate risk appetite

In line with regulatory requirements, we have developed a climate risk appetite statement for the Group, which articulates our risk appetite when it comes to climate and guides our approach to climate risk. The climate risk appetite statement was formally approved by the SSC and during 2023 we undertook further work to measure and track our climate-associated risks where such risks are modelled and where the Group has the capabilities required to manage them. This work will continue to be a focus during 2024.

Climate risk management and oversight

Our Risk Committee is responsible for assessing the climate-related risks and opportunities we face. It advises the Board on how best to manage the Group's risks, by reviewing the effectiveness of risk management activities and monitoring the Group's actual risk exposure. The Risk Committee relies on frequent updates from within the business, including those arising from the management committees and working groups that report up through the Risk Committee, and from independent risk experts for its understanding of the risks facing both our business and wider industry.

Group Underwriting Review (GUR)

The GUR is a Group management committee focused on assessing progress against the Group's strategic underwriting priorities, reviewing and challenging the Group's underwriting portfolio and loss ratio performance, and approving key underwriting risks. It also serves as an escalation point for underwriting governance and control issues. The committee meets at least five times a year, is chaired by the Group Chief Executive Officer, and attended by other senior leaders including the Group Chief Financial Officer, Group Chief Underwriting Officer and the Group Chief Risk Officer – with experts invited from actuarial, claims, underwriting risk and reinsurance.

A number of working groups feed into the GUR, including some with particular climate relevance such as the Natural Catastrophe Exposure Management Group (see below) and the Casualty Exposure Management Group, which considers among other things risks associated with climate litigation.

Deep dive – the Natural Catastrophe Exposure Management Group

The Natural Catastrophe Exposure Management Group reviews natural catastrophe risk at least quarterly. This group is chaired by the Group Chief Underwriting Officer and attended by other Hiscox senior managers responsible for catastrophe-exposed business. This group looks at the risk landscape, exposure monitoring and capital modelling for climate-related perils, and recommends, based on the latest observations and scientific knowledge, which models should be used for each peril, and, if necessary, how they should be adapted to reflect our best view of the risk. They also identify new areas of risk research.

The models are reflected with changes to Hiscox's modelling policy, historical claim data and all of our research prioritisations. The results from the updates are signed off and authorised by

Climate Value-at-Risk (CVaR)

Warming scenario	1.5°C	2.0°C	3.0°C
CVaR (%)	(4.6)	(3.7)	(3.0)
CVaR ($m)	(367)	(296)	(244)

Data as at year-end 2023.

Percentages above are calculated as a proportion of total investable assets.

This analysis aggregates the bottom-up exposure of our investee companies to policy risk, technology opportunities and physical climate risk to produce a holistic view of the Group's risk exposure in different plausible scenarios. The modelling uses the AIM CGE model for future carbon prices and assumes aggressive physical risk scenarios.

These stress tests are updated quarterly and are run for each entity, portfolio and at Group level. The calculated values are also compared to the outcomes for a globally diversified equity index and are included within our internal ESG investment dashboard in order to highlight any Management actions required.

this group, resulting in recommendations of changes to Hiscox's policies to mitigate the potential impact of climate-related losses to the Group.

Deep dive – the Casualty Exposure Management Group
This Group develops and manages the systemic risk that may arise in our casualty portfolio. Extreme loss scenarios are run to better understand and manage the associated risks throughout Hiscox. The risks that the team review include possible climate litigation covering topics such as greenwashing, energy litigation and mis-statement of disclosures. There is potential exposure in all business units, particularly in our London Market business in areas such as general liability, marine and energy liability and D&O. The team continues to track developments in climate cases, new legislation and corporate reporting requirements to understand potential risks, and these are taken into account when setting business plans across the Group.

Group Risk and Capital Committee (GRCC)
The GRCC is a Group Management committee focused on risk and capital management. It covers all types and categories of risk, including but not limited to underwriting, reserving, market, credit, operational and strategic risk (see pages 12 to 15 for a summary of our key risks), as well as risk aggregation, concentration and dependencies. The committee meets four times a year, is chaired by the Group Chief Executive Officer, and attended by other senior leaders including the Group Chief Financial Officer, Group Chief Underwriting Officer, Group Chief Risk Officer, and the Group Head of Capital Management – with other experts invited from across the business as required.

A number of committees feed into the GRCC, including some with particular climate relevance such as the SSC and the Grey Swan Group (see below).

Deep dive – the Grey Swan Group
Grey swan risks are defined as being those risks with a potentially large impact, but a low perceived likelihood of happening. Therefore, the focus of the Grey Swan Group is to consider various enterprise emerging risks identified from across the business and to provide a forum for discussion to ensure Hiscox has the relevant 'grey swans' identified and the right actions in place to address them. Several elements feed into this process, including enterprise emerging risk scanning; regulatory horizon scanning; casualty exposure management; strategic and business planning; claims and actuarial reserving; and any other relevant business unit or function inputs. Rapidly evolving expectations on company's responses to sustainability and climate change are considered as part of this group, in addition to other matters unrelated to sustainability or climate change.

The risk management processes we have established and embedded for climate-related matters feed into the annual review of the operating plan, the long-term strategy planning process, forward-looking assessment scenarios, stress tests, and reverse stress test scenarios.

Metrics and targets

Metrics
We recognise the need to establish climate-related metrics that can inform and incentivise the management of our identified climate risks and opportunities. While we have established metrics in areas such as GHG emissions, investments, and underwriting exposure, we have more work to do in other areas and as such we are committed to expanding our disclosures in the near future to ensure we can further quantify our progress over time.

Climate Value-at-Risk (CVaR)
Hiscox's investment exposure to climate risk in different global temperature scenarios can be analysed through the lens of CVaR. This form of stress and scenario testing is designed to aid our identification, assessment, and management of climate-related risks as they arise and complements our participation in market-wide activities such as the Bank of England's Climate Biennial Exploratory Scenario (CBES) in 2021 and the PRA General Insurance Stress Test (GIST) in 2022.

Current models do not forecast any loss in cash or government bonds, and generally do not cover asset-backed securities at present. Therefore the stress impacts mainly derive from climate risk exposure within our corporate bond portfolio, and within our equity portfolios to a smaller extent.

For Hiscox's investments as a whole the CVaR results for the different scenarios, as of year-end 2023, are shown in the table above.

GHG targets
Our GHG targets commit us to:
- reduce our Scope 1 and Scope 2 emissions by 50% by 2030, against a 2020 adjusted baseline;
- reduce our Operational Scope 3 emissions by 25% per FTE by 2030, against a 2020 adjusted baseline;
- transition our investment portfolios to net-zero GHG emissions by 2050;
- engage with our suppliers, brokers

and reinsurers on our net-zero targets and on their plans to adopt Paris-aligned climate targets;
- monitor emerging standards around underwritten emissions and collaborate across our industry on their development, aligning with best practice in this area as it emerges.

Our GHG targets are important as they will help us to reduce our exposure to volatile carbon costs in the future, for example, the cost of offsetting, and therefore help to mitigate the financial risks associated with our GHG emissions.

Interim GHG targets

We recognise that achieving these targets will take collective, consistent effort and continue to work towards achieving them.

- In addressing our Scope 1 and Scope 2 targets, we continue to produce a half-year carbon footprint process in order to further enhance data transparency and accuracy and provide a midpoint for internal tracking and review.
- We continue to review all electricity contracts across the Group to further improve our evidence base and oversight as we migrate to renewable electricity contracts wherever possible.
- On Scope 3, where emissions are dominated by our investments, we have set a number of interim targets:
  - we aim for more than 25% of our corporate bond portfolio by invested value to have net-zero/Paris-aligned targets by 2025;
  - we are targeting an additional 25% by AUM coverage every five years as we aim to be on a linear path to 100% portfolio coverage by 2040.

Water and waste

	Activity data (UoM)		Emissions (tCO_2e)	
	2023	2022	**2023**	2022
Waste (tonnes)	**84.6**	141.2	**23.9**	49.1
Waste water (m^3)	**29,002.1**	37,646.8	**5.8**	10.5

Total GHG emissions inventory 2020-2023*

Scope	**2023 (tCO_2e)**	2022 (tCO_2e)	2021 (tCO_2e)	2020 (tCO_2e)	2023 vs. 2020 baseline
Scope 1	**408.9**	786.6	677.5	615.2	-33.5%
Scope 2 (market-based)	**1,043.1**	926.1	866.2	1,110.7	-6.1%
Total Scope 1 and 2	**1,452.0**	1,712.8	1,543.7	1,725.9	-15.9%
Scope 3 (operational)	**23,495.1**	19,298.1	17,116.2	27,461.0	-14.4%
Scope 3 (operational) per FTE	**6.7**	5.8	5.8	8.9	-24.7%
Total operational footprint	**24,947.1**	21,010.8	18,659.9	29,186.9	-14.5%
Scope 3 (non-operational)	**14,559.3**	9,862.2	8,458.0	7,046.0	106.6%
Investments†	**129,526**	127,497.0	125,156.0	135,275.0	-4.2%

Our Scope 1-3 emissions (excluding investments) are independently verified to a reasonable assurance level. A limited level of assurance has been attained for Investments emissions. A copy of the verification statement can be found at **hiscoxgroup.com/responsibility/environment.**

*GHG emissions are calculated according to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition). Hiscox uses market-based Scope 2 emissions for reporting in line with its GHG reduction target. Scope 1 includes natural gas, fugitive emissions (leakage of gases from air conditioning and refrigeration systems) and company cars, while Scope 2 includes electricity and district heating/cooling. Operational Scope 3 includes operational suppliers (office and other related services), capital purchases, fuel and energy-related activities, waste generated in operations, business travel, employee commuting and remote working. Non-operational Scope 3 includes emissions that do not directly contribute to the emissions associated with daily business activity, including non-operational purchased goods and services, transportation and distribution and downstream leased assets.

An assessment across all categories of Scope 3 emissions has taken place and the relevant categories are disclosed as part of our full GHG inventory (above). Note some emissions totals may not tally due to rounding. A copy of our Streamlined Energy and Carbon Reporting (SECR) GHG emissions table can be found on page 59.

The investment emissions are calculated using the Enterprise Value Including Cash (EVIC-based) method of attributing financed emissions to investors, and calculations use Morgan Stanley Captial International's (MSCI) carbon data† as the ultimate source. Our 2020 operational emissions baseline for business travel has been restated to project pre-Covid travel patterns.

†Although Hiscox's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the 'ESG Parties'), obtain information (the 'information') from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

We are currently making good progress towards the first of our interim targets, with approximately 24% of our corporate bond portfolio having net-zero/Paris-aligned targets as at year end and we will continue to engage with our managers on further net-zero plans and action.

2023 GHG emissions

We continue to focus on managing and reducing our carbon emissions.

We have been engaging with our landlords to move towards renewable electricity and other sustainable measures, and saw a decrease in our Scope 1 and 2 market-based GHG emissions in 2023 vs 2022.

With our Scope 3 operational emissions, we have seen an increase compared to the previous year, driven in part by an increase in operational emissions from purchased goods and services, in line with heightened overall spend in this area in 2023. There is also a corresponding increase in upstream transport and distribution (T&D) emissions. We will look to further enhance our supplier emissions data in 2024 through our partnership with a global sustainability ratings provider. Business travel emissions also increased this year. This reflects our improved data

Streamlined Energy and Carbon Reporting (SECR) GHG emissions

	Current reporting year (2023)			Previous reporting year (2022)			
	UK	Global (excluding UK)	Total	UK	Global (excluding UK)	Total	% Change in emissions (total)
Fuel consumption – stationary (Scope 1) (tCO_2e)	269.5	45.5	315.0	397.2	48.0	445.2	-29.3%
Fuel consumption – mobile (Scope 1) (tCO_2e)	–	44.4	44.4	–	250.2	250.2	-82.3%
Fugitive emissions (Scope 1) (tCO_2e)	32.3	17.3	49.6	58.5	32.7	91.2	-45.6%
Scope 1 total (tCO_2e)	301.7	107.2	408.9	455.7	330.9	786.6	-48.0%
Electricity (Scope 2) – location-based*† (tCO_2e)	514.4	926.6	1,441.0	564.4	748.9	1,313.3	9.7%
Electricity (Scope 2) – market-based*‡ (tCO_2e)	38.0	955.2	993.2	37.1	836.5	873.6	13.7%
District heating and cooling (Scope 2) (tCO_2e)	–	49.9	49.9	–	52.5	52.5	-5.0%
Scope 2 market-based total (tCO_2e)	38.0	1,005.1	1,043.1	37.1	889.1	926.1	12.6%
Total Scope 1 and Scope 2 (location-based)	816.1	1,083.7	1,899.8	1,020.2	1,132.3	2,152.5	-11.7%
Total Scope 1 and Scope 2 (market-based)	339.7	1,112.3	1,452.0	492.8	1,220.0	1,712.8	-15.2%
Scope 1 and 2 intensity ratio – location-based (tCO_2e/FTE)	0.5	0.6	0.5	0.7	0.6	0.6	-16.7%
Scope 1 and 2 intensity ratio – market-based (tCO_2e/FTE)	0.2	0.6	0.4	0.3	0.7	0.5	-20.0%
Total energy consumption (kWh)§	3,956,953.3	3,033,851.5	6,990,804.8	5,094,929.5	4,011,492.1	9,106,421.6	-23.2%

*Includes electricity consumption from both stationary and mobile assets.
†A location-based method reflects the average emissions intensity of grids on which energy consumption occurs.
‡A market-based method reflects emissions from the electricity supply that the company has purchased.
§Total energy consumption refers to all energy consumption under Hiscox's operation control. This includes Scope 1 and Scope 2: natural gas, fuel oil, refrigerants, stationary electricity, mobile electricity and district heating/cooling.

For the purposes of baselining and ongoing comparison, we are required to express emissions using a carbon intensity metric. The intensity metric chosen is FTE.

In line with the requirements set out in the UK Government's guidance on streamlined energy and carbon reporting, the table above shows Hiscox's total annual energy use and GHG emissions associated with the consumption of electricity, natural gas and other fuels combusted, and fuel consumed for relevant business transport purposes, for the period 1 November 2022 to 31 October 2023.

The methodology applied to the calculation of GHG emissions is the 'GHG Protocol: Corporate Accounting and Reporting Standard (revised edition)'. An 'operational control' boundary has been applied. Carbon factors from UK Government GHG Conversion Factors for Company Reporting, and the International Energy Agency (IEA) database and, the United States Environmental Protection Agency (US EPA) GHG Emission Factors Hub database have been used to calculate the GHG emissions, where they are not separately provided by a supplier. Emissions are reported as tCO_2e. Electricity emissions have been reported as both 'location-based' and 'market-based'.

This table will differ from our full GHG inventory on page 58. In our full GHG inventory you will find information on our Scope 3 emissions not required under SECR.

In 2023, the UK accounted for 23% of our global total Scope 1 and 2 of our market-based emissions, as well as 57% of our global energy use, outlined in the table above.

In 2023 we implemented a number of energy efficiency initiatives, including an investment in smart controls for the firing of boilers in both our York and Colchester offices. These controls lead to reduced energy and gas consumption and support our continued progress towards decarbonisation.

ESG disclosure

We recognise the importance of credible, repeatable and comparable ESG disclosure which is why we contribute to a number of independent ESG standards.

2023: B grade
2022: B grade

CDP

2023: AA grade
2022: AA grade

MSCI

2023: 78%
2022: 83%

ClimateWise

2023: 28.0
2022: 28.7

Sustainalytics

2023: 43/100
2022: 45/100

Dow Jones Sustainability Indexes

collection process as we implemented a central travel booking system across all regions, and a continued rebound in travel-related emissions compared to previous years.

Conversely, we saw a significant decrease in our capital goods expenditure this year compared to 2022, when one-off costs related to the London office move in 2022 had a material effect.

We also report on waste and waste water usage (see page 58), where the year-on-year improvements we have seen are predominantly driven by further enhancements to our data collection processes, including greater use of actual, rather than estimated, data. In relation to waste data, this has resulted in more detail on waste types for some sites, which in turn allows for more accurate categorisation of emission factors.

Tracking progress against our GHG targets

Progress against these targets is driven by our sustainability working group and overseen by the SSC. For example, emissions data is discussed at least annually at the sustainability working group and SSC, with other related activities discussed periodically. This includes our progress against targets, and any issues with progress are escalated through the established sustainability governance structure (see page 51).

Progress against these targets is also recorded through our annual carbon reporting cycle, and we seek to remain operationally carbon neutral through offsetting, as we have been since 2014, while also actively reducing our emissions over time. Our primary and continuous goal is to improve our emissions reporting to become more granular in order to help us reduce emissions efficiently and confidently.

Climate targets

Beyond our GHG targets, other climate-related measures include:

- underwriting and investment exposure to carbon-heavy sectors including coal-fired power plants and coal mines, oil sands and Arctic energy exploration (beginning with the Arctic National Wildlife Refuge), in line with our Group ESG exclusions policy;
- annual investment portfolio sustainability reviews, taking into account climate-related issues, in line with our responsible investment policy;
- the amount invested in ESG/green bonds, which at year end stood at $367 million, or 5.7% of the corporate bond portfolio;
- the growth and exposure of sustainable underwriting products such as flood and renewable energy products, including, but not limited to, the business written through the ESG sub-syndicate we launched during 2023, ESG 3033.

Progress against climate targets

These activities are owned by the relevant business areas, including underwriting and investments. Given the commercial sensitivities of these targets, progress is monitored through internal dashboards and reported through the embedded sustainability governance structures as well as other relevant committees, such as the Investment Committee.

TCFD disclosure mapping compliance statement

Theme

Governance
Disclose the organisation's governance around climate-related risks and opportunities.

Strategy
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

Risk management
Disclose how the organisation identifies, assesses, and manages climate-related risks.

Metrics and targets
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Read more in our 2023 CDP disclosure **hiscoxgroup.com/cdpdisclosure2023.**

Read more about our approach to climate change in our 2023 climate report*, available online at **hiscoxgroup.com/2023climatereport.**

*Our 2023 climate report was published in August 2023 and covers our climate-related activities between July 2022 and July 2023. Where we reference information from that report, that information remains correct at 5 March 2024.

Disclosures have been made in alignment with the TCFD recommendations and in compliance with the FCA Listing Rule LR 9.8.6R(8) on climate-related disclosure. The disclosure takes into account the TCFD supporting guidance, including the TCFD Implementing Guidance Annex (updated October 2021) and the Supplemental Guidance for the Financial Sector.

The table below summarises where we are reporting consistently against the recommendations. Where additional information outside of this report aids our TCFD disclosure, links to this information have been provided, and where we have not yet disclosed fully against the recommended TCFD disclosure, we have outlined why this is and the actions already being taken towards meeting the disclosure requirements within the timeframe given.

Recommended disclosure	Status	Reference
Describe the Board's oversight of climate-related risks and opportunities.	Disclosed.	2023 climate report* pages 11 to 14. CDP climate questionnaire 2023.
Describe Management's role in assessing and managing climate-related risks and opportunities.	Disclosed.	2023 climate report* pages 17 to 18. CDP climate questionnaire 2023.
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Disclosed.	2023 climate report* pages 27 to 28 and 33. CDP climate questionnaire 2023.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Focus on developing a low-carbon transition plan to enhance disclosure.	CDP climate questionnaire 2023.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Focus on reviewing our most material scenario impacts ahead of any further disclosure.	2023 climate report* pages 12, 15 and 54 to 55.
Describe the organisation's processes for identifying and assessing climate-related risks.	Disclosed.	2023 climate report* pages 17 to 18 and 31 to 36. CDP climate questionnaire 2023.
Describe the organisation's processes for managing climate-related risks.	Disclosed.	2023 climate report* pages 11 to 14 and 17 to 18. CDP climate questionnaire 2023.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Disclosed.	2023 climate report* pages 11 to 14 and 17 to 18. CDP climate questionnaire 2023.
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Additional indicators to monitor and manage risk exposure, including TCFD's cross-industry climate-related metrics, to be considered over time.	2023 climate report* pages 23 and 43. CDP climate questionnaire 2023. See Hiscox Group website.
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	Disclosed.	CDP climate questionnaire 2023. See Hiscox Group website.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Disclosed.	2023 climate report* pages 23 and 43. CDP climate questionnaire 2023.

Diversity, equity and inclusion (DEI)

“It’s really important for us to be able to attract, develop and retain the very best talent, and that means creating a culture where talented people with different perspectives and experiences can thrive.”

Kate Markham
Chief Executive Officer, Hiscox London Market and DEI Executive Sponsor

At Hiscox, people matter. Having a human approach to our work is really important to us. This means we try to be clear, fair, and inclusive, and to treat everyone around us with the respect they deserve. Hiscox operates in a global market and much of the success of our business is dependent on our people, which is why we want to build a workforce that reflects our customer base, as well as the diverse communities in which we live and work, with employees from different backgrounds bringing unique perspectives and experiences. Our belief is that diverse teams and an equitable and inclusive workplace are important contributors to building sustainable growth, which is why we remain focused on nurturing a working environment where all our people can thrive.

DEI strategy

Our DEI strategy is built on four cornerstones. Together, these four cornerstones provide the solid and sustainable foundation that we need to achieve our vision and drive progress.

Represent, lead and guide the DEI culture.
How we lead the way forward is critical. Our DEI strategy is integral to our overall business strategy and we all have a responsibility to contribute to a diverse and inclusive Hiscox.

Strengthen and leverage data and insights.
We are investing in our data inputs and outputs so we can drive deeper insights and understanding of our workforce, pain points and opportunities. This will help us make better decisions and place wiser bets to get us the results we want.

Inspire with our story.
Our stories are important. We listen to and communicate our successes, invest time and effort into building on the vision, and work hard to understand how our employees and customers experience Hiscox so we can know who we are, ‘see’ progress and help our people see themselves as part of the Hiscox success story.

Make DEI ‘business as usual’.
We continue to invest in equitable structures, programmes, and tools that enable our journey, so that being diverse, equitable and inclusive is just our everyday way of doing business.

Our DEI journey: steady progress over time

2018

- Established our Board diversity and inclusion policy.
- Unconscious bias training introduced.
- Published our first UK gender pay report in 2018, reflecting 2017 data, when our UK gender pay gap was 31.1% on a mean basis.
- In addition to our Women at Hiscox network, we launched a number of new employee networks: Generations; WeMind (our mental health and well-being network); Parents and Caregivers; Pan-African; Latino; and Pride (LGBT+).

2019

- First sponsored the Queer Frontiers art exhibition.
- Published our transitioning in the workplace guide.

2021

- Appointed a Global Head of DEI and established our Global DEI strategy and vision.

2022

- Launched our global hybrid working programme.
- Launched our Global Abilities employee network that focuses on disabilities and neurodiversity.
- Became Founding Sponsors of the Black Insurance Industry Collective in the USA.

2023

- First published employee ethnicity metrics in our Annual Report.
- Published our latest UK gender pay report, which for 2023 showed our UK gender pay gap has reduced over time and is now at 16.0% on a mean basis.
- Set our first target for ethnic minority representation at Senior Management level (see page 66).

Social commitments and partnerships

Black Insurance Industry Collective (BIIC)

SEO London

Insuring Women's Futures

UK Living Wage employer

Structure and oversight

Our senior leadership drives sustainable progress in diversity, equity and inclusion across the Company. This includes our DEI approach to building culture, the alignment of policies and processes with inclusion principles, building community and belonging via employee networks, and ensuring alignment to credible external DEI commitments.

We are building DEI capability across the Company and embedding DEI principles and best practices into our processes and structures, while translating our global plan into local action. Plans are monitored centrally and also via specific local reports to subsidiary boards. This approach is supported by an annual report on DEI which our Nominations and Governance Committee receives.

We also have active and passionate employee networks, which focus on building communities and support around a variety of employee populations. Our 18 employee network chapters include Global Abilities (disabilities and neurodiversity), Pan-African, Generations, Latino, Parents and Carers, Pride (LGBT+), WeMind (mental health), and Women at Hiscox, and these groups support our DEI strategy by building communities, helping to drive positive employee engagement and promoting a culture of inclusion. During 2023, our networks delivered a series of webinars and panel discussions ranging from breaking bias, good coaching, tackling progression barriers, Pride commemorations and education around neurodiversity to health, hormones and happiness, as well as networking events.

DEI policies

Our efforts are guided by the Hiscox Ltd Board DEI policy and our Group DEI policy, which applies to all employees. Our Board policy lays out the purpose, scope and governance of our DEI efforts, and the Board's commitment to DEI, including the Board's and Hiscox's overall diversity and how DEI is considered in appointments and succession planning at Board level. The Group DEI policy also lays out the purpose, scope, governance, principles and commitment to DEI, how we apply the policy in all areas of our business, and how we monitor progress.

These policies are publicly available on our website at **hiscoxgroup.com/about-hiscox/group-policies-and-disclosures.** Both reflect the ethos of the Company in advocating that opportunity should be limited only by an individual's ability and drive. The specific objectives of the Hiscox Ltd Board DEI policy, as well as how they have been implemented and the results during the reporting period, are set out on page 67.

DEI training and awareness

Each year we review our programmes to identify opportunities to further embed DEI principles and practices into our learning and development materials and approaches.

In addition, foundational DEI training is available to all employees and all new joiners are invited to complete the training within their first month. In the last year, we've also made training available on topics such as allyship, creating psychological safety, building inclusive teams, and neurodiversity in the workplace, and have introduced guidelines to help people managers support those experiencing perimenopause and the menopause.

We have also made mentoring accessible to any employee who wants it, as we look to improve readiness for leadership roles at mid-manager level and ensure equity when it comes to opportunities to progress.

DEI projects and progress

We want to play our part in advancing DEI across the insurance industry. Recognising that we cannot achieve lasting change on our own, we participate in the Insurance Inclusion Diversity Forum, enei Member Forum and We Are The City, as well as DEI-focused workstreams within the ABI and others. We are particularly proud to have contributed to the creation of the ABI's DEI Blueprint to clarify and promote DEI best practices across the insurance industry.

During 2023, we continued to focus on improving our DEI data by giving colleagues the opportunity to 'self-ID' (in countries where the law allows us to do so) by providing their demographic information across a variety of diversity-related categories beyond sex and ethnicity. This helps us build a more complete picture of our workforce (including intersectionality), understand our progress and further evolve our DEI strategy and approach.

We're also empowering employees to tell their own diversity story through our 'Voices' campaign, to highlight the unique perspectives within our organisation and help foster an open and inclusive working environment.

We remain committed to facilitating healthy feedback across the Company, and our employee engagement network ensures employees' views are considered in Board decision-making.

Our DEI policies can be found at **hiscoxgroup.com/about-hiscox/group-policies-and-disclosures.**

Gender/sex diversity at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management*	Percentage of Executive Management*	Percentage of Executive Management and direct reports†	Percentage of all employees
Men	7	58%	4	8	62%	58%	50%
Women	5	42%	–	5	38%	42%	50%
Not specified/prefer not to say	–	–	–	–	–	–	<1%

Ethnic diversity at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management*	Percentage of Executive Management*	Percentage of Executive Management and direct reports†	Percentage of all employees
White British or other white (including minority-white groups)	11	92%	3	10	83%	82%	75%
Mixed/multiple ethnic groups	–	–	–	–	–	2%	3%
Asian/Asian British	1	8%	1	2	17%	7%	9%
Black/African/Caribbean/black British	–	–	–	–	–	5%	7%
Other ethnic group, including Arab	–	–	–	–	–	–	2%
Not specified/prefer not to say	–	–	–	–	–	4%	4%

*For the purposes of the UK Listing Rules, Executive Management includes the Group Executive Committee (the most senior executive body below the Board) and the Company Secretary, excluding administrative and support staff.
† For the purposes of the UK Corporate Governance Code, Senior Management (which for consistency we refer to as Executive Management in the tables above) includes the Group Executive Committee and the Company Secretary and their direct reports.

Our approach to gender/sex and ethnicity data collection and reporting is consistently applied in the countries where we collect this data, according to local law and custom. We use the Group's online HR management system, Workday, to collect and securely store this data.

In all countries, employees can choose to self-report their gender/sex (male/female) or specify that they 'prefer not to say'.

In the countries where we collect ethnicity data (currently the UK, Bermuda, USA and Guernsey), employees can choose to self-report their ethnicity, specify that they 'prefer not to disclose', or not provide an answer at all (leave blank).

The self-reported ethnicity options provided in each country are aligned to the options provided in that country's government census, and have been collated corresponding to the UK Listing Rules' prescribed categories by our People team. Any ethnicities reflected in a country's census that do not align with one of the prescribed categories in the table were included in the 'other ethnic group' row data.

The data reported here includes the self-reported data provided by our employees in the countries where we collect the data. For any data categories where an employee has not provided a response, these employees are counted in the 'not specified/prefer not to say' row. We do this so that, to the best of our abilities, all employees in the countries where we collect the data are accounted for.

The data does not include employees in countries where we were unable to collect data.
Note: some totals may not tally due to rounding.

This programme involves Board Director-facilitated discussions with representative groups of employees from across the business, with diversity of gender, ethnicity, geography, tenure and business area, as well as other aspects of diversity. In 2023, these Board-facilitated meetings took place several times with different employee populations and explored key topics including DEI, workplace culture, workplace planning, employee sentiment and rewards and benefits.

DEI reporting and disclosures

We recognise that reporting and disclosure is important for continued DEI progress. We have fulfilled our UK obligations to report our gender pay gap ratios with respect to our UK subsidiaries, and published our latest annual gender pay report during the year. This report sets out in detail the gender-related programmes and initiatives we pursued during 2023 and can be viewed at **hiscoxgroup.com/gender-pay-report-2023**.

We also report our Board and Executive Management diversity data as at 31 December 2023 in accordance with the UK Listing Rules targets and associated disclosure requirements – see page 65 for further details.

As at 31 December 2023, the Board comprised 42% women and there was one Director from an ethnic minority background. None of the four FCA-specified positions on the Board (Chair, Group Chief Executive Officer, Group Chief Financial Officer or Senior Independent Director) was held by a woman. However, the UK Listing Rules targets do not consider other executive roles in the context of these senior Board positions and one of the three Executive Directors on the Board, our Chief Underwriting Officer, is a woman.

The Board continues to work towards building a pipeline of diverse candidates and this, combined with the UK Listing Rules targets, underlines the importance of the Company's efforts in this area. The Company will continue to monitor its progress against these targets over the course of 2024 and will provide a further update in the 2024 Annual Report and Accounts.

We report our ethnicity representation in Senior Management* and have set a target for ethnic minority representation in these ranks to be met by 2027, in support of the updated Parker Review. As at 31 December 2023, our Senior Management (which consists of 88 individuals) comprises 11% ethnic minorities†. Our intent is to improve this representation to 13% by the end of 2027.

In some of the jurisdictions in which we operate, current laws mean it is not possible to collect ethnicity data from employees, but where we can we encourage employees to self-identify. As such, improving the volume of voluntary disclosure from employees remains a focus area and while that work continues we are pleased to be disclosing all-employee ethnicity data, as far as we are able to currently, for the second consecutive year in this report.

We will look to build on this good work in 2024 and beyond by strengthening our ability to leverage data and insights, building our DEI skills and capabilities, inspiring others with our story, and embedding DEI into business as usual.

Together, these initiatives will strengthen the diversity measures we already have in place and build the maturity of the DEI landscape at Hiscox.

*For the purposes of the Parker Review, Senior Management includes the Group Executive Committee (the most senior executive body below the Board) and the Company Secretary, and their direct reports, excluding administrative and support staff.
†An additional 16% of our Senior Management live in countries where we do not currently collect ethnicity data and therefore are not reflected in our ethnic minority metrics.

Board DEI objectives and 2023 progress

Board objective	Implementation	Progress
1. Ensure a diverse[1] and effective Board	— Annually review the structure, size and composition of the Board, including the balance of skills, knowledge and experience to assist in the development of a diverse pipeline. — Annually review Board diversity as part of the Board evaluation process. — Ensure the values of the Company promote an open and inclusive environment.	Page 75 of this Annual Report demonstrates the diversity of our Board as at 5 March 2024. Via the delivery of our Board DEI policy, we have: — maintained a gender balance in line with the Davies and Hampton-Alexander reviews since 2015 and intend to work towards the current FTSE Women Leaders Review targets and UK Listing Rules targets for gender balance at Board level; — had one ethnic minority Director since 2016.
2. Ensure that all Board appointments are considered on merit within the context of the strategy requirements and diversity considerations	— At least annually review the succession plans for the Board and Senior Management and ensure the talent review process is in place for the wider workforce. — Gender and ethnic diversity will be taken into consideration when evaluating the skills, knowledge and experience desirable to fill each role and when considering the methods to attract diverse candidates. — A search firm will normally be engaged to assist in the review of the market and they should be committed to addressing gender and/or ethnic diversity. — All appointments must be made on merit as aligned to the needs of the Board, the Company, and its strategy and values.	Each June, the Board and Committee review the talent plans for Senior Management and, each November, the Board succession plans. Diversity is taken into account as part of this process. Talent reviews are replicated throughout the business.
3. Ensure that the overall workforce is diverse and inclusive	— Review the execution of the Group DEI policy[2]. — Ongoing Board and Committee review of matters relating to employee retention, engagement and culture.	The Committee receives an annual report from the Global Head of DEI. Our Head of DEI and DEI Executive Sponsor for the Group drive our progress which includes a commitment from every business unit leader to deliver on our DEI goals. These plans are monitored centrally and also via specific local reports to subsidiary boards. The tables on page 65 provide a breakdown of diversity at Hiscox at 31 December 2023. The Board and Committees receive reports relating to key workforce matters on an ongoing basis, including employee retention, engagement and culture.

[1]Diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
[2]hiscoxgroup.com/diversity-and-inclusion-policy.

Q&A:

with Lisa Waters
Head of Retro, Hiscox Re & ILS

Retro perspective

The Hiscox retrocessional business has responded well to unprecedented market conditions, thanks in part to the vast experience of the woman leading it. >

Lisa Waters is one of Hiscox's longest-serving employees, having joined Hiscox in 1987 when the Company consisted of three Lloyd's syndicates and had yet to take its first step into the retail market. Building on her significant experience as an underwriter, Lisa has spent the past nine years heading up the retrocessional account as part of Hiscox Re & ILS.

Q&A:

with Lisa Waters
Head of Retro, Hiscox Re & ILS

Q: For anyone unfamiliar with the term, what does 'retro' mean in the context of insurance?
A: It's short for retrocessional. What it means is that I'm three steps removed from the original risk. The insurance companies buy reinsurance to cover them against fire, explosion and various types of catastrophes, and then the reinsurance companies offset that against what we call 'retro cover' for the big bang stuff such as hurricanes and earthquakes around the world. It's the end of the line as ultimately the buck stops here. I cover big, multinational reinsurance companies around the world, and my book is very much natural-perils based. So unsurprisingly, it mostly covers the things you might end up seeing on CNN or the BBC: hurricanes, severe flooding, or earthquake events.

Q: What was Hiscox like back in 1987 when you first joined the business?
A: When I first started, Hiscox was a very different world. At Lloyd's of London back then, people wore three-piece suits and bowler hats, and there were no computers. Some underwriters still wrote with a quill pen and the waiters would come round with blotting paper and fill up the ink wells. It's come a long way! Hiscox was like a small family – I believe I was employee number 45. I sat on the box next to the underwriter. I did the photocopying, I kept the aggregates by hand (which I added up every night), to keep a running total of our exposure in various classes of business, and I learned on the job. We wrote all classes of reinsurance, including retro business, even back in the day, and I worked with an underwriter who was known as one of the top underwriters writing retrocessional business. He retired in 2015, at which point I took over that book of business, and I've been running it ever since.

Q: Presumably the gender balance at Lloyd's has changed a lot over the past 27 years?
A: When I started, you could count on one hand the number of women you'd see, as women were only allowed into the Lloyd's Underwriting Room in 1973. That's why my father, who was a Lloyd's Name and knew the place well, was dead set against me joining. But I went behind his back, got a job, and the rest is history. It's changed so much since then. It used to be a very white male-dominated area, and as a woman you had to really shout to be heard. The industry is now so much more diverse. I love that when you look around Hiscox, you see people being recognised for the job they do, not for the colour of their skin or whether they're male or female.

Q: A lot has changed, but do some of the characteristics of today's business have a direct line back to those early years?
A: Our values and our reputation haven't changed. Hiscox was always reputed to be a high-performing business and it still is today. We've always been known for being one of the more technical underwriters, and that's still very true too. Hiscox has grown, obviously – we're now a multinational company – but I've been with some of my clients for as long I can remember. The people may have changed over time, but the companies that are buying remain the same, so there's been a consistency there.

Q: What have the market conditions been like during the past year and how have you responded to them?
A: We've been hearing the expression 'generational shift' a lot this year. The insurance market has definitely seen a change, and therefore the reinsurance market has seen an even further change. Everything is shifting up. Secondary perils have been a huge problem in the market, and not everyone has been pricing for those perils, from wildfires and floods to strikes and riots, to the terrible wars we're now seeing. Across the industry, there is a lot of third-party capital in the retro space and some of that capital was trapped because of losses in 2022 such as Hurricane Ian. As a result, the only people in 2023 who seemed happy to go out and quote early were those like me who've been around for a long time, seen the market, and know where we want to position ourselves. We took a position early, that in 2023, we were going to cover named natural perils only, and that we wouldn't be giving worldwide policies. That meant we were able to go out there and sell our policies within a really clear remit. That kind of transparency has enabled us to achieve better terms and conditions, but you can only do that if you're willing to quote and stand by your quote and if you've got a decent line size where you can dictate those kinds of terms. It's a position that our Group Executive Committee has supported and enabled us to deploy more capital in what are strong market conditions.

Q: How do you keep across all the vast and incredibly complex global issues that affect the pricing of your retro book?
A: I'm a stickler for information. I'm an avid reader of the information packs that are sent in by each and every client. You need to have that deep understanding of what they're writing, because retro is something that you don't want to get wrong. It's something I instil in the people who work for me: read the information, know your client, know what they're writing and in turn what we are giving

"We took a position early, that in 2023, we were going to cover named natural perils only, and that we wouldn't be giving worldwide policies. That meant we were able to go out there and sell our policies within a really clear remit. That kind of transparency has enabled us to achieve better terms and conditions, but you can only do that if you're willing to quote and stand by your quote and if you've got a decent line size where you can dictate those kind of terms."

cover for. But it goes further than that. When we initially get those packs, it's just a snapshot in time, you need to work out what that book is going to look like in the hurricane season, or 12 months down the line. You need to understand everything from the vulnerabilities of a business, to the wind speeds expected in a specific place and the aggregation of risk. You have to read a lot, keep up to date on anything newsworthy and risk model-related, employ bright people that will do the same and bring in new ideas. We've got a very good analytics team, and our modelling team is constantly reviewing the models we use and developing our own 'view of risk', which helps us to avoid any nasty surprises.

Q: The scale of your book means there's a lot of responsibility loaded on your shoulders. How do you cope with that pressure?
A: I love some of the new things that Aki has brought in – like for instance, for every five consecutive years you've worked at Hiscox, you get a 20-day sabbatical, fully paid. I think it's great – a change is as good as a rest, and a rest is as good as a change. Last year, I backpacked around Costa Rica with my 15-year-old son and this year we went off to Vietnam. Taking that time off and spending quality time with my family means I come back refreshed and ready for anything, and Hiscox has enabled me to do that with the sabbatical scheme.

Q: Have you never been tempted to move to a less intense role?
A: Never. I love the work I do, and I love the interaction with people on a day-to-day basis. I love the relationships I've built up with brokers over many years. I always remember a very good lesson: that even if you're declining the risk the brokers are bringing in, you want to do it in such a way that they still want to bring you in their next risk – and the risk after that. I also love working with my team and the wider Hiscox Re & ILS group, teaching them, taking them to meetings and seeing their interactions and watching those relationships flourish. It's a great thing. I wouldn't want to do anything else.

Q: How do you experience a sense of community at Hiscox?
A: I see it everywhere. I love the Art Café in our London office, because even though you're split up around the office you still come together as you're queueing for a coffee. And going over to Lloyd's, you still see the community over there too. The other half of our Re & ILS team is based in Bermuda, so we interact with them all the time and that sense of community between the two offices is great. We have weekly meetings where people will talk through the topics of the day so you constantly see both teams, London and Bermuda, working together. Two different views come together as one, and we are better for it.

Board of Directors

Non Executive Chair
Jonathan Bloomer (Aged 69)
Appointed to the Board: June 2023

Relevant skills, experience and contribution
- Extensive experience in financial services.
- Significant experience of driving international growth.

Jonathan was appointed Chair of Hiscox in July 2023. Prior to Hiscox he was a partner at Arthur Andersen before going on to become Chief Financial Officer and then Chief Executive Officer of FTSE 100 Prudential plc. His final executive role, from 2006 to 2012, was as operating partner at Cerberus, the US-based private equity investor. Since 2012, Jonathan has had a successful portfolio career with a range of largely financial services companies. Previous board roles include Chair of DWF PLC and Arrow Global Group Plc, and senior independent director at Hargreaves Lansdown Plc.

External board appointments
Morgan Stanley International Group;
SDL Group Limited.

Executive Director
Aki Hussain (Aged 51)
Group Chief Executive Officer
Appointed to the Board: September 2016

Relevant skills, experience and contribution
- Considerable experience of providing strategic, financial and commercial management and in-depth knowledge of the regulatory and compliance environment.
- Significant experience of driving business change.

Aki joined Hiscox in 2016 as Group Chief Financial Officer and became Group Chief Executive Officer in 2022. Aki also sits on the board of a number of Hiscox subsidiary companies. Prior to Hiscox, Aki held a number of senior roles across a range of sectors, including Chief Financial Officer of Prudential's UK and Europe business, and Finance Director for Lloyds Banking Group's consumer bank division. Aki is a Chartered Accountant, having trained with KPMG.

External board appointments
Visa Europe Limited.

Executive Director
Paul Cooper (Aged 51)
Group Chief Financial Officer
Appointed to the Board: May 2022

Relevant skills, experience and contribution
- Considerable experience of financial and commercial management within a complex regulatory and compliance environment.
- Qualified Chartered Accountant, with significant experience of both the retail and Lloyd's insurance markets.

Paul joined Hiscox in 2022 as Group Chief Financial Officer. With over 25 years of financial services experience, Paul has held a number of senior roles, including Interim Group Chief Financial Officer at M&G Plc and Chief Financial Officer for The Prudential Assurance Company. Paul is a qualified Chartered Accountant, having trained with PwC, and sits on the board of a number of Hiscox subsidiary companies.

External board appointments
None.

Executive Director
Joanne Musselle (Aged 53)
Group Chief Underwriting Officer
Appointed to the Board: March 2020

Relevant skills, experience and contribution
- Considerable underwriting expertise, including experience of managing underwriting portfolios in our key markets.
- Significant knowledge of Hiscox, particularly Hiscox Retail, having worked for the Group for over 20 years.

Joanne joined Hiscox in 2002 and has held a number of roles across the Group, including Head of UK Claims, Chief Underwriting Officer for Hiscox UK & Ireland, and Chief Underwriting Officer for Hiscox Retail. Joanne also sits on the board of a number of Hiscox subsidiary companies. Prior to Hiscox, Joanne spent almost ten years working in a variety of actuarial, pricing and reserving roles at AXA and Aviva in both the UK and Asian markets.

External board appointments
Realty Insurances Ltd.

Senior Independent Director
Colin Keogh (Aged 70)
Appointed to the Board: November 2015

Relevant skills, experience and contribution
- Valuable financial services experience.
- Significant knowledge of how to run an international financial business.

Colin has spent his career in financial services, principally at Close Brothers Group plc where he worked for 24 years and served as Chief Executive Officer for seven years until 2009. Colin is Chair of the Hiscox Insurance Company Limited board and also of the Remuneration Committee.

External board appointments
Ninety One Plc; Ninety One Ltd.

Independent Non Executive Director
Beth Boucher (Aged 58)
Appointed to the Board: May 2023

Relevant skills, experience and contribution
- Considerable experience leading global teams and initiatives.
- Significant experience of cyber security, people management and audit and regulatory operations.

Beth is currently a partner at Fortium Partners and a Research Fellow at Nemertes Research. Beth has more than 25 years of professional experience across multiple industries, as well as strategic consulting and managed services. Most recently, Beth was the Senior Vice President and Chief Information Officer of Sirius Point from 2019 until 2021 and prior to that held various executive roles at The Travelers Company. Beth is a certified organisational change management and international board director with experience leading technology strategy, application development, infrastructure and operations.

External board appointments
Coforge Ltd.

△ Member of the Audit Committee
⬡ Member of the Nominations and Governance Committee
□ Member of the Remuneration Committee
○ Member of the Risk Committee
▱ Member of the Investment Committee

▲⬢■●▰
Chair of Committee is highlighted in solid.

▲⬡□○▱

Independent Non Executive Director
Donna DeMaio (Aged 65)
Appointed to the Board: November 2021

Relevant skills, experience and contribution
- Extensive financial services experience, particularly in the USA.
- Proven expertise in overseeing global auditing and operational activities.

Donna has over 35 years' financial services experience, gained across banking and insurance. She was AIG's General Insurance Global Chief Operating Officer and also served as their Global Chief Auditor. Donna was Chief Executive and Chair of the Board at United Guaranty, Chief Executive Officer and Chair of the Board at MetLife Bank and was a PwC Financial Services Partner. Donna serves on the board of Hiscox Insurance Company Inc. as a Non Executive Director and is Chair of the Audit Committee.

External board appointments
Azure; State Street Corporation.

△⬡□○▱

Independent Non Executive Director
Michael Goodwin (Aged 65)
Appointed to the Board: November 2017

Relevant skills, experience and contribution
- Significant knowledge of the global insurance market.
- Deep understanding of risk management as a trained actuary.

Michael has over 25 years' experience in the insurance industry, having worked in Australia and the Asia Pacific region for QBE Insurance Group for over 20 years. Michael started his career as an actuary, is a Fellow of the Institute of Actuaries of Australia and served as Vice President of the General Insurance Association of Singapore between 2006 and 2012. During the year, Michael served on the DirectAsia board as a Non Executive Director.

External board appointments
Partner Reinsurance Asia Pte Ltd; Steadfast Distribution Services Pte Ltd; NCI Brokers (Asia) Pte Ltd; Galaxy Insurance Consultants Pte Ltd; Enya-Lea Pte Ltd; Werombi Pte Ltd.

△⬡□○▱

Independent Non Executive Director
Thomas Huerlimann (Aged 60)
Appointed to the Board: November 2017

Relevant skills, experience and contribution
- Considerable experience of leading a global business.
- Extensive knowledge of the European insurance market.

Thomas has over 30 years' experience in banking, reinsurance and insurance. He was Chief Executive Officer Global Corporate at Zurich Insurance Group, a $9 billion business working in over 200 countries. Prior to that, he held senior positions at Swiss Re Group and National Westminster Bank. Thomas serves on the Hiscox Syndicate Ltd board as Chair and on the Hiscox SA board as a Non Executive Director.

External board appointments
Leadway Assurance Ltd, Nigeria.

△⬡□○▱

Independent Non Executive Director
Anne MacDonald (Aged 68)
Appointed to the Board: May 2015

Relevant skills, experience and contribution
- Extensive marketing expertise, particularly in the USA.
- Sizeable experience in developing well-known global brands.

Anne has served as Chief Marketing Officer at four Fortune 100 companies, and been in charge of some of the most recognised brands in the world, including Citigroup, Travelers, Macys and Pizza Hut. Anne serves as the Employee Liaison for Hiscox.

External board appointments
Boot Barn Holdings, Inc.; Visiting Nurse & Hospice of Litchfield County.

△⬡□○▱

Independent Non Executive Director
Constantinos Miranthis (Aged 60)
Appointed to the Board: November 2017

Relevant skills, experience and contribution
- Deep understanding of Bermuda's (re)insurance industry, as well as the broader global (re)insurance landscape and market cycle.
- Senior leadership experience in the reinsurance sector including within large publicly-listed companies.

Costas served as President and Chief Executive Officer of PartnerRe Ltd, one of the world's leading reinsurers, until 2015 and prior to that was a Principal of Tillinghast-Towers Perrin in London, where he led its European non-life practice. He is a Fellow of the UK Institute and Faculty of Actuaries and a resident of Bermuda. Costas serves on the Hiscox Insurance Company (Bermuda) Limited board as a Non Executive Director.

External board appointments
Argus Group Holdings Limited; Pacific Life Re; Riverstone International Limited.

△⬡□●▱

Independent Non Executive Director
Lynn Pike (Aged 67)
Appointed to the Board: May 2015

Relevant skills, experience and contribution
- Strong background in the US financial services sector.
- Significant knowledge of providing commercial solutions for small businesses, particularly in the USA.

Lynn worked in the US banking industry for nearly four decades, most recently as President of Capital One Bank. Before that, she was President of Bank of America's business banking division. Lynn is Chair of the Risk Committee and also serves on the Hiscox Insurance Company Inc. board as a Non Executive Director.

External board appointments
American Express Company (NYSE: AXP); American Express National Bank; CareerWork$ Advisory; California State University Channel Islands Foundation.

Group General Counsel and Company Secretary

Marc Wetherhill (Aged 51)

Marc has significant legal and governance experience, and is the Principal Representative to the Bermuda Monetary Authority for the Hiscox Group. He previously served as Chief Legal Counsel and Chief Compliance Officer at PartnerRe Ltd, having trained as a solicitor in London, and is a member of the Bermuda Bar.

Departures and appointments

Executive appointments

None.

Non Executive appointments

Jonathan Bloomer
(effective 1 June 2023)

Beth Boucher
(effective 12 May 2023)

Executive retirements

None.

Non Executive retirements

Robert Childs
(effective 1 July 2023)

Retired Non Executive Chair

Non Executive Chair

Robert Childs (Aged 71)
Appointed Chair: February 2013
Appointed to the Board: September 2006

Robert joined Hiscox in 1986 and held a number of senior roles across the Group, including Active Underwriter for Syndicate 33 and Group Chief Underwriting Officer, before becoming Non Executive Chair in February 2013. He joined the Council of Lloyd's in 2012 and served as Deputy Chairman of Lloyd's from 2017 to 2020. Robert stepped down from the Board and retired from Hiscox during 2023 after 37 years of service.

Director duties

As a company incorporated under the laws of Bermuda, Hiscox complies with Bermuda Company Law and as such the UK Companies Act 2006 and associated reporting regulations do not apply. Although there is no prescription of statutory duties in Bermuda, Directors are bound by fiduciary duties to the Company and statutory duties of skill and care. This includes exercising care, diligence, and skill that a reasonably prudent person would be expected to exercise in a comparable circumstance. The Directors act in a way that they consider in good faith would be most likely to promote the success of the Company for the benefit of its members as a whole.

Board statistics

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Read more about gender and ethnic diversity at Hiscox.

Board statistics

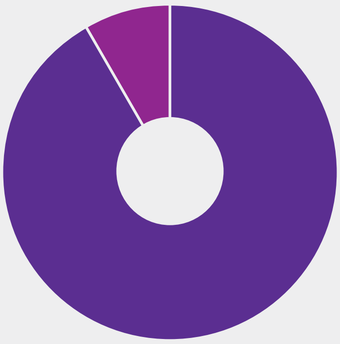
Board diversity at 5 March 2024

Gender

Female	5
Male	7

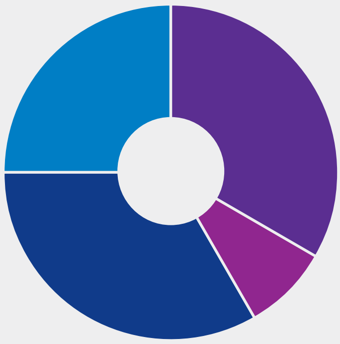
Ethnicity

White British or other white (including minority-white groups)	11
Asian/Asian British	1



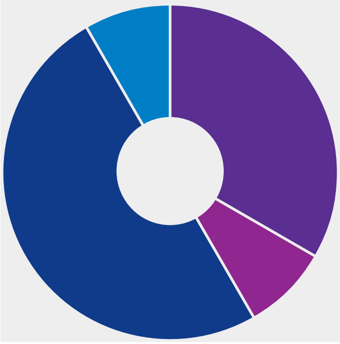
Tenure

0-3 years	4
3-6 years	1
6-8 years	4
8+ years	3



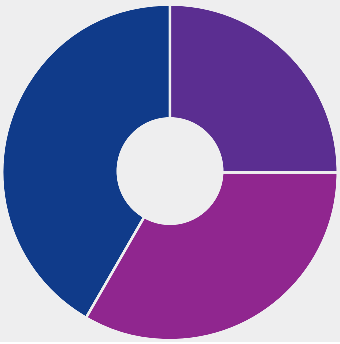
Location

USA	4
Bermuda	1
Europe	6
Asia	1



Age

46-55	3
56-65	4
66-75	5



Nationality

British	6
Bermudian*	1
American	3
Swiss	1
Australian	1

*Includes those Directors who hold a Permanent Residency Certificate.

Group Executive Committee (GEC)

Aki Hussain
Group Chief Executive Officer
Joined Hiscox: September 2016

Relevant skills, experience and contribution
- Considerable experience of providing strategic, financial and commercial management and in-depth knowledge of the regulatory and compliance environment.
- Significant experience of driving business change.

Aki joined Hiscox in 2016 as Group Chief Financial Officer and became Group Chief Executive Officer in 2022. As such, Aki leads the Group Executive Committee in realising the strategy, delivering the business plan, and driving the Company through its next phase of growth. Prior to Hiscox, Aki held a number of senior roles across a range of sectors, including Chief Financial Officer of Prudential's UK and Europe business, and Finance Director for Lloyds Banking Group's consumer bank division. Aki is a Chartered Accountant, having trained with KPMG.

Fabrice Brossart
Group Chief Risk Officer
Joined Hiscox: November 2023

Relevant skills, experience and contribution
- Extensive expertise in enterprise risk management within the international general insurance industry.
- Considerable experience in leading regulator relationships around the world.

Fabrice joined Hiscox in 2023 from AIG, where he was Chief Risk Officer for the International General Insurance business. He continues to evolve our risk function, leading our global team of approximately 40 risk and compliance experts, and is responsible for ensuring our risk structures enable growth, as well as our continued regulatory compliance.

Paul Cooper
Group Chief Financial Officer
Joined Hiscox: May 2022

Relevant skills, experience and contribution
- Considerable expertise of financial and commercial management within a complex regulatory and compliance environment.
- Qualified Chartered Accountant, with significant experience of both the retail and Lloyd's insurance markets.

Paul leads our team of 400 finance experts around the world and is responsible for ensuring robust financial systems and continued capital efficiency. With over 25 years of financial services experience, Paul has held a number of senior roles, including Interim Group Chief Financial Officer at M&G Plc and Chief Financial Officer for The Prudential Assurance Company. Paul is a qualified Chartered Accountant, having trained with PwC.

Nicola Grant
Chief People Officer
Joined Hiscox: September 2022

Relevant skills, experience and contribution
- Deep expertise in leading HR as a global function, scaling it through technology and effective, integrated, global products and services.
- Significant experience of performance and reward management, robust talent and succession planning and HR transformation.

Nicola leads our global People team, driving Group-wide people strategies to accelerate and de-risk Hiscox's business performance. This includes policies, products, and services covering workforce planning and talent acquisition to ensure the right talent is in the right place at the right time; learning and development experiences that strengthen our culture and accelerate talent development; employee listening mechanisms to understand and communicate with colleagues; and compensation and benefits programmes that retain and inspire performance at all levels.

Kevin Kerridge
Chief Executive Officer, Hiscox USA
Joined Hiscox: December 1996

Relevant skills, experience and contribution
- Significant expertise in, and at the forefront of, how digital is reshaping our industry landscape.
- Multi-market, ground-up experience of building omni-channel retail businesses.

Kevin has held a number of strategic planning, leadership and operational roles across the Group and was an early pioneer of our eCommerce approach, having set up and run our UK Direct business before relocating to establish our digital operations in the USA. He has led Hiscox USA since 2021, which now spans nine offices and over 500 employees, overseeing product and service innovations and a programme of technology re-platforming that can support our significant growth ambitions in the region.

Kate Markham
Chief Executive Officer, Hiscox London Market
Joined Hiscox: June 2012

Relevant skills, experience and contribution
- Strong experience of building customer-focused businesses.
- Track record of establishing operational and digital infrastructures that support profitable growth.

Kate originally joined Hiscox to run our UK Direct business, and was promoted to Chief Executive Officer of Hiscox London Market in 2017. She leads our team of 400 London Market underwriters, analysts and support functions in the UK, Guernsey, France and the USA. In addition, Kate is the Group's Executive Sponsor for DEI.

Robert Dietrich
Chief Executive Officer, Hiscox Europe
Joined Hiscox: June 1997

Relevant skills, experience and contribution
- In-depth knowledge of the European insurance market.
- Significant experience of bringing niche insurance products to market.

Robert served as Managing Director for Hiscox Germany for many years, driving disciplined expansion and building it into the flagship European business it is today. In 2021, he took on wider responsibility for Hiscox Europe, whose operations span eight countries, overseeing critical cross-country systems transformation, redefining its long-term vision and leading its ambitious growth plans.

Jon Dye
Chief Executive Officer, Hiscox UK
Joined Hiscox: September 2022

Relevant skills, experience and contribution
- In-depth knowledge of the UK insurance market.
- Track record of building sustainable, profitable retail insurance businesses.

Jon leads our UK retail insurance business, which spans eight offices and over 800 employees, overseeing the development of our established broker business, as well as our partnerships division and direct-to-consumer offerings. Jon is responsible for building on our long-term broker relationships, distinguished brand and deep expertise in underwriting and digital distribution with new capabilities as we continue to drive scale.

Stéphane Flaquet
Group Chief Operations and Technology Officer
Joined Hiscox: March 2010

Relevant skills, experience and contribution
- Strong financial services background.
- Sizable insurance industry experience gained within a range of European territories.

Stéphane originally joined Hiscox as Chief Operating Officer for Europe, and has since held a number of other senior roles including Group Chief Information Officer, Chief Executive Officer of Hiscox Europe and Interim Chief Executive Officer for Hiscox UK. In 2022, he took on the newly created role of Chief Operations and Technology Officer, in which he oversees a number of critical Group functions including technology, change, operations, data, claims, marketing, procurement and property services, to ensure the continued effective and efficient delivery of core services while also driving operational efficiency and scalability.

Joanne Musselle
Group Chief Underwriting Officer
Joined Hiscox: April 2002

Relevant skills, experience and contribution
- Considerable underwriting expertise, including experience of managing underwriting portfolios in our key markets.
- Significant knowledge of Hiscox, particularly Hiscox Retail, having worked for the Group for over 20 years.

Joanne joined Hiscox in 2002 and has held a number of roles across the Group, including Head of UK Claims, Chief Underwriting Officer for Hiscox UK & Ireland, and Chief Underwriting Officer for Hiscox Retail. As Group Chief Underwriting Officer, Joanne leads our team of around 500 underwriters around the world, driving the continued evolution of our underwriting practices and the development of our underwriting talent. Prior to Hiscox, Joanne spent almost ten years working in a variety of actuarial, pricing and reserving roles at AXA and Aviva in both the UK and Asian markets.

Kathleen Reardon
Chief Executive Officer, Hiscox Re & ILS
Joined Hiscox: January 2021

Relevant skills, experience and contribution
- Extensive experience of building reinsurance businesses throughout the cycle.
- In-depth knowledge of the Bermuda reinsurance market.

Kathleen leads our reinsurance and ILS business, which operates in London and Bermuda. She is responsible for ensuring the 120-strong team of underwriting, analytics and asset manager experts take advantage of changing market conditions and seize opportunities as they present themselves, as we continue to build both specialist reinsurance capability and our position as an expert alternative capital manager in the ILS space.

Q&A:

with Fiona Mayo
Chief Marketing Officer, Hiscox UK

Fiona Mayo joined Hiscox in the summer of 2022, bringing with her over 20 years of brand and marketing experience from a range of sectors. In 2023, she led Hiscox's highly acclaimed nationwide brand campaign that brought to life with verve and humour the real risks faced by small business owners.

On brand

2023 saw the launch of our new Hiscox brand campaign in the UK, which marks a new focus for the Group on telling the stories of our customers – the people behind the policy. >

Q&A:

with Fiona Mayo
Chief Marketing Officer, Hiscox UK

Q: What's your background and how did you come to join Hiscox?
A: I'd describe myself as first and foremost a brand-based marketeer, but with a broad, generalist marketing skill set. I started out in advertising agencies before moving to Vodafone, where I led their marketing communications, then moved to the energy sector, as Brand and Marketing Communications Director for SSE and then OVO. Hiscox is my first foray into insurance and my focus here is continuing to build such a strong and distinctive brand, so that's a challenge that was really attractive to me.

Q: When you arrived here, what were your first impressions of the culture?
A: I don't think people appreciate what a fantastic company this is. When I joined, I'd been looking at various opportunities in some very different sectors. What swung it for me were the people I met through the interview process. Since I've arrived, I've been so struck by how collaborative it is here. There's a saying at Hiscox that we're kind on the people, tough on the problem, and that is absolutely what I've found. I remember one of the first big meetings I was in, I was fascinated by how there was a lot of really constructive challenge in the room but no emotion or politics or agenda. That, from my experience, is extremely rare and something that so many other companies would love to bottle if they could!

Q: Have your first experiences of marketing in the insurance sector presented any new challenges?
A: Not really. It's much more similar to other industries than you might think. The sectors I've worked in – mobile phones, energy and insurance – are all typically low-interest categories with an annual renewal cycle. Despite the challenges that brings, Hiscox has historically achieved fame beyond its scale. The approach Hiscox has taken to marketing has enabled it to stand out from a sea of sameness of other insurers. In insurance you often see a reticence for communications to show the real risks that customers face, but we know from customer insight, that is what consumers want us to recognise. Hopefully we have managed to show those real risks, telling those stories with empathy and some intelligent wit.

Q: What was the thinking behind the latest brand campaign?
A: Our starting point was to capture the real essence of Hiscox – our 'secret sauce'. In a world of increasing automation, Hiscox is a deeply human insurer. We are specialist in what we do, we deeply understand the sectors and the people that we insure, and our claims teams fight like lions to protect our customers should the worst happen. That is why our brand promise across the globe is 'we see the people behind the policy'. That means we see their hopes, their dreams, their lives, their stories. The core idea of our campaign is: 'Stories. Underwritten by Hiscox'. Stories are an incredibly potent mechanic for us, with all sorts of fascinating scientific research that shows the power of storytelling. To quote Steve Jobs, *"The most powerful person in business is the storyteller".*

Q: What was your approach to telling those stories?
A: Our aim was to tell the stories of the very real risks faced by the different small businesses that we insure, but tell them with wry humour, in a brave and inventive way. We had a lot of fun with the campaign, creating what has been coined by the media as 'the most disastrous campaign ever'. We have played with the media formats themselves to create real impact. For example, we have had posters falling down as if they've been incorrectly installed, water literally pouring from a 'leaking' poster, another with mud splattered all over it, and a teeny tiny poster, as if it was printed at the wrong size. We've had radio ads 'mis-recorded' in Spanish and other radio ads read by kids. We had a Metro wrap advert that was just a blank page, as if the agency hadn't supplied the image. We had a WeTransfer takeover, saying: *"Oops, I just shared confidential information"*. We've really looked to push the boundaries through the creative and I'm really proud of the final executions.

Q: The consumer element of the campaign was the most visible, but were you serving other audiences as well?
A: Our broker audience is among the most important for us so of course we targeted them too – in the trade press, at industry events and through broker-specific activations. Rather than it being the story of your business underwritten by Hiscox, it's the story of your business supported by Hiscox.

Q: How do you measure the success of a broad-ranging campaign like that?
A: The very first read you get is the anecdotal feedback from brokers or customers. You then start to look at the short-term metrics: are more people clicking on the website, are more people calling the phone lines? But the real measure of success doesn't come for 12 to 18 months, when we do a form of regression modelling called econometric modelling. That's when you can accurately measure the return on investment, or ROI, of the campaign.

"Renewals only come about once every 12 months so, simplistically, what we're trying to do with brand advertising is create memory structures so that, when you come to renew your insurance, you think of Hiscox. It doesn't stop there either: you might remember a poster from ages ago that made you smile, and those memory structures might trigger you to buy insurance from Hiscox years down the line."

If you think about it, insurance is a cycle. Renewals only come about once every 12 months so, simplistically, what we're trying to do with brand advertising is create memory structures so that, when you come to renew your insurance, you think of Hiscox. It doesn't stop there either: you might remember a poster from ages ago that made you smile, and those memory structures might trigger you to buy insurance from Hiscox years down the line. That's why it's always a longer-term build, why we still benefit from the strong brand work of old, and why we need to get back out there to re-fuel our brand, to give it longevity and a strong position in our customers' minds and in the market for years to come.

Q: What are your main priorities for the coming year?
A: Our brand is incredibly important to us, so we'll continue to invest in it. Beyond marketing, I'm also accountable for the direct business. We really want to accelerate faster growth in that area, be that direct commercial or the direct home insurance business. We'll be developing new products and moving into adjacent sectors to support our customers with new and emerging risks. We want to be more sophisticated in how we talk to our existing direct customers or our brokers. We use a customer relationship management tool, or CRM system, to do that, so there's some capability building we need to do there. I'm also accountable for the 'consumer understanding' pillar of the UK's Consumer Duty regulation. I was very quick to put my hand up for that – as a brand marketeer, I always want to put the consumer at the heart of everything and I love the idea of a regulatory programme that does just that. For me, it's like the Trojan horse to make sure that, as an organisation, we really are customer focused.

Q: As UK Chief Marketing Officer, what's your relationship like with the other regions?
A: It's really good, and part of that is because we see ourselves as an international community of marketeers. We have a Group-wide promise that we developed together and we're continually sharing knowledge and ideas and looking for ways we can collaborate. There are lots of pockets of opportunity where we can work together.

Q: And finally, how have you felt a sense of community since you arrived at Hiscox?
A: Honestly, from the moment I arrived here it felt different. We're not so soft that's it's just a warm bath with everyone floating around, but nor are we so hardcore that you're always fighting to be heard. We've somehow bottled that perfect balance of focusing on the problem, having robust debate about the problem, but not being driven by anything other than solving the problem. It's so refreshing.

Chair's letter to shareholders

"The foundations of the business are strong, as you can see from this year's record results, and our future growth prospects remain substantial across all business units."

Jonathan Bloomer
Chair

Dear Shareholder
The close of 2023 marked the end of my first six months as Chair of the Board, and it has been a pleasure to take on the role from Robert Childs who enjoyed such a long and successful tenure.

In getting to know the business, I have found a robust and resilient organisation in the midst of an exciting evolution. The strategic tilt introduced by Aki and the GEC over the last two years is delivering material results, and our future growth opportunities remain significant. Our big-ticket teams have performed very well in a hard market, taking advantage of some of the best property pricing conditions we've seen in decades, and in retail the teams are focusing on quality growth – stepping away from business where pricing falls below our profitability thresholds, and leveraging legacy portfolio transactions (or LPTs) in the same way as our big-ticket lines to reduce earnings volatility from business we have now exited.

This year's results reflect the team's tremendous work growing the business over time, leading to a record pre-tax profit of $625.9 million for 2023. This reinforces our balance sheet strength, with the capital generated used to drive growth and strengthen the risk adjustment. In addition, the Board has also recommended a final dividend of 25.0 cents per share and a further return of $150 million of capital to shareholders through the form of a buyback. This approach to capital management means we can invest in the many attractive growth opportunities ahead while maintaining balance sheet strength and financial flexibility.

The foundations of the business are strong, as you can see from this year's record results, and our unique culture – a key asset of the organisation – continues to evolve with the business, while still holding true to its core tenets of exceptional customer service, deep specialist sector expertise, and long-held shared values. This is demonstrated in our employee engagement scores, which Aki and I were delighted to see retain its ten-year high of 82%. In addition, 83% of our people told us they would recommend Hiscox as a great place to work and similarly 83% said they felt proud to work for Hiscox, so that gives you a sense of the strong positive sentiment we have from our people around the world.

I have also found an effective and energetic Board at Hiscox. The onboarding process has supported me well in getting under the skin of the business, and I have seen healthy debate and discussion in our boards and committees. As well as my own appointment during the year, the Board also welcomed Beth Boucher as an Independent Non Executive Director, and we are benefitting immensely from her career as a global Chief Information Officer and her extensive experience across the technology sphere.

2023 also saw the completion of an external Board review, providing a critical fresh perspective on Board effectiveness. In the following pages you will find further information on this and our broader corporate governance information, including our established and embedded governance arrangements.

Beyond Hiscox, 2023 saw many events signalling the changes to the world around us. This included the continued and devastating escalation of geopolitical conflict in Russia/Ukraine and Israel/Gaza, and the plethora of natural catastrophe events that have affected so many – from wildfires in Hawaii and Canada to earthquakes in Morocco, Syria and Turkey, winter storms and hurricanes in the USA, cyclones in New Zealand and flooding across Europe. Where we have had exposures to these events, we have been there for our customers.

Against this backdrop, the role of our industry is more important than ever. From the way we look after our customers, to how we help them manage the rapidly evolving risk landscape and build their own resilience, insurance has a crucial role to play in our society.

During 2023, we reviewed and refreshed our sustainability strategy, which you'll find on page 46. This focused on embedding sustainability in our business strategy, and sharpening our focus on the areas that matter the most to our key stakeholders, and where we believe we can make the most impact. Through this review we have developed a new five-pillar approach, which you can learn more about on pages 46 to 49.

I am pleased to have also taken on the role of Chair of the Hiscox Foundation. Dating back to 1987, the Foundation focuses its work around three core pillars: protecting and preserving the environment, social mobility and entrepreneurship, and causes our people are passionate about. In 2023, our charitable giving and volunteering around the world resulted in us supporting over 260 good causes with just over $2 million in donations and fundraising and 1,400 hours of volunteering, which gives you a sense of how much this matters to our people.

I would like to end by thanking all of our colleagues for their work and efforts which have led to this strong set of results. I also thank my Board colleagues for the warm welcome and support. Finally, I thank you all for your ongoing interest in Hiscox, and I look forward to spending time with some of my fellow shareholders over the course of 2024.

Jonathan Bloomer
Chair

Corporate governance

"Good governance requires a holistic approach, and we work hard to make sure our corporate responsibilities are lived through training and awareness and by fostering a culture that surfaces the right issues."

Marc Wetherhill
Group General Counsel and Company Secretary

Corporate governance framework

The corporate governance framework throughout Hiscox supports the delivery of our values, culture, strategy and business objectives.

The Board's formal corporate governance framework includes the Board, the Hiscox Group subsidiaries and the Executive internal governance structures, which together ensure the governance requirements for the Group are robust and fit for purpose. As a company listed on the London Stock Exchange, the UK Corporate Governance Code (the Code) is applicable to Hiscox, and an overview of the Company's compliance with the Code is detailed on pages 90 to 94.

The Board has a formal schedule of matters reserved for the Board's determination that covers areas including: setting the Group's purpose and strategic vision; monitoring performance of the delivery of the strategy; approving major investments, acquisitions and divestments; risk oversight and setting the Group's risk appetite; and reviewing the Group's governance. The Group governance manual (the Manual) details the wider corporate governance framework including the overall legal entity structures and relationship with the business units, the division of responsibilities between Group and principal subsidiary boards, Board process and procedures for issues such as Non Executive Director appointments, diversity requirements and Board evaluations, and the principles to be applied to the wider subsidiary management. The Manual is approved by the Board and regularly reviewed.

The Company also benefits from a strong governance framework at a subsidiary level. The Manual and the supporting subsidiary governance manuals ensure that the underlying processes throughout the subsidiary boards follow consistent and effective governance practices. The division of responsibility between the Board and the boards of the Group's principal subsidiaries is understood throughout the Group and is visually represented in the Hiscox Group governance model (available to view at **hiscoxgroup.com/investors/corporate-governance**).

The model shows the relationship between the Board exercising strategic direction and oversight of the Hiscox Group, and the subsidiary boards' delivery of their respective entity's responsibilities. This is further detailed in explicit terms of reference and governance manuals for the principal subsidiaries – ensuring alignment to the overall Group approach to values, purpose, culture of risk awareness, ethical behaviour and Group controls. Informal interaction, information flows and collaboration between Group and the principal subsidiaries are also delivered by Board Non Executive and Executive Director representation on the boards of the principal insurance carrier entities.

The Executive's internal governance structures support decision-making at the Executive level between the Group Executive Committee, the business units and the functional departments. The Group Executive Committee members are detailed on pages 76 to 77.

Supporting policies and processes

During the year, no corrective action was required by Management to ensure that policies, practices and behaviours in the business were aligned with the Company's purposes, values and strategy, as outlined on pages 8 to 11.

The corporate governance framework complements the Company's internal controls framework and its supporting framework of policies and processes. Key policies for the Group are published online and available to view at **hiscoxgroup.com/about-hiscox/group-policies-and-disclosures.**

The Board is satisfied that the internal control and risk management systems relating to the financial reporting process are strong, with the Audit Committee and the Risk Committee forming the central points of review and challenge. Further detail can be found in the Audit Committee report on pages 99 to 101 and in the risk management section on pages 36 to 39.

In addition, the Board and the Audit Committee – whose Chair also serves as the Group's whistleblowing champion – have oversight of whistleblowing matters and receive reports arising from its operation. The Company's whistleblowing policy is designed to ensure that the workforce feel empowered to raise concerns in confidence and without fear of unfair treatment. The structures and processes in place allow for the proportionate and independent investigation of any such matters, and for appropriate follow-up action to be taken where necessary.

Board composition

The Board has responsibility for the overall leadership of the Group and its culture. The operations of the Board are underpinned by the collective experience of the Directors and the diverse skills which they bring. The Board comprises the Independent Non Executive Chair, three Executive Directors, and eight Independent Non Executive Directors including a Senior Independent Director.

Notable changes in the reporting period include the appointment of Jonathan Bloomer as Independent Non Executive Chair, effective 1 July 2023, following the retirement of Robert Childs, and the appointment of Beth Boucher as Independent Non Executive Director, effective 12 May 2023. Biographical details for each member of the Board are provided on pages 72 to 73.

In accordance with the Company's Bye-laws and the Code, all Directors will seek appointment or re-appointment (as applicable) at the 2024 Annual General Meeting. This will be the last time that Anne MacDonald and Lynn Pike will seek re-appointment, as both will have served on the Board for nine years in 2024. However, their experience and diversity remain invaluable and they continue to exercise the independent thinking and judgement consistent with remaining an Independent Non Executive Director. Therefore, with the Chair having joined midway through 2023, and with the benefit of the outcome of an independent evaluation that was conducted in November 2023, the Board considers that additional time is needed to appropriately assess the future requirements of the Board and identify Anne and Lynn's successors. This will also be the last time that Colin Keogh will seek re-appointment as he will have served on the Board for nine years from November 2024. No issues have arisen that would prevent the Chair from recommending the re-appointment of any individual Director.

Additional details on Board composition and succession planning, including the process for the appointment of Jonathan Bloomer as Chair, can be found in the Nominations and Governance Committee report on pages 95 to 98.

The Board is satisfied that it has the appropriate balance of skills, experience, independence, and knowledge of the Company to enable it to discharge its duties and responsibilities effectively, and that no individual or group dominates the Board's decision-making.

Board independence and Director duties

The Nominations and Governance Committee reviews the independence of each Non Executive Director, taking into account, among other things, the circumstances set out in the Code that are likely to impair, or could appear to impair, their independence. The Committee remains of the view that the most important factor is the extent to which they are independent of mind.

Each Director has undertaken to allocate sufficient time to the Group in order to discharge their responsibilities effectively. Each Non Executive Director's letter of appointment outlines the commitments expected of them throughout the year and this is further detailed in the Manual. Executive Directors are prohibited from taking more than one additional non executive directorship in a FTSE 100 company. Each year, as part of the Director review process, the Directors are required to provide a complete list of all third-party relationships that they maintain. This is analysed to determine if there is any actual or potential conflict of interest and that appropriate time continues to be available to devote to the Company.

The Nominations and Governance Committee reviews the findings and determines if there is any conflict of interest. The Committee determined that there were no relationships which could cause an actual or potential conflict.

Additionally, there were no concerns regarding overboarding and all Directors had adequate time available to carry out their duties. Where Directors accepted additional Board positions during the year, these were reviewed as part of our corporate governance processes and were not deemed to be significant to the extent that they would overburden that Director's time. Approval occurs prior to a Director undertaking additional external appointments.

Onboarding and Board training

On joining the Board, all Non Executive Directors take part in a full, formal induction programme which is tailored to their specific requirements. More information on this can be found in the Nominations and Governance Committee report on pages 95 to 98.

The Board also has an ongoing training programme with regular items on topical issues. In 2023, this included, among other things: investor relations; IFRS 17; cyber security, artificial intelligence; global brand; and an external market update. Items for training are identified in the Board, Committee and Director reviews, as well as through specific requirements and individual requests, and can be delivered via the frequent programme of Board informational sessions.

Board structure and decision-making

The Board operates within an established structure which ensures clear responsibilities at Board level, transparent, well-informed and balanced decision-making, and appropriate onward delegations to effectively deliver the Company's purpose, values and strategy.

The Board has delegated a number of its responsibilities to its Audit, Nominations and Governance, Remuneration and Risk Committees. Each Board Committee operates within established written terms of reference and each Committee Chair reports directly to the Board. The formal schedule of matters reserved for Board decision and the Committee terms of reference were reviewed in late 2023 as part of the annual review of terms of reference, and copies of each can be found at hiscoxgroup.com/investors/corporate-governance. To ensure that the Board operates efficiently, the role of the Chair, Senior Independent Director and Chief Executive are distinct to demonstrate the segregation of responsibilities.

Board cycle

The Board receives appropriate and timely information to enable Directors to review business strategy, trading performance, business risks and opportunities. Executive Directors and Senior Management from the business are invited to present on key items, allowing the Board the opportunity to debate and challenge initiatives and proposals directly.

The Board agenda is set by the Chair following discussion with the Group Chief Executive Officer and Company Secretary, and taking into consideration feedback from the individual Directors. Board agendas focus on strategically important issues, key regulatory items and regular reports from key business areas. Board papers are circulated in advance of each meeting to ensure Directors have appropriate time to review them, and to seek clarification where necessary. The Management reports follow a short standard format which aids discussion and understanding. The quality of Board papers is kept under regular review. At each meeting, the Board receives an update from the Committee Chairs to keep them abreast of the items discussed, the outcomes agreed, and to summarise recommendations for Board approval from the Committees.

The scheduled meetings follow an agreed format; agendas are developed from the Board's annual plan of business, with flexibility built in to ensure the agendas can accommodate relevant upcoming issues. Each quarterly cycle typically covers a series of decisions, discussions and regulatory items either at the Board, during Committee discussions, or during informal informational sessions, depending on the nature of the matter. Items for discussion may be identified from actions from previous meetings, issues escalated from Management, items requested either formally or informally by Non Executive Directors, ongoing regulatory topics throughout the Group, and horizon scanning including a review of the competitive landscape. Agendas are built to ensure that the most appropriate method of progressing an item is utilised. The Chair and Non Executive Directors usually meet at the start or end of each Board meeting without the Executive Directors, creating an opportunity for Non Executive Directors to raise any issues privately. Owing to this system, the Group has an effective Board which supports a culture of accountability, transparency and openness. Executive and Non Executive Directors continue to work well together as a unitary Board and debate issues freely. The Board culture is congenial; however, both Non Executive Directors and Executive Directors continually challenge each other in order to deliver our shared aim. In the context of unitary Boards, Non Executive Directors provide Executive Directors with support and guidance, not just challenge, and our Non Executive Directors are close enough to the business to do this.

Board and Committee attendance in 2023

In line with the agreed meeting schedule, the Board and each of the Committees of the Board held four comprehensive meetings in 2023. There were an additional seven informational calls between Board meetings. These informational calls provided an opportunity to ensure the Board was kept informed of any business developments and allowed the Directors to monitor exposures, emerging issues and opportunities.

The Company's Bye-laws prohibit any Director who is in the UK or the USA from counting towards the quorum necessary for the transaction of business at a Board meeting. This restricts the ability of the Company's Directors based in the UK or USA to participate in Board meetings by telephone or other electronic means.

All Directors were able to fulfil their fiduciary responsibilities during 2023 and attended all Board and Committee meetings that they were eligible to attend (that is, those Board and Committee meetings that they were not precluded from attending as a result of the Company's Bye-laws). With respect to the four comprehensive Board meetings in 2023, the Directors' attendance (and the number of meetings that they were eligible to attend) was as follows: Donna DeMaio, Michael Goodwin, Thomas Huerlimann, Colin Keogh, Anne MacDonald, Costas Miranthis, Lynn Pike, Joanne Musselle, Aki Hussain, Paul Cooper (4/4); Jonathan Bloomer, Beth Boucher, Robert Childs (2/2).

There were also four meetings of each of the Committees of the Board during 2023. All of the Company's Independent Non Executive Directors are members of the Audit Committee, Nominations and Governance Committee, Remuneration Committee, Risk Committee and Investment Committee and their attendance (and the number of meetings that they were eligible to attend) was as follows: Donna DeMaio, Michael Goodwin, Thomas Huerlimann, Colin Keogh, Anne MacDonald, Costas Miranthis, Lynn Pike (4/4); Jonathan Bloomer, Beth Boucher (2/2). Robert Childs was a member of the Nominations and Governance Committee, Risk Committee and Investment Committee and he attended both of the meetings that he was eligible to attend. Aki Hussain, Paul Cooper and Joanne Musselle are members of the Investment Committee and attended all four meetings.

Outside of the formal Board and Committee meetings and informational calls, Non Executive Directors have unfettered access to employees at all levels of the business, regularly liaise with Management on activities aligned to their key skills, and attend appropriate management strategy and training events. They also have the opportunity to attend briefings with Group Executive Committee members and Senior Management, to understand key issues and conduct deep dives on specialist subjects.

Board activity in 2023

Board activity in 2023 was suitably focused to ensure it covered the appropriate strategy, performance and governance items and considered the needs and concerns of our key stakeholders. This included:

- strategy and business performance, including approval of the 2024 business plan, the agreement of business priorities for the year ahead, oversight of capital management measures taken (including legacy portfolio transactions), embedding the Group's strategic evolution, and further optimising operational effectiveness;
- culture and engagement, including reviewing the annual employee engagement survey, oversight of the employee proposition work done to date, and gaining new insights from the Employee Engagement Network facilitated by the Board's Employee Liaison;
- governance, including updates on key underwriting exposures, and approval of the updated risk limits framework;
- oversight of all key risks, compliance, internal controls and governance matters, as outlined on pages 12 to 15, 36 to 39 and 99 to 101.

More information on Board activities is covered as part of the annual Board evaluation process outlined on pages 97 to 98.

Board engagement with stakeholders

A key element of the corporate governance framework is open and transparent communication with stakeholders at all levels including Board level. As such, the Board regularly discusses stakeholder matters including shareholder matters, employee engagement, customers, and the Group's impact on, and relationship with, wider society. The Board is kept abreast of stakeholder feedback and issues through reports from a variety of sources, including the Chair, Group Chief Executive Officer, Group Chief Financial Officer, Employee Liaison, Senior Management and external consultants. This feedback loop is complemented by the regular dialogue that the Board maintains with the Group's key stakeholders, with the support of Executives and Senior Management.

The Chair of each Committee of the Board is available for engagement with shareholders when required and an example of this during 2023, in relation to the appointment of our Chair, can be found on page 97.

More information on how the Board engages with key stakeholders can be found on pages 40 to 41.

Board evaluation 2023

The Board encourages a culture of continuous improvement, and an important part of this is the annual review of the Board, its Committees and each Director. The Board evaluation in 2023 was externally facilitated, the details of which can be found in the Nominations and Governance Committee report on pages 95 to 98.

Board remuneration

The remuneration of Independent Non Executive Directors is determined by the Chair in conjunction with the Nominations and Governance Committee and is regularly benchmarked to ensure it reflects the time commitment and responsibilities of each role; there are no performance-related elements. The Chair's remuneration is determined pursuant to the remuneration policy. More information on Board remuneration can be found in the remuneration section on pages 106 to 143.

The role of the Board

The Board as a whole is collectively responsible for the success of Hiscox Ltd and the Group. Its duties are to:

- set the Group's strategic direction, purpose and values and align these with its culture;
- oversee competent and prudent management of internal control, corporate governance and risk management;
- determine the sufficiency of capital in light of the Group's risk profile and business plans;
- approve the business plans and budgets.

This structure is supported by the Group Executive Committee, Investment Committee and a number of other management committees.

Certain administrative matters have been delegated to a committee comprising any Director and the Company Secretary.

Audit Committee

- Advises the Board on financial reporting.
- Oversees the relationship with internal and external audit.
- Oversees internal controls including reserving and claims.

The Audit Committee report can be found on pages 99 to 101.

Nominations and Governance Committee

- Recommends Board appointments.
- Succession planning.
- Ensures an appropriate mix of skills and experience on the Board.
- Promotes diversity.
- Manages any potential conflicts of interests.

The Nominations and Governance Committee report can be found on pages 95 to 98.

Remuneration Committee

- Establishes remuneration policy.
- Oversees alignment of rewards, incentives and culture.
- Sets Chair, Executive Director and Senior Management remuneration.
- Oversees workforce remuneration-related policies and practices across the Group.

The remuneration report can be found on pages 112 to 133.

Risk Committee

- Advises the Board on the Group's overall risk appetite, tolerance and strategy.
- Provides advice, oversight and challenge to embed and maintain a supportive risk culture throughout the Group.

More information on risk management can be found on pages 12 to 15 and 36 to 39.

To ensure that the Board operates efficiently, each Director has distinct role responsibilities.

Chair

- Leadership of the Board.
- Ensuring effective relationships exist between the Non Executive and Executive Directors.
- Ensuring that the views of all stakeholders are understood and considered appropriately in Board discussions.
- Overseeing the annual performance evaluation and identifying any action required.
- Leading initiatives to assess the culture of the Company and ensure that the Board leads by example.

Senior Independent Director (SID)

- Advisor to the Chair.
- Leading the Chair's performance evaluation.
- Serving as an intermediary to other Directors when necessary.
- Being available to shareholders and other stakeholders if they have any concerns which are unable to be resolved through normal channels, or if contact through these channels is deemed inappropriate.

Chief Executive

- Proposing and delivering the strategy as set by the Board.
- Facilitating an effective link between the business and the Board in support of effective communication.
- Leading the Group Executive Committee, which delivers operational and financial performance.
- Representing Hiscox internally and externally to stakeholders, including shareholders, employees, government and regulators, suppliers and contractors.

Independent Non Executive Directors

- Active participation in Board decision-making.
- Advising on key strategic matters.
- Critiquing and challenging proposals and activities, and approving plans where appropriate.

Compliance with the UK Corporate Governance Code 2018

Requirements

Section 1 of the Code: **Board leadership and Company purpose**

Operation and practices

A: Board's role

Code: A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

Hiscox: The Board is collectively responsible for the stewardship and long-term success of the Company. There is a robust decision-making process in place with constructive challenge and debate. Pages 22 to 31 demonstrate the Company's strong performance and position. In the corporate governance overview on pages 84 to 89, we detail the governance arrangements in place which contribute to the delivery of our strategy.

B: Purpose and culture

Code: The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

Hiscox: Having a clear purpose and strong set of values has always been important at Hiscox as they act as a culture barometer by which the Board and wider workforce can hold each other to account (see pages 8 to 9). Procedures for regulation of Board conduct are detailed in the Group governance manual and individual appointment letters, and are overseen by the Chair of the Board.

C: Resources and controls

Code: The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Hiscox: One of the key roles of the Board is to oversee the delivery of strategy and annual operating plans, holding management to account on their delivery of those plans. This is assisted by a robust internal control and risk management framework (see pages 36 to 39). The Board and its Committees have unfettered access to the resources they deem necessary to fulfil their obligations.

D: Stakeholder engagement

Code: In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

Hiscox: The Board regularly considers the Group's relationship with various stakeholder groups including shareholder matters, employee engagement, customers, and the Group's impact on, and relationship with, wider society, examples of which can be found on pages 40 to 41. The Board continues to engage with the workforce through the pre-existing infrastructure and via the employee engagement network. This ensures Hiscox is motivating and engaging employees in an effective way. The Employee Liaison is responsible for providing a summary of findings at Board meetings.

E: Workforce engagement

Code: The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

Hiscox: Comprehensive and robust policies and procedures are in place. Having a supportive and inclusive culture is important to us and we track how employees feel about working at Hiscox through our annual global employee engagement survey. More information on our 2023 results can be found on pages 7 and 47. The Board also engages with the workforce through its established employee engagement network, which supports the pre-existing engagement infrastructure.

Additional detail on provisions:

Provision 1: pages 36 to 39 (risk management), pages 8 to 11 (business model).

Provision 2: pages 87 to 88 (Board activity), pages 106 to 143 (chapter 4, remuneration).

Provision 3: pages 40 to 41 (shareholder engagement).

Provision 4: No AGM votes below 80%.

Provision 5: pages 40 to 41 (stakeholder engagement), pages 87 to 88 (Board activity).

Provision 6: page 84 (corporate governance framework).

Provision 7: pages 84 to 88 (Non Executive Director time, corporate governance framework).

Provision 8: Group governance manual and Director appointment letters.

Compliance

The Company applied all of the principles and complied with the provisions of Section 1.

Provision 5 refers to Section 172 of the UK Companies Act which is not applicable to Hiscox as a Bermuda-incorporated company. However, the material provisions of Section 172 of the UK Companies Act are substantively covered by the Bermuda Companies Act, which is the applicable legislation that the Company is required to comply with under Bermuda law. Compliance against Bermudian Director duties is detailed on page 74.

As a company listed on the London Stock Exchange, the UK Corporate Governance Code (the Code) is applicable to Hiscox. The Board is pleased to report that the Company has applied the principles, and from July 2023, complied with all its provisions. Prior to July 2023, and as noted in previous reports, the Company was non-compliant with Provision 9 on Chair independence, Provision 19 on Chair tenure and part of Provision 25 regarding the Chair's membership of the Risk Committee. However, following the appointment of Jonathan Bloomer as Chair in July 2023, the Company is compliant with these provisions.

More information on Chair succession can be found on page 97.

The corporate governance statement (pages 84 to 89), the remuneration report (pages 112 to 133) and the Directors' report (pages 148 to 150), together with the cross references to other relevant sections of the Annual Report and Accounts, explain the main aspects of the Company's corporate governance framework and seek to give a greater understanding as to how the Company has applied the principles and reported against the provisions of the Code. The Code itself can be found at **frc.org.uk**.

In January 2024, the FRC published amendments to the UK Corporate Governance Code, which will apply to accounting periods beginning on or after 1 January 2025, with the exception of Provision 29, which is effective from 1 January 2026. We are currently assessing the impact of both the new and revised Provisions.

Requirements

2

Section 2 of the Code: Division of responsibilities

Operation and practices

F: Role of the Chair
Code: The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.
Hiscox: The Chair is responsible for the leadership and overall effectiveness of the Board. The Chair drives a boardroom culture which encourages openness and debate and ensures constructive relations between Executive and Non Executive Directors, see Board cycle on page 86. The Chair, with the support of the General Counsel and Company Secretary, delivers high-quality information to the Board to enable a strong basis for decision-making. Pages 84 to 89 detail the corporate governance structures in place.

G: Composition of the Board
Code: The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.
Hiscox: There is a clear division of responsibilities between the Chair, Chief Executive Officer and Senior Independent Director (see page 89). No individual or small group has unfettered powers of decision. The Board has a majority of independent Directors.

H: Role of Non Executive Directors
Code: Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.
Hiscox: The Group governance manual and the Directors' letters of appointment detail the requirements for the Non Executive Directors regarding their role and time expectations. These factors are subject to ongoing review, which is overseen by the Chair of the Board, and is formally reviewed in the annual Director reviews conducted by the Nominations and Governance Committee (see page 96). The duties of the Board are detailed in our Matters reserved for the Board policy, which aligns to the requirements of this principle and includes the key role of appointing and removing Executive Directors. The Matters reserved for the Board is available in the Board terms of reference at **hiscoxgroup.com/investors/corporate-governance**.

I: Role of the Company Secretary
Code: The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.
Hiscox: The Group General Counsel and Company Secretary acts as a trusted advisor to the Board and its Committees, and ensures there are appropriate interactions between Senior Management and the Non Executive Directors. He is responsible for advising the Board on all governance matters and all Directors have access to him for advice.

Additional detail on provisions:

Provision 9:
page 91 (Chair independence and tenure), page 89 (CEO and Chair separate roles).

Provision 10:
pages 72 to 73 (Board of Directors).

Provision 11:
pages 72 to 73 (Board of Directors).

Provision 12:
pages 72 to 73 (Board of Directors), pages 97 to 98 (Board evaluation).

Provision 13:
page 86 (Board cycle).

Provision 14:
page 89 (structure of Board decision-making), pages 86 to 87 (Board attendance in 2023).

Provisions 15 and 16:
Group governance manual and Director appointment letters.

Compliance

The Company applied all of the principles and complied with the provisions of Section 2 (other than Provision 9 up until July 2023, see above).

Requirements	Operation and practices	Additional detail on provisions:	Compliance
3 **Section 3 of the Code: Composition, succession and evaluation**	**J: Appointment to the Board and succession planning** **Code:** Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. **Hiscox:** The Group governance manual details the commitment to a formal, rigorous and transparent procedure for appointments to the Board and effective succession planning for Board and Senior Management, both of which are based on merit and promote diversity. This is also detailed within the Matters reserved for the Board as part of the Board terms of reference and the terms of reference of the Nominations and Governance Committee, available at **hiscoxgroup.com/investors/corporate-governance**. The Board diversity and inclusion policy is detailed on page 64. It details the parameters for appointments and succession planning, as well as oversight of Board and workforce diversity and inclusion policies and programmes. The Nominations and Governance Committee leads on the delivery of this principle on behalf of the Board as detailed on pages 95 to 98. **K: Skills, experience and knowledge of the Board** **Code:** The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed. **Hiscox:** The current composition of the Board is set out on pages 72 to 73 and is considered to be an appropriate size for the business, with the right balance of Executive and Non Executive Directors with a wide range of skills and experience that contribute to the Board's performance. Length of service is considered as part of the succession planning process and this is delivered by the Nominations and Governance Committee on behalf of the Board as detailed on pages 95 to 98. **L: Board evaluation** **Code:** Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively. **Hiscox:** The Board, Committee and Director evaluation process is a robust annual process which ensures that a thorough evaluation is completed each year. This internal evaluation process is supported by external evaluations, which are completed every three years, and most recently during 2023 (see pages 97 to 98).	Provision 17: pages 95 to 98 (key responsibilities and membership, Nominations and Governance Committee report). Provision 18: pages 72 to 73 (Board composition). Provision 19: page 91 (Chair independence and tenure). Provision 20: pages 95 to 98 (talent review and Board composition and succession, Nominations and Governance Committee report). Provisions 21 and 22: pages 95 to 98 (Board evaluation, Nominations and Governance Committee report). Provision 23: pages 95 to 98 (Nominations and Governance Committee report).	The Company applied all of the principles and complied with the provisions of Section 3 (other than Provision 19 up until July 2023, see page 91).

Requirements

Section 4 of the Code: Audit, risk and internal control

Operation and practices

M: Internal and external audit

Code: The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

Hiscox: The Audit Committee oversees the relationships with the internal and external audit functions ensuring their independence and effectiveness. The Committee also has oversight of the relationship with the actuarial function. The three parties work together to provide assurances to the Audit Committee and Board on the integrity of the financial statements, with external audit also providing assurances in relation to the narrative statements. The Audit Committee report for 2023 can be found on pages 99 to 101.

The Directors' responsibilities statement, going concern and viability statements are set out on pages 148 to 151.

N: Fair, balanced and understandable assessment

Code: The board should present a fair, balanced and understandable assessment of the company's position and prospects.

Hiscox: The Board is responsible for the preparation of the Annual Report and Accounts and for stating whether it considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable, and provides information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Audit Committee details how this is achieved on pages 99 to 101.

O: Risk management and internal control framework

Code: The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

Hiscox: The Board is ultimately responsible for our risk management and internal controls, and for ensuring that the systems in place are robust and take into account the principal risks (referred to in this document as key risks) and the emerging risks faced by the Company. An overview of risk management can be found on pages 36 to 39. The Risk Committee leads detailed discussions on the principal and emerging risks of the Company on behalf of the Board, and recommends to the Board the appropriate risk management framework including risk limits, appetite and tolerances. The Risk Committee also oversees the independence and effectiveness of the risk and compliance functions.

Additional detail on provisions:

Provisions 24 and 26: pages 99 to 101 (Audit Committee report).

Provision 25: Audit Committee terms of reference are available at **hiscoxgroup.com/investors/corporate-governance**. Risk Committee terms of reference are also available.

Provisions 27, 30 and 31: pages 148 to 150 (going concern and viability statements, Directors' report).

Provisions 28, 29 and 31: pages 36 to 39 (risk management).

Compliance

The Company applied all of the principles and complied with the provisions of Section 4 (other than part of Provision 25 as the Risk Committee membership included the Chair of the Board up until July 2023, see page 91).

A full copy of the Corporate Governance Code 2018 can be found at **frc.org.uk.**

Requirements	Operation and practices	Additional detail on provisions:	Compliance
5 **Section 5 of the Code: Remuneration**	**P: Remuneration policies and practices** **Code:** Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy. **Hiscox:** Our remuneration policy and practices are developed by the Remuneration Committee in consultation with our shareholders. They are designed to support the Company's strategic aims, promote the long-term sustainable success of the Company, and attract and retain talent, while also being aligned with the Company's purpose, values and vision (see pages 8 to 9). **Q: Executive remuneration** **Code:** A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome. **Hiscox:** The Remuneration Committee is responsible for setting the remuneration for all Executive Directors and Senior Management. The remuneration report contains details of the procedures that have been established for developing the Company's policy on Executive pay and determining Director and Senior Management remuneration outcomes. No Director is involved in deciding their own remuneration outcome. The Remuneration Committee receives information on broader workforce remuneration policies and practices during the year which informs its consideration of the policy (see page 128). The remuneration policy was reviewed during 2022/23 and the changes proposed were supported by shareholders through a shareholder vote at the May 2023 AGM. Changes included to reward the delivery of Hiscox's wider strategy by introducing a scorecard approach to the short- and long-term incentives. Bonus deferral and post-employment shareholding guidelines were also further aligned with market practice and the circumstances that may trigger use of malus and clawback were extended. The Employee Liaison facilitates discussion with respect to the content of the remuneration policy and how this aligns to wider Company pay policy, and shares feedback on this with the Board. **R: Remuneration outcomes and independent judgement** **Code:** Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. **Hiscox:** The Remuneration Committee leads on this area of work on behalf of the Board. Details of the composition and the work of the Remuneration Committee are detailed on pages 106 to 143. The Remuneration Committee comprises Independent Non Executive Directors only. The remuneration of Independent Non Executive Directors is determined by the Nominations and Governance Committee and is regularly benchmarked to ensure it reflects the time commitment and responsibilities of each role; there are no performance-related elements. The Board Chair's remuneration is determined in line with the remuneration policy and reviewed by the Remuneration Committee. The Remuneration Committee terms of reference can be found at **hiscoxgroup.com/remuneration-committee-tor.**	Provisions 32 and 33: pages 106 to 109 (annual statement from the Chair of the Remuneration Committee). Provision 34: pages 120 and 125 (Non Executive Director fees, Chair remuneration). Provisions 35: page 126 (consultants are highlighted in chapter 4: remuneration). Provisions 36, 37, 38, 39: pages 134 to 143 (remuneration policy). Provisions 40 and 41: pages 106 to 143 (chapter 4: remuneration).	The Company applied all of the principles and complied with the provisions of Section 5.

Nominations and Governance Committee report

"2023 was another important year for the Committee when it comes to succession, and I can personally speak highly of the Board induction process in this, my first year."

Jonathan Bloomer
Chair of the Nominations and Governance Committee

Key responsibilities and membership

The Nominations and Governance Committee (the Committee) leads in the delivery of formal, rigorous and transparent procedures on appointments and succession, ensuring the development of a diverse pipeline of Board members and senior managers. This includes an annual review of succession plans for Executives and Non Executives, a process which is guided by the appointment and succession principles set out in the Group governance manual for Non Executive Directors and by our Group People policies for Executive Directors and Senior Management. The Committee also reviews the Board evaluation process, Company strategy relating to DEI, and the diversity of both the Board and Senior Management. In addition, the Committee carries out several other Group activities, including a review of intragroup conflicts of interest and the approval of certain Group policies.

The Committee is comprised of eight members, being the Chair of the Board and seven Independent Non Executive Directors. The Chair of the Board is the Chair of the Nominations and Governance Committee; the Senior Independent Director leads on matters relating to the Chair. The Committee's terms of reference are reviewed and approved annually and are available on the Company's website at **hiscoxgroup.com/investors/corporate-governance.**

Key activities of the Committee

The Committee's key priorities in 2023 were as follows.

- Search for and appointment of new Chair of the Board and new Director.
- Smooth transition of Chair of the Board and new Director.
- Review of the Board evaluation outcomes.
- Ongoing diversity monitoring of the Board and Senior Management.
- Review of Committee terms of reference.

Talent reviews

The Committee leads on Executive succession planning via an established and robust talent review process. As required, the Committee reviews key talent plans throughout the Group. The Group review focuses on the GEC and their direct reports, and the Company Secretary. The outputs of the talent review process contribute to Senior Management performance development plans and include relevant diversity actions. This process is replicated at a business unit level to ensure a sufficient pipeline of talent in each area. Talent plans are also reviewed when vacancies arise.

Board composition and succession

The Committee reviewed the independence of each of the Non Executive Directors. There was a particularly robust assessment of the independence of Lynn Pike and Anne MacDonald given their tenure on the Board. The Board continues to consider that they demonstrate independent judgement and provide robust challenge. As part of the annual Board succession planning process, the Committee reviewed the composition of the Board in 2023. This included a skills and experience review – encompassing independence, length of service, the balance of skills and experience, diversity, and the capacity required to oversee the delivery of the Company's strategy – and Board succession planning on an immediate and longer-term basis for the Chair and all members of the Board.

Chair succession process

A formal and transparent process was deployed for the appointment of the Chair.

Requirements

In 2022, as part of the orderly succession plan for the retirement of the Chair, it was agreed to target an appointment to be in place by mid 2023.

The key requirements of the role were agreed as being financial services experience, as well as recent Chair experience, with insurance sector expertise also being highly regarded. It was agreed that a diverse candidate with these skills would also be highly regarded.

A review was completed by the Committee on the geographical location of the new Chair, assisted by an externally delivered market map of available Directors.

A brief was prepared for the role specifying the above. The Senior Independent Director (SID), Colin Keogh, led the search and the process on behalf of the Committee and established a sub-committee comprising two other Independent Directors who were members of the Committee. The former Chair recused himself from the process.

Process

The process was initiated with the appointment of an agency.

Spencer Stuart was engaged based on its market reputation, and alignment to our DEI objectives. The search firm used was deemed to be independent as it does not have any connection with the Company or its individual Directors other than in its engagement in this capacity.

The search firm identified potential candidates assessed against the role specification, based on merit, and with due regard for the benefits of all forms of diversity on the Board, including gender and ethnicity. This produced a long list of high-quality candidates from a broad range of potential sources of talent. Candidates were then shortlisted for interviews, which focused on each candidate's skills and experience for the role.

Interview and appointment

A formal, multi-stage interview process was used to assess candidates, and included interviews with Board members including the Group Chief Executive Officer. All interview candidates were deemed appropriate for appointment based on their skills and experience, and subject to a referencing process and review of any potential conflicts and time availability (assessed against significant time commitments).

The outstanding candidate for the role was Jonathan Bloomer, and the Nominations and Governance Committee, led by the SID, agreed that he demonstrated significant global insurance and broader financial services expertise, as well as substantial previous Chair experience. The appointment was announced in May 2023.

Induction

Jonathan's induction consisted of a tailored induction programme which allowed him to become more familiar with the working of the Board and the Group, and to fully understand the Company's operating environment (internal and external). This included meetings with individuals from the Board, Senior Management and external auditors, and was supported by an induction pack. The programme was tailored to Jonathan's appointment and it was continually reviewed to identify additional areas where induction is required.

The review focused on Non Executive succession and was aligned to the talent reviews for the Executive Directors.

As part of this process, the Committee established the need to appoint a new Independent Non Executive Director with a technology background. The Committee appointed independent executive search firm, Russell Reynolds, to assist with the appointment. Russell Reynolds does not have any connection with the Company or its Directors other than in its engagement in this capacity.

Russell Reynolds commenced a search for candidates meeting the role criteria outlined by the Committee. Having undertaken an extensive mapping of the market for candidates meeting the key criteria outlined by the Committee, together with personal fit for the Board, they identified a significant number of diverse candidates who met the criteria from which a long list of the most qualified candidates was created. These candidates were subsequently interviewed by the Chair and the Group's Chief People Officer.

Following these interviews, a shortlist of candidates went on to meet with selected Independent Non Executive Directors, as well as members of Management. In considering the future needs of the Board, as well as diversity of gender and race, Beth Boucher was identified as the most qualified candidate.

Beth joined the Board on 12 May 2023 and brings extensive experience thanks to her career as a global Chief Information Officer and her significant expertise across the technology sphere. Beth's induction was consistent with the process outlined for Jonathan above.

Following these formal reviews, the Board remains confident that the current skills and expertise are in place to deliver value to the Company and its shareholders. This formal annual process is augmented by ongoing open dialogue between the Non Executive Directors on succession and the skills required to deliver the strategy.

Pages 72 to 73 set out the nature and breadth of each Director's relevant skills and experience. Additionally, all Directors have demonstrated that they have adequate capacity to fulfil their duties.

As part of the discussions on the requirements of new Directors, the Committee determined that the Company has a strong Board which is sufficiently capable to meet the demands of the Group and future strategy. This was also validated through the Board evaluation process.

Board evaluation

The Board and its Committees have a culture of continuous improvement and as part of this undertake a formal and rigorous annual evaluation of Board and Committee performance, the results of which help to inform action and development. Board and Committee effectiveness evaluations are carried out each year and the results are reviewed and discussed by the Board and its Committees – specifically the Nominations and Governance Committee, with a focus on Board composition.

2023 Board and Committee effectiveness review

Every third year, the Board evaluation is undertaken by an external evaluator. This was undertaken in 2023 by SCT Consultants (who have no other connection with the Company or its Directors) and, in the interim years, an internal evaluation is carried out which also reviews each Committee, the Board and individual Directors.

2023 evaluation

Building on the work of prior years, the evaluation involved an assessment of Board, Committee Chair and individual Director performance. The Board and Committee reviews and the external evaluation focused on the composition of the Board; the Board's development and oversight of business strategy; the Board's work on talent, succession and culture; stakeholder engagement and wider social impact. This review was completed by all Directors.

The external evaluation process involved a review of key Board documents and a series of confidential interviews with Board members, including the Company Secretary, by the external evaluator. All members of the Board completed a confidential questionnaire. The external evaluator also observed the November Board meetings, and the results were the subject of a Chair-facilitated discussion at the Committee.

2023 Board review outcomes

The 2023 Board results demonstrated continued strong Board, Director, Chair, and Committee performance and re-affirmed the independence of the Board. The report further identified that the Board is a capable and effective Board made up of Directors with strong and diverse capabilities and experience. Directors have deep expertise in a variety of areas relevant to the work of the Company. The Board works well together as a team and is open, transparent, straightforward, and evidence based in its decision-making. It is well chaired and Directors show considerable commitment to the success of the business and to their responsibilities, including work outside formal Board meetings. The selection of and transition to the new Chair was considered to have been well managed.

Directors were fully engaged with the Board, Committee, Chair and Director evaluation process. The recommendations presented build on the very good work which has been done in recent years to build the capability and effectiveness of the leadership of Hiscox. The Board continues to engage in continuous improvements, with the annual review process being an explicit point of reflection on ongoing actions and new areas of focus. Notable points include:

- the Directors have a clear understanding of and support for the business strategy. Building on this, the Board will continue to enhance its annual strategy review;
- continuing review of strategy implementation and milestones, particularly for large and material projects;
- strengthening the Board's existing work on talent strategy, seeking out the perspectives of key external stakeholders, as well as ensuring there is consistency in the reporting frameworks from each of the Group's business areas; and
- recognising the significant benefits to the fact that Independent Non Executive Directors also sit on subsidiary boards across the Group, which provides them with stronger insights into the wider business, and identifying new ways for these experiences be shared between all Directors.

Additional topics for review were identified as part of the Board evaluation which will influence the agendas and training plans for the year.

While it was noted that the Board continues to perform well and function effectively, it was also noted that there will be changes to the Board as a result of the tenure of some Non Executive Directors, and as such the Board will need to consider the future-facing skills that would be required by prospective Board candidates. As set out in more detail on page 67, the Board is cognisant of its commitment to diversity in all its forms and intends to continue to comply with the current FTSE Women Leaders Review target for gender diversity and UK Listing Rules targets for gender and ethnic diversity at Board level.

In summary, the Board welcomed the review's conclusions with the feedback directly linking to ongoing Board developments. The Chair owns the response to the findings, and will report on their delivery in the 2024 Annual Report and Accounts.

2022 Board effectiveness review – progress against identified actions

The Board and its Committees have made tangible progress during 2023 against the action points identified in the 2022 Board effectiveness review:

- focused on the succession of the Chair of the Board and a new Director;
- continued to drive accountability and excellence in execution, including the continued monitoring of progress against the Company's business priorities and key projects, and the linkage between objective setting and monitoring;
- devoted time to considering changes in the external environment and their impact on Hiscox, including competitor activity in key markets, further work on the Company's strategic response to climate change and further deep dives on social and governance matters, as well as oversight of the Group's compliance with new accounting standards (IFRS 17) to understand the business and financial changes required, in addition to peer positioning;
- maintained a focus on people and succession planning, specifically relating to workforce DEI, employee engagement, and long-term succession planning for Senior Management, Independent Non Executive Directors and the Chair;
- continued discussions on the Group's strategy to further address risk, operations and the competitor environment in a fast-changing world;
- further focus on the development and communication of sustainability initiatives in line with changing expectations and regulation; and
- continued focus on the diversity of the Board, specifically as a number of Directors reach the end of their nine-year term in the coming year.

Jonathan Bloomer
Chair of the Nominations and Governance Committee

Audit Committee report

"The Audit Committee continues to foster healthy debate and discussion, with an uncompromising focus on the integrity and robustness of our financial disclosures."

Donna DeMaio
Chair of the Audit Committee

In relation to financial reporting, the primary role of the Audit Committee (the Committee) is to monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance. The Committee meets four times a year to coincide with key points in the Group's financial calendar. Working with both Management and the external auditor, the Committee reviewed the appropriateness of the interim and annual financial statements, concentrating on:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and requirements;
- material areas in which significant judgements and estimates have been applied, or where there has been discussion with the external auditor; and
- any correspondence from third parties in relation to our financial reporting.

The Committee is comprised of eight independent Non Executive members with relevant finance expertise and competence relevant to the insurance sector.

The significant judgements considered by the Committee in relation to the 2023 financial statements were as follows.

i) Reserving for insurance losses

As set out in our material accounting policies on pages 189 to 191, the reserving for insurance losses is the most critical estimate in the Group's financial statements. The Group adopted IFRS 17 Insurance Contracts from 1 January 2023. This changed the methodology for measuring and presenting insurance and reinsurance contracts in the financial statements; however, it does not change the Group's conservative reserving philosophy. The Committee received regular updates on the Group's IFRS 17 programme ahead of the publication of restatements and the interim financial statements, and the critical estimates applied in measuring the insurance contract liabilities and reinsurance assets.

The Committee concluded that the disclosures in the annual financial statements with respect to IFRS 17 are appropriate.

The Chief Actuary presents a quarterly report to the Committee covering Group loss reserves which discusses both the approach taken by Management in arriving at the estimates and the key judgements within those estimates. The Committee reviewed and challenged the key judgements and estimates in valuing the insurance assets and liabilities, including in relation to reserving methods, longer-tailed casualty lines and IFRS 17 assumptions involving premium allocation approach eligibility and risk adjustment.

The Committee is satisfied with both the process that was conducted, and the reporting and disclosure of the resulting estimates. While there remains uncertainty around the final cost of these events to the Group, the Committee notes that the Group continues to adopt a conservative approach where uncertainty exists as to the final cost of settlement. As with prior years, the Committee also considers the report of the external auditor, following its re-projection of reserves using its own methodologies, and the independent actuary who reviews the estimates of insurance liabilities for the Hiscox Syndicates. On the basis of this work, it reported no material misstatements in respect of the level of reserves held by the Group at the balance sheet date. The Committee is satisfied that the valuation of insurance liabilities and reinsurance assets at 31 December 2023 is appropriate.

ii) The recoverability of reinsurance assets

Management are not aware of any material issues regarding concentration risk, credit risk or default risk on the Group's holding of reinsurance assets. The Committee is satisfied with the approach taken and the recoverability of reinsurance assets.

iii) Going concern assessment and longer-term viability statements

The Committee noted the Group's going concern statements included in the Interim Statement and in this Annual Report and Accounts, and the assessment reports prepared by Management in support of such statements. More information on the going concern and viability statements can be found on pages 148 to 149.

iv) Recoverability of goodwill and other intangible assets

Judgements in relation to impairment testing relate primarily to the assumptions underlying the calculation of the value in use of the Group's businesses, being the achievability of the long-term business plans and the macroeconomic factors underlying the valuation process. The Committee received updates on impairment testing and the analysis performed by Management, and assessed the appropriateness of the assumptions made. The Committee is satisfied with the approach taken and the recoverability of the goodwill and intangible assets.

v) Accounting for the defined benefit scheme

As explained in note 2.13 to the financial statements, the Group recognises the present value of the defined benefit obligation, less the fair value of plan assets at the balance sheet date. The Committee reviewed the key judgements and estimates used to measure the pension scheme and the results of the independent pension valuation report. The Committee is satisfied that the assumptions used to measure the pension scheme are reasonable and that appropriate disclosures are provided in the financial statements.

vi) Valuation of the investment portfolio

The Group adopted IFRS 9 Financial Instruments from 1 January 2023. The new standard did not have a significant impact on the Group and the Committee is satisfied that the transitional disclosures presented in the financial statements are appropriate.

The Group continues to measure and report its investment assets at fair value. Due to the nature of the investments, as disclosed in notes 14 and 17, the fair values are based on quoted prices or are measured using directly or indirectly observable inputs. A small proportion of investments rely on a higher degree of judgement, due to the limited availability of observable market prices, to estimate their fair value.

The Committee, through the Investment Committee, receives reports on the portfolio valuation and is content with the process and the estimates reported. Sensitivity analysis on valuation of assets is captured within the financial risk section (note 3.3) of the financial statements.

vii) The recoverability of deferred tax assets

Following substantive enactment of the Corporate Income Tax Act 2023 in Bermuda, the Group expects to be subject to corporate income tax on the profits of its Bermudian subsidiaries with effect from 1 January 2025. The legislation requires taxpayers to recognise an economic transition adjustment, which creates a temporary difference and should be recognised as a deferred tax asset or liability, subject to the recognition criteria. The estimation of the value of this deferred tax asset requires significant judgement. The Committee is satisfied with Management's approach to valuation and recognition of the deferred tax asset.

Controls and corporate governance

The Committee receives quarterly updates on the effectiveness of the financial control environment. This includes metrics to evaluate control effectiveness, attestations from business unit chief financial officers and the tracking of any control remediation activity. The Committee receives updates on internal controls and reporting matters from the significant regulated entity audit committees operating within the Group. In addition, the Committee was updated on potential changes to the governance and reporting of internal controls for UK-listed companies, and the Group's plans to address these new reporting disclosures. The Committee was also given updates on various thematic reviews published by the FRC in 2023 on corporate reporting.

Environmental, social and governance (ESG) reporting

The Committee was updated on ESG reporting matters including external developments such as activity by the International Sustainability Standards Board (ISSB). As the demand for ESG-related disclosures increases, the Committee recognises it is important that Hiscox demonstrates its commitment to environmental, social and governance factors.

Internal audit

The Group's Chief Auditor provided quarterly updates to the Committee on the progress of the internal audit plan,the outcomes of recent audits, the progress of audit-related actions, and any other relevant activities including its key performance measures and the development of its resources. Updates on aspects such as the assessment of internal audit's effectiveness and the review of the internal audit policy are shared annually. Detailed results of an annual self-assessment against Internal Audit standards and codes, and on independence are reported annually to the Committee. Every three years, this assessment is carried out externally.

The internal audit plan is derived using a risk-based approach. In 2023, key themes included core underwriting and claims controls, cyber security, business and IT operations, change, financial control, data governance and controls, consumer duty and various regulatory themes.

External auditor

PwC has been the Company's external auditor since 2016 following a tender process. As an audit tender is required before 2026, a tender process for an external audit engagement was approved in the year. The engagement with vendors and a selection process will commence in 2024.

PwC is invited to attend all meetings of the Committee and it is the responsibility of the Committee to monitor their performance, objectivity and independence. The Committee discusses and agrees with PwC the scope of its audit plan for the full-year and the review plan for the interim financial statements.

The Audit Committee receives reports from PwC at each meeting which include the progress of the audit, key matters identified and the views of PwC on the judgements outlined above. PwC also reports on matters such as their observations on the Company's financial control environment, developments in the audit profession, and certain other mandatory communications.

To provide a forum in which any matters of concern could be raised in confidence, the Non Executive Directors met with the external and internal auditors throughout the year without Management present. To safeguard auditor independence and objectivity, non-audit services are not contracted with PwC unless it is clear that there is no practical alternative and there are no conflicts of interest or independence considerations.

Throughout the year, the Committee has assessed the independence, effectiveness and quality of the external audit process. This assessment considers the Committee's interactions with the external auditors and considers a variety of issues, including: the external auditors' experience and expertise; their professional scepticism and approach to challenging Management where necessary; their efficiency in completing the agreed external audit plan; and the content, quality and robustness of their reports. The Committee also takes into account the perspectives of those in Senior Management who interact with the external auditors on a regular basis. This process forms the basis for the Committee's recommendation to shareholders to reappoint the external auditor and the Committee concluded that PwC continued to perform effectively and remains independent and that the audit was of a sufficiently high quality.

In planning for an audit tender process and assessing the effectiveness of the external auditor, the Committee has been apprised and has taken into account the FRC's publication: Audit Committees and the External Audit: Minimum Standard.

Fair, balanced and understandable

The Committee assessed whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy. The Committee reviewed the processes and controls that underpin its preparation, ensuring that all contributors and Senior Management are fully aware of the requirements and their responsibilities.

Donna DeMaio
Chair of the Audit Committee

Q&A:

with Sarah Bourdeau
Head of Distribution, Hiscox USA

Sarah Bourdeau joined Hiscox USA in October 2022 after more than 20 years in the insurance industry. She is now using her extensive knowledge of both digital and traditional channels to help drive growth in the distribution of small business insurance across the USA as part of Hiscox USA's mission to be America's leading small business insurer.

Express delivery

Combining digital capability with underwriting expertise, Hiscox USA is seeking rapid growth in commercial insurance across multiple distribution channels. >

Q&A:

with Sarah Bourdeau
Head of Distribution, Hiscox USA

Q: When you joined in 2022, what was it that drew you to Hiscox?
A: I've spent my whole career in insurance – claims, underwriting, sales and distribution, both on the carrier side and the agent-broker side – and I've worked for most of the leading firms in the USA. When this position at Hiscox became available, I was intrigued by the opportunity to accelerate the growth of a carrier that is still relatively new to the USA. From a culture perspective, Hiscox is unique. We're very employee centric, very customer focused, and there's a tremendous amount of entrepreneurial spirit. We've built tremendous capability in the digital space and have the backing of the Group, which is a powerful combination.

Q: Does the current scale of the Hiscox USA operation play to your strengths?
A: Yes, it really does. There is the opportunity to lead, while also getting to roll up your sleeves and really dig into the business. I personally thrive in that environment. I love to be hands-on in the right way, but also sit in board meetings having high-level strategic discussions. Here, I can influence the business in a way I might not be able to at some of the larger, less entrepreneurial companies, and that's really exciting.

Q: As Head of Distribution, what are your key responsibilities?
A: We have three distribution channels in the USA: direct, traded and digital. I'm responsible for traded and digital. My job is to drive profitable growth by bringing our products to the right partners and brokers while also ensuring we make underwriting decisions that support the profitability of our business. On the digital side, having the first-mover advantage gave us traction, but the space is competitive and ever-evolving. To counter this, we have built the best team in the industry and have a strategic plan that we are confident in. Going into 2024, we have significant momentum and I believe we're executing at a level we never have before.

On the traded side, we're focused on creating a broker experience that creates the ease of doing business that brokers expect while also maintaining a strong market presence through the USA. We've built the underwriting expertise to deliver on this experience and I strongly believe that distinguishes us in a busy marketplace.

Q: In the USA, you're covering a vast country. How do you serve such a disparate body of customers?
A: Our strategy is to provide solutions at every level. Through our four regional offices, we have underwriters in the field who are proximate to our broker partners and we have a best-in-class underwriting centre that is engineered for speed and scale. It's about meeting different needs: if it's a complex account and it takes more underwriting, we have people who can sit down with our brokers face to face. If what's needed is simple, straight-through processing, we have a talented team that will handle those accounts quickly and efficiently. On the digital side, we have skilled people to engage with our partners, but being proximate to them is less important. Even in our digital space, we need that human touch – this is still very much a relationship business, like it always has been, and I think that's what we all love about it. The job is still very much about engagement but powered through technology.

Q: Are you able to attract the skilled people you need to make those relationships work?
A: We've brought in some of the best talent in the industry. We're building a truly dynamic team with people who have deep expertise in small commercial insurance, and that's really important. The US market is so competitive, especially in the smaller commercial space, so being able to draw on the best talent is a differentiator for us. We need people who really understand how to manage a portfolio of small commercial businesses and build solutions that meet our customer's needs. Attracting those people is a proof point of the organisation's health – they're choosing Hiscox over other opportunities in the marketplace because we're best in class.

Q: The benefits of the business's technological investment are clear on the digital side, but do they also extend to the traded side of the business?
A: Very much so. Many of our brokers are saying: *"We want a digital solution"* or *"We're building a digital solution"* so the opportunity is there for us to plug into that. Because of our background in digital, there's an opportunity for us to bring those learnings into the broker space and to develop industry-leading digital solutions there as well. Through our digital capabilities, we're building more of those cross-cutting relationships, which is a great position to be in.

Q: How do you measure success?
A: There are multiple elements to measuring success in our business. First and foremost, it's about our ability to deliver on the promises we make to our policyholders. Second, profitable growth. To achieve our goal of being


On the digital side, having the first-mover advantage gave us traction, but the space is competitive and ever-evolving. To counter this, we have built the best team in the industry and have a strategic plan that we are confident in. Going into 2024, we have significant momentum and I believe we're executing at a level we never have before."

America's leading small business insurer, it's important we ask ourselves some pretty important exam questions: are we growing at the pace we want to and earning market share? Is our focus on the segments and products that will deliver a return? Behind the scenes, we're getting more sophisticated in our analytics. Do we have the necessary foundational capabilities and can we scale our business efficiently?

Q: You're working in a national market, but you're also part of a global business. How does that affect your work?
A: Day to day, we all operate in our own markets in the way we need to, but where we benefit – and what I love about the Group dynamic – is from the shared knowledge. I might be the only Head of Distribution in the USA, but I have other local market counterparts. So if I'm trying to solve a problem, I can pick up the phone, call somebody elsewhere in the Group and say: *"Hey, have you done this before? How did it go? What resources did you bring to the table?"* I find it exciting that we get to operate as a small, nimble, independent US company, while being part of a bigger, broader global organisation that has tremendous talent and resources.

Q: What impact does the strength of the Hiscox brand have on your work?
A: Brand is important for a number of reasons. The small commercial insurance space in the USA is such a competitive landscape – even the two largest insurers have no more than a 4-5% market share individually – so it's very difficult to get much market penetration. So having such a strong brand helps us facilitate that connection with brokers and partners. We find that small business customers who have seen the Hiscox advertising have built confidence in us as a result.

Q: In your first year there, what has struck you most about the sense of community at Hiscox?
A: I love the way we emphasise and live our values, both internally and externally. Through the Hiscox Foundation, employees are encouraged to give back to the community and we show up strong in our commitment to the communities in which we live and work. We get to support the causes that our people are most passionate about and we provide multiple opportunities to teams to give something back through volunteering, which I've found brings people together in a really unique way. I'm looking forward to participating much more next year. ■

Annual statement from the Chair of the Remuneration Committee

"The Committee is excited by the opportunities ahead for Hiscox and remains committed to ensuring remuneration structures continue to align Executive Directors with the wider workforce and shareholder experience."

Colin Keogh
Chair of the Remuneration Committee

Dear fellow shareholder
On behalf of the Board, I am pleased to present Hiscox's remuneration report for the year ended 31 December 2023.

At Hiscox, our remuneration strategy is designed to attract and retain talented, ambitious people, to foster a culture of high performance and create sustainable long-term value for shareholders. It was with this strategy in mind that we reviewed our remuneration policy in 2022, and the Committee was pleased to have received a high degree of support (97.6%) for the policy at the May 2023 AGM. The Committee believes that the new remuneration policy, in its first year of implementation, is operating effectively in respect of our remuneration goals, demonstrating a clear link between business performance and remuneration outcomes.

2023 was a very strong performance year that has laid the foundations for continued growth. The appointment of a new Group Chief Risk Officer in November 2023 completes the Group Executive Committee, and the focus is squarely on execution of the strategic plan in 2024 and beyond. The Committee is excited by the opportunities ahead for Hiscox and remains committed to ensuring remuneration structures continue to align Executive Directors with the wider workforce and shareholder experience.

2023 performance and remuneration outcomes

In 2023, the Executive Directors led the business to achieve record results against a backdrop of geopolitical and economic uncertainty and in an active year for claims. The Group has delivered a record pre-tax profit of $625.9 million, 5.6% premium growth, a net combined ratio (undiscounted) of 89.8%, and an ROE of 21.8%* – the highest the business has delivered in many years. In light of the favourable market conditions, particularly in the big-ticket businesses, the Group has seized the opportunities at this point in the cycle and has pursued growth through the additional allocation of capital to those parts of the business expected to generate the highest returns, while remaining within earnings volatility parameters consistent with the Hiscox strategy. More information on the key achievements of each Executive Director for 2023 can be found on page 116.

The ROE performance during 2023 has led to higher bonus awards than in recent years, and the impact of the 2023 performance year on the three-year average growth in NAV plus dividends long-term incentive performance metric has also been positive.

The ongoing impact of the change in accounting standard from IFRS 4 to IFRS 17 on incentive performance metrics is described in the sub-sections that follow and in more detail throughout the report. The Committee maintains the view that, in principle, plan participants should be no better or worse off due to this change than they would have been without it. Where necessary for 2023 and the following years, the Committee will exercise discretion and retrospectively adjust incentive targets or outcomes to be reflective only of underlying company performance.

*Excludes Bermuda Deferred Tax Asset (DTA). Including Bermuda DTA, return on equity is 27.6%.

2023 annual bonus

For the 2023 annual bonus, performance metrics consisted of: pre-tax ROE (75% weighting), employee engagement (5%), retail claims net promoter score (5%) and individual strategic objectives (15%).

In 2023, pre-tax ROE of 24.5% was achieved. In assessing Executive Director bonuses this ROE was adjusted downwards to reflect one-third of 2022 adjustment for unrealised investment loss on the bond portfolio. An upward adjustment was made last year on the understanding that as the bonds return to par, downward adjustments would be made to the 2023-2025 bonus pools to remove the impact of any future gains.

The ROE metric was adversely impacted by the larger equity base under the new IFRS 17 accounting standard, however, the Committee determined that the impact was not sufficiently material to warrant an adjustment.

The weighted average retail claims NPS during 2023 was 68, compared with 66 the prior year. The 2023 bonus target was set at a stretching level with 25% of maximum payable for each quarterly score of 69 or more. This was achieved in two of the four quarters in 2023, leading to a 50% of maximum outturn.

The Hiscox employee engagement score for 2023 was maintained at a nine-year high of 82, despite a reduction in engagement seen across the financial services sector. Hurdle vesting for 2023 was set at 82 which generated a 20% of maximum outturn.

The assessment of each Executive Director's individual strategic objectives for 2023 is detailed on pages 116 to 117.

Having combined all these performance metrics, the Committee determined to award an annual bonus equivalent to 93% of the maximum bonus opportunity to Aki Hussain (£2,200,000), 91% to Paul Cooper (£1,500.000) and 86% to Joanne Musselle (£1,900,000).

In line with the newly implemented policy, 40% of each Executive Director's bonus for 2023 will be deferred into Hiscox shares for three years to further align their interests with those of our shareholders.

2021-2023 long-term incentive plan

Awards made under the Performance Share Plan in 2021 included a 40% weighting to relative TSR and 60% on stretching net asset value (NAV) plus dividends per share targets.

The 2021 award covered one year (2023) of NAV performance that was based on the IFRS 17 accounting standard, while 2021 and 2022 were both based on the IFRS 4 accounting standard. The Committee agreed it was appropriate to measure 2023 performance on an IFRS 4 consistent basis. We are satisfied that this is the most appropriate approach to remove any variability in the 2023 result driven by the transition between the two standards and to align with the guiding principle of ensuring no material benefit or deficit relative to performance absent the change.

The three-year average growth in NAV of 13.3% resulted in vesting of 74.4% of the maximum weighting for this metric. Relative TSR performance was below the median of the peer group over the three-year period. This resulted in an overall vesting of 44.6% of awards.

Exercise of discretion

For both the short- and long-term incentive plans, and consistent with previous years, the Committee assessed performance in the round when determining variable pay outcomes, including an assessment of wider Company performance and the employee, shareholder and wider stakeholder experience, alongside a consideration of risk. As mentioned earlier, a downward adjustment was made to the 2023 pre-tax ROE result following the upward adjustment made in respect of the unrealised bond losses in 2022.

The Committee used a scoring mechanism as a starting point to calculate performance outcomes against key strategic objectives for each Executive Director. Discretion was then exercised in determining the final outcomes. The impact of the Group Chief Underwriting Officer's higher bonus max (400% salary versus 300% salary for the other Executive Directors) was rebalanced in order to achieve a more equitable outcome in the context of the overall contribution made by the three Executive Directors.

Board changes in the year

Jonathan Bloomer was appointed as Chair to the Hiscox Ltd Board on 1 June 2023, replacing Robert Childs. Jonathan's fee is market aligned and was benchmarked prior to appointment.

2024 remuneration

For 2024, Aki Hussain's salary will increase by 4.3%, Paul Cooper by 2.5% and Joanne Musselle by 2.5%. These increases differ based on external market data and are in line with our average workforce increases in the UK of 4.3%.

There are no proposed changes to award levels under the annual bonus or long-term incentive plan.

The annual bonus metrics for the 2024 plan will remain broadly similar to those adopted in 2023, albeit with a small change to the measurement of the Claims NPS metric to reflect an internal review that has been carried out on the NPS process. The 2024 long-term incentive award will be based on relative TSR and growth in NAV plus dividends plus shareholder returns measured on a per-share basis.

Wider workforce

The Committee remains focused on ensuring Hiscox's reward philosophy is applied appropriately across the entire workforce and that includes looking after our lowest paid employees. During 2023, we reviewed the incentive structures for the wider workforce, to ensure we have a consistent methodology in our incentive approach across Hiscox, which is aligned to the market and enables us to remain competitive. The new incentive structures will be implemented during 2024 and will provide our wider workforce with greater visibility of potential incentive outcomes, in particular bonus outcomes.

The Committee also continued with the following activities to ensure we are appropriately rewarding and engaging the entire workforce and reflecting this in Board decision-making:

- **Board oversight:** we are regularly kept up to date by the Chief People Officer on wider workforce remuneration trends and policies to aid our understanding of how Executive Directors' remuneration aligns to that of wider employees;

"During 2023, we reviewed the incentive structures for the wider workforce, to ensure we have a consistent methodology in our incentive approach across Hiscox, which is aligned to the market and enables us to remain competitive."

- employee engagement: Anne McDonald, Non Executive Director, also serves as the Group's Employee Liaison and, as such, continues to facilitate engagement sessions through the established representative employee engagement network to better understand employee views on issues, including but not limited to remuneration, and provides periodic feedback on these discussions to the Board. We are pleased to report that, during 2023, the feedback received showed that Executive Director remuneration is viewed as commensurate with relative skills, experience and risk and was not felt to be excessive or disproportionate.

More broadly, we recognise the criticality of employee engagement for our business, which is exemplified by the inclusion of an employee engagement metric within the annual bonus plan for Executive Directors.

Living Wage employer

Hiscox has been an accredited Living Wage employer in the UK since 2019. This is an important part of our employee value proposition and helps ensure that Hiscox employees receive pay that recognises the rising cost of living in the UK.

Additional bonuses have been paid to the most junior employees in recognition of the strong financial performance of the Company during 2023.

Pay reporting

We published our seventh annual UK gender pay report in 2023 and the gap remains broadly unchanged from last year at 16.0% on a mean basis (2022: 16.0%). We recognise that there is more to do and are focused on getting more women into senior roles, while maintaining our principles of recruiting based on talent alone. We have DEI action plans in place across our business units that are measured and monitored, with goals related to recruitment and career development right through to succession planning.

Employee share ownership

We continue to grant shares to all new permanent employees aligned with our ownership value under the HSX:26 share ownership scheme, to further foster a culture of sustainable performance and shared ownership. In addition, all employees are able to join one of our sharesave schemes, which run twice a year and provide the wider workforce with an opportunity to buy Hiscox shares at a discounted rate after three years of saving.

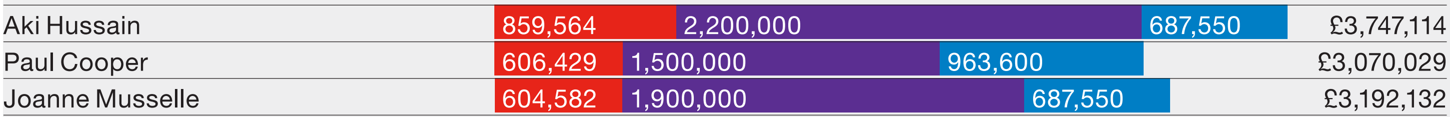
In summary

The Remuneration Committee is satisfied that 2023 remuneration outcomes are aligned with the experience of shareholders and reflective of business performance.

Colin Keogh
Chair of the Remuneration Committee

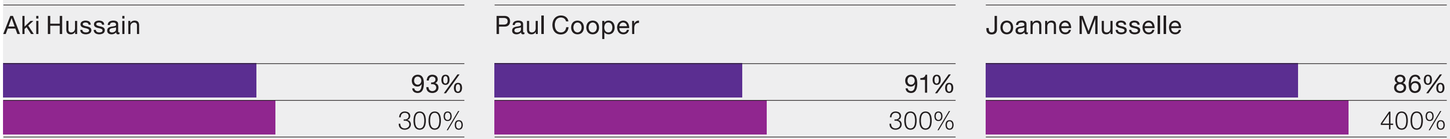
Summary of remuneration arrangements

Total remuneration 2023



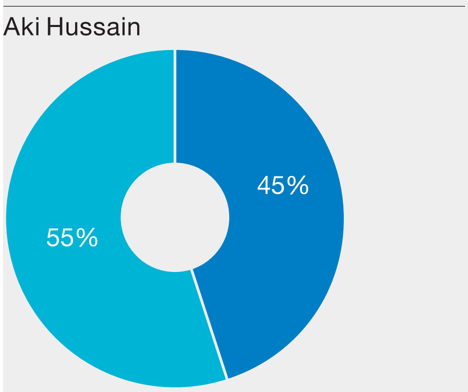
Fixed pay Bonus LTIP/buy-out

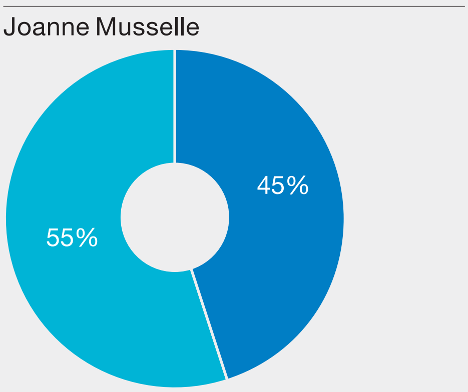
Annual bonus



2023 award (as % of max) Maximum opportunity (as % salary)

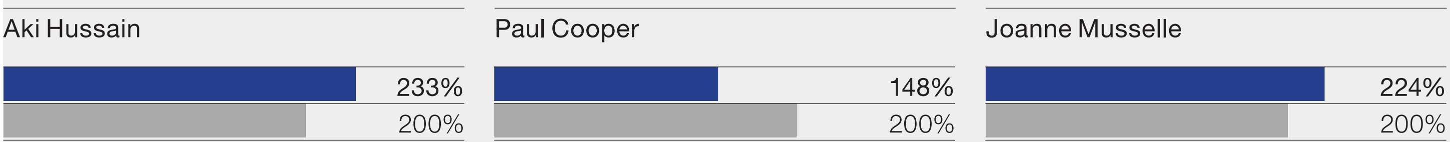
Long-term incentive plan (LTIP) Award vesting where the performance period ends 31 December 2023





2023 vested vs lapsed

Shareholding requirement



Held Requirement

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Read our remuneration policy.

Implementation of policy for 2023	Implementation of policy for 2024
Salaries for 2023: — Aki Hussain: £787,500 — Paul Cooper: £551,250 — Joanne Musselle: £551,250	Salaries for 2024: — Aki Hussain: £821,500 — Paul Cooper: £565,000 — Joanne Musselle: £565,000 Salary increases of 4.3% for the CEO and 2.5% for other Executive Directors in line with external market data and other UK-based employees where the average increase is 4.3%.
Maximum opportunity: — up to 300% of salary for CEO and CFO; — up to 400% of salary for CUO. Over the past ten years, the average bonus awarded to the CEO has been equivalent to 30% of the current maximum opportunity. **Performance metrics:** 75% weighting on ROE and 25% on non-financial performance metrics. Further details are provided on page 114. **Deferral:** flat rate of 40% of bonus deferred into shares and released three years following the end of the relevant performance year.	No changes.
Award subject to three-year performance period and two-year holding period. **Maximum opportunity:** 250% of salary for all Executive Directors. **Vesting subject to:** growth in NAV (50% weighting) and relative TSR (50% weighting). 2023 award as percentage of salary: — Aki Hussain: 250% — Paul Cooper: 225% — Joanne Musselle: 225% **Holding period:** awards subject to a further two-year holding period following vesting.	**Vesting subject to:** growth in NAV (50% weighting) and relative TSR (50% weighting). Maximum opportunity, time horizon and holding period all unchanged. 2024 award as percentage of salary: — Aki Hussain: 250% — Paul Cooper: 200% — Joanne Musselle: 200%
Share ownership guidelines of 200% of salary for all Executive Directors, after five years in role. 2023 actual: — Aki Hussain: 233% — Paul Cooper: 148% Paul Cooper was appointed in May 2022. — Joanne Musselle: 224% **Post-employment shareholding requirement:** maintain the level of the in-employment shareholding guideline (or the actual shareholding on stepping down, if lower) for two years following stepping down from the Board.	Share ownership guideline unchanged.

Key principles underpinning remuneration at Hiscox

The Hiscox remuneration policy is designed to drive a culture of high performance and create sustainable long-term value for shareholders.

The policy follows three clear principles:
- simple and results-driven, with variable rewards if Hiscox delivers profits and shareholder returns in excess of specified return thresholds;
- incentivise Executive Directors appropriately, over the short and long term; and
- align Executive Directors' interests with those of our shareholders, focusing on effective risk management, return on equity (ROE) and net asset value growth, which drives total shareholder return over time.

CEO single figure (ten-year history)

	£
2023	**3,747,114**
2022	1,390,959
2021	1,332,964
2020	717,243
2019	698,196
2018	1,818,086
2017	2,394,428
2016	3,970,466
2015	3,358,894
2014	3,130,535

Annual report on remuneration 2023

This report explains how the remuneration policy was implemented for the financial year ended 31 December 2023.

PwC has been engaged to audit the sections in the annual report on remuneration 2023 below entitled 'Executive Director remuneration' and 'additional notes to the Executive remuneration table', 'annual bonus', 'performance outcomes for 2023', 'long-term incentive plan', 'Non Executive Director remuneration table', 'Directors' shareholding and share interest', 'Performance Share Plan' and 'Sharesave Schemes', 'payments to past Directors', 'payments for loss of office', to the extent that would be required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013.

Executive Director remuneration table (audited)

2023

Name	Salary £	Benefits £	Retirement £	Bonus[4] £	Long-term incentive plan[2] £	Other[3] £	Total £	Total split: Fixed remuneration £	Total split: Variable remuneration £
Aki Hussain	778,125	10,703	70,736	2,200,000	687,550	0	3,747,114	859,564	2,887,550
Paul Cooper	544,688	8,945	52,796	1,500,000	0	963,600	3,070,029	606,429	2,463,600
Joanne Musselle	544,688	9,349	50,546	1,900,000	687,550	0	3,192,132	604,582	2,587,550

2022

Name	Salary £	Benefits £	Retirement £	Bonus £	Long-term incentive plan[2] £	Other £	Total £	Total split: Fixed remuneration £	Total split: Variable remuneration £
Aki Hussain	750,000	10,593	67,866	562,500	0	0	1,390,959	828,459	562,500
Paul Cooper[1]	340,057	6,009	30,732	237,182	0	620,273	1,234,253	376,798	857,455
Joanne Musselle	522,125	8,890	43,527	525,000	0	0	1,099,542	574,542	525,000

[1] Paul Cooper was appointed as Group Chief Financial Officer on 9 May 2022 and appointed to the Hiscox Ltd Board as an Executive Director on 12 May 2022.
[2] 2023 long-term incentives for Aki Hussain and Joanne Musselle relate to performance share award granted in 2021 where the performance period ends on 31 December 2023. The award is due to vest on 8 April 2024. The amount includes dividend equivalents of £42,799 accrued on the award. For the purpose of this table, the award has been valued using the average share price during the three-month period 1 October 2023 to 31 December 2023 of £10.00. Of the vested amount, £90,911 relates to share price appreciation over the performance period.
[3] On 3 April 2023, the second tranche of the share buy-out award for Paul Cooper vested. The total vested award was 87,600 shares including dividend equivalents accrued on the award. The award was valued at £963,600 using the middle market quotation of £11.00 on 3 April 2023, which included £112,814 share price appreciation.
[4] 40% of the bonus is deferred into shares for three years. No further performance conditions apply.

Additional notes to the Executive Director remuneration table (audited)

Salary

Salary reviews take place in the first quarter of the year, effective from 1 April. As noted in last year's remuneration report, salaries for all Executive Directors were increased by 5% which was below the average UK-based employee salary increase of 6.1%.

Base salaries for Executive Directors from 1 April 2023 were as follows:

	April 2023 £
Aki Hussain	787,500
Paul Cooper	551,250
Joanne Musselle	551,250

Benefits

For 2023, benefits provided for Executive Directors included the healthcare scheme, life insurance, income protection insurance and critical illness policies, as well as a Christmas gift and fitness cash allowance.

Retirement benefits

Aki Hussain and Paul Cooper received a 10% of salary cash allowance in the year (less an offset for the employer's UK National Insurance liability) in lieu of the standard employer pension contribution. Joanne Musselle receives a combination of cash allowance and employer pension contribution (£8,500 for 2023) totalling 10% of salary (less an offset for employer's UK National Insurance on the cash allowance). The value of these retirement benefits are shown in the Executive Director remuneration table on page 112. Executive Director retirement benefits are consistent with those offered to the majority of UK employees. This has been the policy at Hiscox for a number of years.

Variable pay

To ensure that remuneration is aligned with Company performance and the shareholder experience, a significant proportion of pay is delivered through incentive awards, consisting of an annual bonus and share awards under the Performance Share Plan, which can vary significantly based on the level of performance achieved. Although the remuneration structure has naturally evolved over time to reflect market and best practice, the framework has been in place for more than 15 years.

Annual bonus (audited)

The Executive Directors, along with other employees across the Group, participate in profit-related bonus pools, which are calculated at a business unit level and for the Group as a whole. The Remuneration Committee believes that the most appropriate measure for the calculation of the bonus pool is pre-tax return on equity (ROE), as this aligns Management's interests with those of shareholders, minimises the possibility of anomalous results, and ensures that incentives for Executive Directors and other employees are tied to the Company's profit performance. When setting targets, the Committee seeks to motivate strong performance while also encouraging sustainable behaviours, in line with the defined risk appetite of the business.

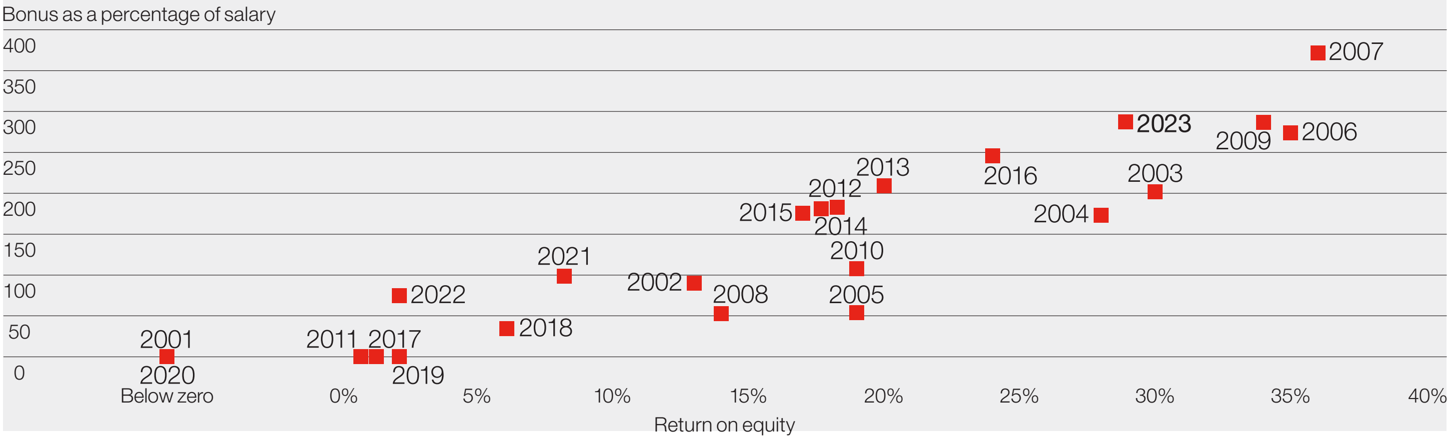
In determining the bonuses to be paid to Executive Directors for 2023, the Committee based its judgement on the scorecard shown below. Assessment of claims transactional NPS and employee engagement was undertaken by external third parties.

Metric		Weighting of maximum opportunity	Performance criteria
Financial	Pre-tax ROE	75%	The pre-tax ROE threshold is set annually using an investment benchmark rate and for 2023 was set at a pre-tax ROE of 5%. To aid the Committee's assessment of bonus outcomes, the following framework was in place for 2023.
Non-financial	Strategic personal objectives	15%	The Committee undertakes a robust assessment of individual achievements by the Executive Directors. See page 116 for further details.
	Retail claims transactional NPS	5%	Weighted average quarterly score is derived by an external third party. Bonus vesting is reduced if the quarterly score falls below 69.
	Global employee engagement score	5%	Engagement is measured through the annual employee engagement survey run by an external third-party provider. Performance threshold of 82% engagement below which bonus payment for this metric is zero with a stretch score of 90% or above for 5% vesting. Straight-line vesting profile between hurdle and max.

Pre-tax ROE	Bonus % max
< 5%	0%
5%-12%	0-30%
11%-16%	25-55%
15%-20%	45-75%
18%-23%	65-90%
>21%	80-100%

Maximum bonus opportunities for 2023 remained unchanged from 2022, being 300% of salary for both the Group Chief Executive Officer and Group Chief Financial Officer and 400% of salary for the Group Chief Underwriting Officer. 40% of annual bonuses are deferred into Hiscox shares for a period of three years. The release of these shares and the associated accrued dividend shares are generally subject to continued employment but are not subject to any further performance conditions. The remaining 60% of annual bonus is paid in cash in March 2024. Malus and clawback provisions apply (see page 141 for more details).

Executive Directors' cash incentives and return on equity



Pay for performance – track record

The chart above shows the relationship between the Group ROE performance and bonus awards for Executive Directors over an extended period. It demonstrates the strong link between Company performance and bonus outcomes.

Performance outcomes for 2023 (audited)

Pre-tax ROE

The Executive Directors led the business to achieve record results against a backdrop of geopolitical and economic instability and in an active year for claims. The Group has delivered a pre-tax ROE result of 24.5%.

As explained in last year's remuneration report, ROE in 2022 was materially impacted by unrealised investment losses on the bond portfolio. The Committee agreed last year that the fairest treatment was to pay bonuses to Executive Directors and the wider workforce on an adjusted profit basis, recognising the impact of unrealised investment losses on bonds. It was further agreed that as the bonds return to par, adjustments would be made to the 2023-2025 bonus pools to remove the impact of any future gains. This year, the Committee has therefore deducted one-third of the profit adjustment made last year, from this years ROE results. For the Executive Directors, the profit adjustment of $35.8 million results in an adjusted pre-tax ROE of 23.1% for bonus purposes.

The Committee is of the view that paying 100% of the maximum bonus opportunity weighted to ROE performance is a fair outcome for the Executive Directors and that payment of this level is aligned with the shareholder experience.

2023 key objectives and individual achievements by the Executive Directors (audited)

Key objectives	Achievements
Aki Hussain Deliver the 2023 business plan	During 2023, Aki has led the business to achieve record results against a backdrop of geopolitical and economic instability and in an active year for claims. The Group has delivered a record pre-tax profit of $625.9 million, 5.6% growth in ICWP, a net combined ratio (undiscounted) of 89.8%, and an ROE of 21.8%*. This record result was underpinned by an additional allocation of capital to those parts of the business expected to generate the highest returns in the favourable hard market conditions, while remaining within the Group's earnings volatility parameters.
Lead an effective Group Executive Committee (GEC)	Aki has established a high performing GEC and has been focused on clarifying its role and behaviours, in the context of delivering the Hiscox Group 2025 ambition. Aki has driven further alignment between the individual objectives of GEC members and the overall strategy. Excellent progress has been made, and the record employee engagement score of 82% which was achieved in 2022 was maintained in 2023.
Oversee a risk aware culture	Aki has strengthened and embedded the Group's risk aware culture, while also more generally enhancing its risk management framework. This has been achieved through delivering regular mandatory training to our people and implementing a new risk and compliance operating model. Aki also appointed Fabrice Brossart this year as our new Chief Risk Officer, thus completing the membership of the GEC.
Paul Cooper Deliver the expense ratio plan	Expense efficiency has been a key priority for Paul this year, and he has led the business to achieve an expense ratio of 48.1% which represents a 1.5 point improvement year on year. Furthermore, Paul has formalised a detailed roadmap to continue to maximise operating leverage as we grow the business and embedded this into the business planning process to the end of 2026.
Implement and embed IFRS 17	Paul has delivered a smooth implementation of IFRS 17 globally across the business with minimal disruption. This was achieved through a multi-year programme addressing systems and process changes and realising efficiencies in the IFRS 17 reporting timetable. This has enabled continued successful and timely reporting of our results, with clear commentary outlining the impact on our numbers. An extensive communication schedule was also conducted, including two specific market briefing sessions to sell-side analysts and an extensive internal training and education programme covering the Board, Management and staff. This has been recognised and positively received both internally and externally – particularly by industry analysts and investors.
Build a first class finance function	Paul has continued to focus on building a first class finance function, which in 2023 included enhancing the financial risk and control framework to reflect the evolving regulatory landscape, and addressing changes to the UK Corporate Governance Code with the formation of a dedicated programme to drive progress. Paul has also embedded a new vision for finance as a trusted business partner and a destination for talent, completing his Finance Leadership Team during the year with a number of key appointments including Todd Isaac as our new Chief Investment and Treasury Officer.
Joanne Musselle Deliver the 2023 business plan	Joanne has successfully overseen our underwriting teams around the world as they maximised the opportunities in each of our chosen markets, resulting in an insurance service result for 2023 of $492.3 million, up 36.4% year-on-year, despite an active year for claims. Our big-ticket businesses successfully leaned into the hard market, growing net ICWP in Hiscox London Market by 15.1% and in Hiscox Re & ILS by 23.2%.
Technical excellence	Joanne has continued to boost our technical capabilities, with a particular focus on further enhancing the alignment between underwriting, claims, reserving and pricing. Strong progress has been made, with minimum standards established and the appointment of a dedicated lead to drive this critical workstream. In addition, the Faculty of Underwriting, established under Joanne's leadership to enhance technical and behavioural skills and capabilities across the underwriting community at Hiscox, continues to develop the underwriters of the future and ultimately enhance the robustness of the underwriting risk and control framework across the Group.
Active portfolio management	Active portfolio management continues to be a key priority for Joanne, and under her leadership our big-ticket teams have made the most of the cyclical market opportunities, maximising growth in areas such as property (re)insurance and renewables, while our retail teams have continued to focus on the structural growth opportunity, investing in tools and capabilities to pro-actively manage emerging trends and opportunities. Joanne has also overseen the ongoing execution of legacy portfolio transactions (LPTs) for exited lines of business to effectively minimise earnings volatility. In addition, Joanne has led the development of a sustainable underwriting strategy for the Group, designed to enable the business to balance the requirements of the transitioning economy and realise new and growing underwriting opportunities, including through the ESG 3033 sub-syndicate launched during 2023.

*Excludes Bermuda Deferred Tax Asset (DTA). Including Bermuda DTA, return on equity is 27.6%.

The Committee used a scoring mechanism as a starting point to calculate performance outcomes against key strategic objectives for each Executive Director. Discretion was then exercised in determining the final outcomes. The impact of the Group Chief Underwriting Officer's higher bonus max (400% salary versus 300% salary for the other Executive Directors) was rebalanced in order to achieve a more equitable outcome in the context of the overall contribution made by the three Executive Directors.

The Committee judged that Aki Hussain should receive 44% salary for achievement of his objectives, 37% for Paul Cooper and 31% for Joanne Musselle.

Retail claims transactional NPS (audited)

Our customers are at the heart of what we do and their experience of dealing with us is intrinsically linked to our brand value. Claims transactional net promoter score was measured by an external third party across our retail operations in Europe, the UK and the USA. The weighted average quarterly scores are shown below.

Q1	66
Q2	69
Q3	69
Q4	68

There were two quarters when the score fell below the performance threshold score of 69 and therefore 50% of the weighting attributed to this metric will vest.

Global employee engagement score (audited)

Employee engagement has proven to be strongly correlated with overall Company performance and we regard it as an important forward-looking leading measure of our success. We also believe it is largely a function of good leadership. Engagement was measured during 2023 through an annual global employee engagement survey run by an external third-party provider. The score was 82% and therefore 20% of the weighting attributed to this metric will vest.

Summary of annual bonus performance outcomes (audited)

The maximum bonus opportunity for both the Group Chief Executive Officer and Group Chief Financial Officer is 300% salary and 400% of salary for the Group Chief Underwriting Officer. Having assessed the scorecard outturns and aggregate performance, the Committee is of the view that paying 93% of the maximum bonus opportunity to Aki Hussain (£2,200,000), 91% to Paul Cooper (£1,500.000) and 86% to Joanne Musselle (£1,900,000) are fair outcomes for the Executive Directors, reflective of the excellent business results and aligned with the shareholder experience.

Long-term incentive plan (audited)

Share buy-out arrangements for Paul Cooper

As disclosed in the 2022 remuneration report, in lieu of forfeited long-term incentive plan awards with his previous employer, Paul Cooper was compensated with awards of an equivalent face value and all vesting terms were mirrored. The Hiscox malus and clawback provisions apply. Vesting is subject to continued employment.

On 3 April 2023, the second tranche of the buy-out award vested. Paul Cooper received an additional 820 shares equivalent to the dividends payable with a record date between 16 May 2022 and 2 April 2023. The total vested award was 87,600 shares.

Performance Share Plan (PSP) awards where the performance period ends with the 2023 financial year (audited)

Aki Hussain and Joanne Musselle were each granted 144,436 nil-cost options under the PSP on 8 April 2021 for the three-year performance period 1 January 2021 to 31 December 2023.

The performance conditions for this award were set at the start of the performance period and are as follows.

60% of awards are based on three-year average growth in NAV per share, plus dividends:

	Award vesting (% of maximum)
Less than RFR + 6% p.a.	0
RFR + 6% p.a.	16
RFR + 14% p.a.	80
Equal to or greater than RFR +17% p.a.	100

Straight-line vesting in between each point.
The risk-free rate (RFR) for the awards granted in 2021 was set at 0%.

40% of awards are based on relative total shareholder return measured against a group of global insurance peers:

Relative TSR	Award vesting (% of maximum)
Below median	0
Median	20
Upper quartile	100

Straight-line vesting in between each point.

The peer group consists of the following 24 companies: Admiral Group, Alleghany, American Financial Group, Arch Capital, Argo, Axis Capital, Beazley, Cincinnati Financial, Conduit, CNA Financial, Direct Line Insurance Group, Everest Re, Fairfax Financial Holdings, Hanover Insurance, James River Group, Kinsale Capital Group, Lancashire Holdings, Markel, QBE, Renaissance Re, RLI, SCOR, White Mountains Insurance Group, and WR Berkley.

Performance outcome

Following Berkshire Hathaway's acquisition of Alleghany in 2022, Alleghany has been removed from the peer group, reducing the number of companies to 23. Hiscox's relative TSR performance over the three-year period was below the median of the comparator group and therefore this component of the award will not vest.

The three year average growth in net asset value plus dividends, measured on a consistent IFRS 4 basis over the period, was 13.3%. The vesting outcome was 74.4% of the maximum award which when applied to the 60% weighting for this metric, equates to an overall vesting of 44.6%. Executive Directors will accrue additional shares based on dividend equivalents over the three performance years and are required to hold the vested shares (net of tax) for a further two years from the end of the three-year vesting period.

PSP awards granted during the 2023 financial year (audited)

PSP awards granted to the Executive Directors in 2023 were set at 250% of salary for Aki Hussain and 225% of salary for both Paul Cooper and Joanne Musselle. Awards are based on a three-year performance period and will vest on 15 May 2026 followed by a two-year holding period. 50% of awards are based on stretching growth in net asset value (NAV) plus dividends targets, measured on a per share basis, with 50% based on relative total shareholder return (TSR) against a group of global insurance peers.

Executive Directors were granted nil-cost options under the PSP as shown below. Grants were made on 23 May 2023.

	Number of awards granted	Market price at date of grant £	Market value at date of grant £
Aki Hussain	168,269	11.74	1,975,478
Paul Cooper	106,009	11.74	1,244,546
Joanne Musselle	106,009	11.74	1,244,546

The performance condition for these awards, measured over the period 1 January 2023 to 31 December 2025, is as follows:

Growth in NAV per share plus dividends	Award vesting (% of maximum)*
< $0.43 p.a.	0
$0.43 p.a.	20
$1.28 p.a.	100

*Applies to 50% of awards. Straight-line vesting in between each point.

These numbers were set on an IFRS 4 basis. The performance years 2023, 2024 and 2025 will be measured on an IFRS 17 basis and so these IFRS 4 targets will be converted to equivalent IFRS17 numbers and restated prior to vesting.

Relative TSR	Award vesting (% of maximum)*
Below median	0
Median	20
Upper quartile	100

*Applies to 50% of awards. Straight-line vesting in between each point.

The peer group consists of the following 23 companies: Admiral Group, American Financial Group, Arch Capital, Argo, Axis Capital, Beazley, Cincinnati Financial, CNA Financial, Conduit, Direct Line Insurance Group, Everest Re, Fairfax Financial Holdings, Hanover Insurance, James River Group, Kinsale Capital Group, Lancashire Holdings, Markel, QBE, Renaissance Re, RLI, SCOR, White Mountains Insurance Group, and WR Berkley.

Executive Directors will be required to retain any shares post vest (net of tax charges) for a further two years.

Non Executive Director remuneration (audited)

The table below sets out the remuneration received by the Non Executive Directors for the financial years ending 31 December 2023 and 31 December 2022.

2023

	Ltd Board fee £	Subsidiary board fee £	Benefits[6] £	Total Hiscox fees £
Jonathan Bloomer (Chair)[1]	195,417	–	–	195,417
Robert Childs[2]	147,500	–	7,041	154,541
Beth Boucher[3]	64,213	–	–	64,213
Donna DeMaio	108,871	62,903	–	171,774
Michael Goodwin	100,806	36,290	–	137,096
Thomas Huerlimann[4]	100,806	119,804	–	220,610
Colin Keogh	121,774	106,000	–	227,774
Anne MacDonald	108,871	–	–	108,871
Constantinos Miranthis	108,871	39,516	–	148,387
Lynn Pike	106,452	62,903	–	169,355

2022

	Ltd Board fee £	Subsidiary board fee £	Benefits[1] £	Total Hiscox fees £
Robert Childs (Chair)	295,000	–	13,987	308,987
Donna DeMaio	116,379	39,224	–	155,603
Caroline Foulger[5]	45,634	43,971	–	89,605
Michael Goodwin	107,759	38,793	–	146,552
Thomas Huerlimann	107,759	51,304	–	159,063
Colin Keogh	130,172	106,000	–	236,172
Anne MacDonald	116,379	–	–	116,379
Constantinos Miranthis	116,379	42,241	–	158,620
Lynn Pike	113,793	67,241	–	181,034

[1]Jonathan Bloomer was appointed as Chair to the Hiscox Ltd Board on 1 June 2023. Board fees are pro-rated from this date.
[2]Robert Childs retired from the Hiscox Ltd Board on 30 June 2023. Ltd Board fees and benefits are pro-rated to this date.
[3]Beth Boucher was appointed to the Hiscox Ltd Board on 12 May 2023.
[4]Thomas Huerlimann took over as Chair of a subsidiary board in Q4 2023.
[5]Caroline Foulger retired from the Hiscox Ltd Board on 12 May 2022.
[6]Benefits include life assurance and healthcare.

Fees are paid in multiple currencies – 2023 fees were converted using £1: €1.15 and £1: $1.24. 2022 fees were converted using £1: €1.15 and £1: $1.16.

Membership of the Remuneration Committee

The Remuneration Committee members during the year were Beth Boucher, Donna DeMaio, Michael Goodwin, Thomas Huerlimann, Colin Keogh (Chair), Anne MacDonald, Constantinos Miranthis and Lynn Pike.

Directors' shareholding and share interests (audited)

To align their interests with those of Hiscox shareholders, senior managers are expected to own a minimum number of Hiscox shares. Executive Directors are required to hold Hiscox shares valued at 200% of salary within five years of becoming an Executive Director. Joanne Musselle and Aki Hussain have met the requirement with holdings of 224% and 233% respectively using the closing share price on 31 December 2023. Paul Cooper was appointed to the Board in 2022 and is beginning to build his shareholding. He currently holds shares equivalent to 148% of salary.

Details of the post-employment shareholding guideline for Executive Directors which applies for a period of two years from stepping down from the Board can be found on page 139.

The interests of Executive and Non Executive Directors are set out below, including shares held by connected persons. There have been no changes in the Director share interests between 31 December 2023 and 5 March 2024.

Directors	31 December 2023 6.5p ordinary shares number of shares beneficial	31 December 2022 6.5p ordinary shares number of shares beneficial
Executive Directors:		
Aki Hussain	174,188	145,767
Paul Cooper	77,174	30,045
Joanne Musselle	117,309	117,309
Non Executive Directors:		
Jonathan Bloomer[1]	20,000	–
Robert Childs[2]	1,113,162	1,213,162
Beth Boucher	–	–
Donna DeMaio	–	–
Michael Goodwin	12,678	12,678
Thomas Huerlimann	16,548	16,112
Colin Keogh	59,667	53,980
Anne MacDonald	42,629	41,504
Constantinos Miranthis	6,832	6,832
Lynn Pike	1,538	1,538

[1]Jonathan Bloomer was appointed as Chair to the Hiscox Ltd Board on 1 June 2023.
[2]Robert Childs retired from the Hiscox Ltd Board on 30 June 2023.

Performance Share Plan (PSP) (audited)

Awards in the form of nil-cost options are granted under the PSP as a percentage of salary. All awards are subject to performance conditions, with the exception of Paul Cooper's buy-out. The interests of Executive Directors are set out below:

Name	Number of awards at 1 January 2023	Number of awards granted	Number of awards lapsed	Number of awards exercised	Number of awards at 31 December 2023	Mid-market price at date of grant £	Average market price at date of exercise £	Date from which released
Aki Hussain	120,500	–	(120,500)	–	–	7.00		15-May-23
	144,436	–	–	–	144,436	8.59		08-Apr-24
	190,355	–	–	–	190,355	9.85		08-Apr-25
	–	168,269	–	–	168,269	11.74		23-May-26
Paul Cooper	86,780*	820	–	(87,600)	–	9.70	11.00	03-Apr-23
	42,945*	–	–	–	42,945	9.70		01-Apr-24
	11,037*	–	–	–	11,037	9.70		01-Apr-25
	141,646	–	–	–	141,646	9.85		08-Apr-25
	–	106,009	–	–	106,009	11.74		23-May-26
Joanne Musselle	120,500	–	(120,500)	–	–	7.00		15-May-23
	144,436	–	–	–	144,436	8.59		08-Apr-24
	133,248	–	–	–	133,248	9.85		08-Apr-25
	–	106,009	–	–	106,009	11.74		23-May-26
Total	1,135,883	381,107	(241,000)	(86,780)	1,188,390			

*Denotes buy-out award.

Sharesave Schemes (audited)

The interests of Executive Directors under the Sharesave Schemes are set out below.

The scheme offers a three-year savings contract where the exercise price of the options is calculated on an average share price over five days prior to the invitation date, with a 20% discount. Sharesave options are not subject to performance.

	Number of options at 1 January 2023	Number of options granted	Number of options lapsed	Number of options exercised	Number of options at 31 December 2023	Exercise price £	Market price at date of exercise £	Date from which exercisable	Expiry date
Aki Hussain	2,500	–	–	–	2,500	7.20		01-Jun-24	30-Nov-24
Paul Cooper	2,452	–	–	–	2,452	7.34		01-Dec-25	31-May-26
Joanne Musselle	2,380	–	–	–	2,380	7.56		01-Dec-24	31-May-25
Total	7,332	–	–	–	7,332				

Payments for loss of office (audited)

No payments were made during the year for loss of office.

Payments to past Directors (audited)

Following stepping down as Group Chief Executive Officer and as an Executive Director of Hiscox Ltd with effect from 31 December 2021, Bronek Masojada has continued providing strategic advice as an Executive Advisor for key subsidiaries. During 2023, Bronek received a salary of £150,000 and was covered under the health insurance and life assurance schemes. Bronek was granted a performance share award in 2021 of 187,612 shares. As detailed on page 118, 44.6% of these awards will vest plus Bronek will receive additional shares based on dividend equivalents over the three performance years. He will be required to retain the shares post vest (net of tax charges) for a further two years.

Implementation of remuneration policy for 2024

Salary

Annual salary reviews take effect from April each year. The Committee takes account of a number of factors, primarily the increase applied to other UK-based employees. The Committee applies judgement when using external market data.

For 2024, salaries will be increased by 4.3% for the Group Chief Executive Officer and 2.5% for the other Executive Directors. This is in line with external market data and other UK-based employees where the average increase is 4.3%. Salaries from April 2024 will be as follows:

	2024 £
Aki Hussain	821,500
Paul Cooper	565,000
Joanne Musselle	565,000

Bonus

The annual bonus performance targets for 2024 are considered commercially sensitive. They will be disclosed in full in the 2024 annual report on remuneration including specific details of individual and strategic performance targets. The weighting of the performance measures will remain unchanged from 2023, as detailed below.

Metric	Weighting
Pre-tax ROE	75%
Strategic personal objectives	15%
Retail claims transaction NPS	5%
Global employee engagement score	5%

The maximum opportunity remains unchanged at 300% salary for the Group Chief Executive Officer and Group Chief Financial Officer, and 400% salary for the Group Chief Underwriting Officer.

Long-term incentive plan: Performance Share Plan (PSP)

The maximum opportunity for the awards to be granted to the Executive Directors in 2024 will remain unchanged at 250% of salary. Awards in the form of nil-cost options will continue to be based on a three-year performance period (1 January 2024 to 31 December 2026) followed by a two-year holding period post vest. The Group Chief Executive Officer will receive an award of 250% salary and the Group Chief Financial Officer and Group Chief Underwriting Officer will each receive 200% of salary.

For 2024, 50% of awards will be based on stretching growth in NAV plus dividends plus shareholder returns, measured on a per-share basis. The Committee considers that growth in NAV continues to be a key metric for the PSP given that our strategy is built around the objective of generating long-term shareholder value and NAV is aligned with shareholder value creation.

The targets below represent an expected aggregate increase in shareholder value of between $433 million and $1,255 million over three years.

	Growth in NAV plus dividends plus shareholder returns per share	Proportion of PSP vesting %
Minimum threshold vesting	$0.42 p.a.	20
Maximum vesting	$1.21 p.a.	100

Applicable to 50% of awards. Straight-line vesting between threshold and maximum.

50% of awards will be based on relative TSR, aligned to our strategy of generating long-term value for shareholders.

Relative TSR	Proportion of PSP vesting %
Below median	0
Median	20
Upper quartile	100

Applicable to 50% of awards. Straight-line vesting in between each point.

The peer group consists of the following 23 companies: Admiral Group, American Financial Group, Arch Capital, Argo, Axis Capital, Beazley, Conduit, Cincinnati Financial, CNA Financial, Direct Line Insurance Group, Everest Re, Fairfax Financial Holdings, Hanover Insurance, James River Group, Kinsale Capital Group, Lancashire Holdings, Markel, QBE, Renaissance Re, RLI, SCOR, White Mountains Insurance Group, and WR Berkley.

Non Executive Director fees

The Non Executive Director fees which apply for 2024 are set out below. The Board Chair's fee increased from £295,000 to £335,000 during 2023, which was as the result of the appointment of Jonathan Bloomer. The Chair fees were benchmarked and approved by the Nominations and Governance Committee.

All Board members sit on each of the Committees (Audit, Remuneration, Risk, Nominations and Governance) so the Committee fees have been aggregated into the basic fee.

	2024 fees
Board Chair and subsidiary services	£335,000
Non Executive Director basic fee	$125,000
Additional fees for:	
Audit Committee Chair	$10,000
Remuneration Committee Chair	$9,000
Risk Committee Chair	$7,000
Senior Independent Director	$17,000
Employee Liaison	$10,000
Bermuda Committee	$10,000

Other remuneration matters

External Non Executive Directorships

Executive Directors may not accept any external appointment that may give rise to a conflict of interest, and all external appointments require the consent of the Chair. Aki Hussain held a directorship at VISA Europe Limited during 2023 and received a fee of £132,500. Joanne Musselle was remunerated £40,000 for her directorship at Realty. Paul Cooper was an unremunerated member of the board at the ABI.

External advisors

The Committee received independent advice from WTW during 2023. WTW was appointed by the Committee in June 2022, following a competitive tender process. WTW is a signatory to the Remuneration Consultants Group Code of Conduct and, as such, voluntarily operates under its code of conduct. During the year, the Committee received advice on developments in market practice, corporate governance, institutional investor views, and on the design of the Company's remuneration arrangements. Total fees for advice provided to the Committee during the year were £173,620 based on a time and materials basis.

The Committee regularly reviews the advice it receives and is satisfied that this has been objective and independent. During the year, WTW also provided other consulting services to the Company.

In addition to the external advisors, the Group Chief Executive Officer and Chief People Officer attend the Committee meetings by invitation and provided material assistance to the Remuneration Committee during the year. No Director or Committee member was involved in determining their own remuneration during the year.

Statement of shareholder voting

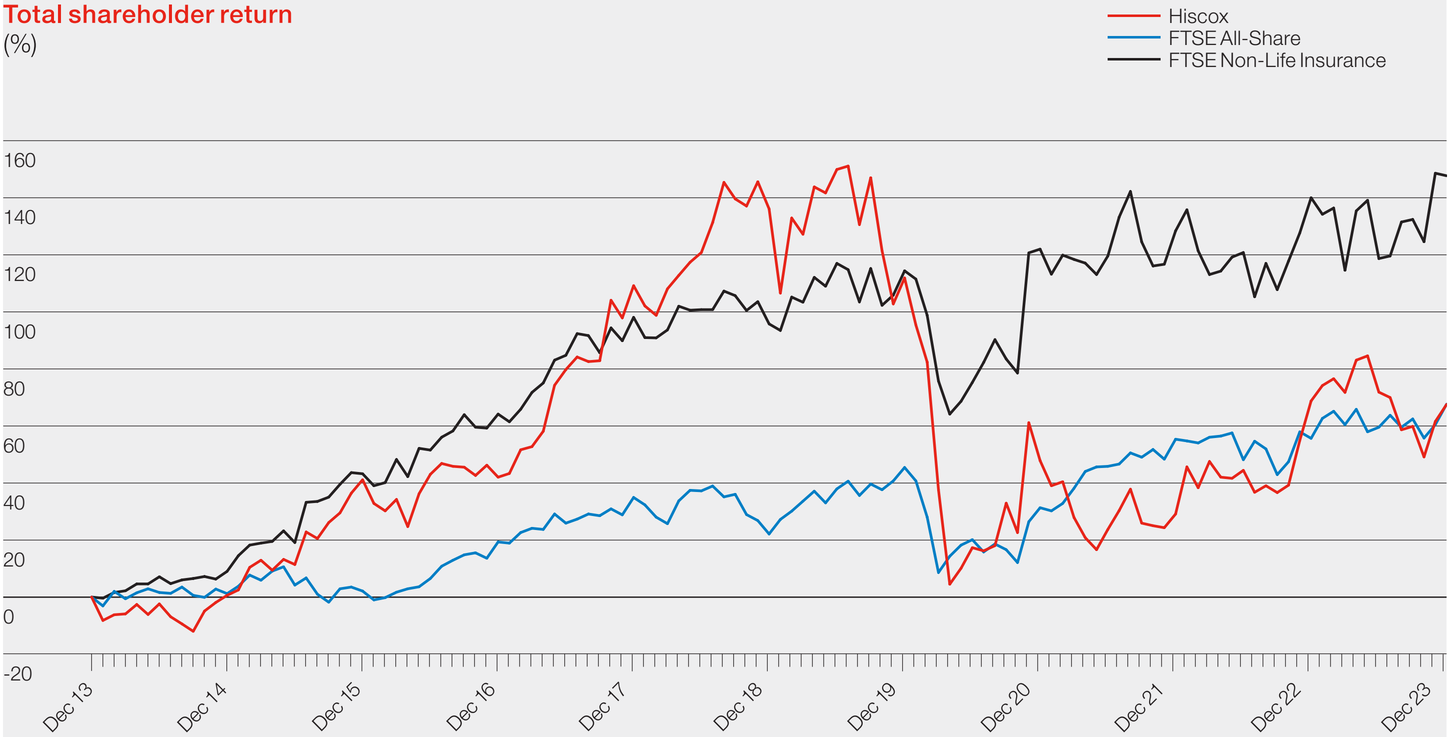
At the AGM on 11 May 2023, the directors remuneration report and remuneration policy received the shareholder votes shown in the table below. The Committee was pleased with the level of support received from shareholders.

	Directors remuneration report (11 May 2023)	Remuneration policy (11 May 2023)
For	261,629,087	274,610,137
%	93.39%	97.58%
Against	18,522,418	6,811,674
%	6.61%	2.42%
Withheld	1,280,608	10,302

Total shareholder return performance

The graph below shows the total shareholder return of the Group against the FTSE All-Share and FTSE Non-Life Insurance indices. These reference points have been shown to assess performance against the general market and industry peers. Between December 2013 and 2023, Hiscox delivered total shareholder return of 67.5%.

Total shareholder return
(%)



Chief Executive historic remuneration

The table below shows the single total remuneration figure for the Group Chief Executive Officer for the past ten years. The Group Chief Executive Officer was Bronek Masojada up to and including 2021. From 1 January 2022 the Group Chief Executive Officer is Aki Hussain.

	2014[1]	2015	2016	2017	2018	2019	2020	2021	2022	2023
CEO single figure of remuneration (£)	3,130,535	3,358,894	3,970,466	2,394,428	1,818,086	698,196	717,243	1,332,964	1,390,959	**3,747,114**
Annual bonus as percentage of current max	44	39	64	0	9	0	0	30	25	**93**
PSP vesting as percentage of maximum opportunity	100	100	100	85	47	0	0	0	0	**45**

[1]Prior to 2015, the annual bonus was operated on an uncapped basis. In order to facilitate comparison, a cap has been applied retrospectively.

Comparator data

Remuneration for the wider workforce

When considering the remuneration arrangements for Senior Management, the Committee takes into account remuneration throughout the wider workforce, which is based on broadly consistent principles. The Remuneration Committee receives information on Group-wide remuneration policies and uses internal and external measures to assess the appropriateness of the remuneration policy and outcomes for Executive Directors. During the year, the Committee reviewed information on market levels of pay in our peer group, bonus pools split by business area, levels of share plan participation and pay ratios between Executives and average employees.

The Committee received employee feedback on executive remuneration during 2023 via our employee engagement network led by Employee Liaison and Non Executive Director Anne MacDonald.

Anne directed a group of employees to the relevant sections of the Annual Report where executive remuneration was described in detail. The group noted that there is a wider, macro question relating to companies in general around the increasing financial gap between executives and workforce and the long-term societal, ethical and community impact this may have, but noted that market forces are what they are. Specifically, with respect to Hiscox, it was noted that the remuneration for Senior Executives was higher, but this was commensurate with their relative skills, experience and risk. The group did not believe that the remuneration was excessive or that Executive Directors benefited from any arrangements that targeted Executive Management in a disproportionate manner or were materially different than the wider workforce. It was noted that in certain situations the arrangements for Executive Directors were more restrictive.

Group Chief Executive Officer pay ratio

The Group Chief Executive Officer's total remuneration compared with the median (50th percentile) remuneration of the Company's UK employees as at 31 December 2023 is shown below, along with the 25th and 75th percentiles.

We selected calculation method 'Option A' as it is the more robust approach and favoured by investors. This method captures all pay (excluding overtime due to its volatility) and benefits for the financial year to 31 December 2023 and aligns with how the 'single figure' table is calculated (from which there has been no deviation). Part-time employee single figures were annualised to provide more meaningful comparison.

Full year	Calculation methodology	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2023	A	79:1	49:1	32:1
2022	A	31:1	20:1	13:1
2021	A	34:1	20:1	12:1
2020	A	20:1	12:1	8:1
2019	A	19:1	11:1	7:1

The table below shows the salary and total remuneration of each employee at the 2023 quartile positions.

2023	P25 £	P50 £	P75 £
Salary	37,809	59,305	79,298
Total remuneration	47,696	76,285	116,905

The Committee has considered the pay data for the three employees identified and believes that it fairly reflects pay at the relevant quartiles among the UK employee population. The increase in CEO pay ratio for 2023 is a result of improved vesting of the long-term incentive plan and higher bonus outturns. Given the greater weighting of variable remuneration versus fixed pay for senior roles, including the Group Chief Executive Officer, these positive business outcomes translate into a significant increase in the CEO pay ratio.

The Committee is comfortable that the pay ratio for 2023 aligns to the pay and progression policies for employees, in particular, that pay is truly linked to performance and that individuals are appropriately motivated and rewarded according to their knowledge and seniority within the business.

Percentage change in remuneration of the Board Directors

The table below shows the percentage change in remuneration for each Executive and Non Executive Director, between the years 2020 and 2023. Salary and bonus are compared against all employees globally, benefits are compared against all UK-based employees, reflecting the location of the Executive Directors.

			2020 % change
	Salary/fees	Benefits	Bonus
All employees[1]	4.3	5.9	(36.1)
Executive Directors:			
Aki Hussain	2.8	(6.9)	N/A
Paul Cooper	N/A	N/A	N/A
Joanne Musselle	N/A	N/A	N/A
Non Executive Directors:[2]			
Jonathan Bloomer[3]	N/A	N/A	N/A
Robert Childs[4]	1.7	(1.7)	–
Beth Boucher	N/A	N/A	N/A
Donna DeMaio	N/A	N/A	N/A
Michael Goodwin	4.2	–	–
Thomas Huerlimann[5]	(2.0)	–	–
Colin Keogh	(2.5)	–	–
Anne MacDonald	2.2	–	–
Constantinos Miranthis	(5.2)	–	–
Lynn Pike	(6.3)	–	–

[1]Median employee salary, benefits and bonus have been calculated on a full-time equivalent basis. Salary and benefits are calculated as at 31 December 2023, bonus is that earned during the year ending 31 December 2023.
[2]Non Executive Director fees are subject to exchange rate fluctuations.
[3]Jonathan Bloomer was appointed as Chair to the Hiscox Ltd Board on 1 June 2023. Board fees are pro-rated from this date.
[4]Robert Childs retired from the Hiscox Ltd Board on 30 June 2023. Board fees and benefits are pro-rated to this date.
[5]Thomas Huerlimann took over as Chair of a subsidiary board in Q4 2023.

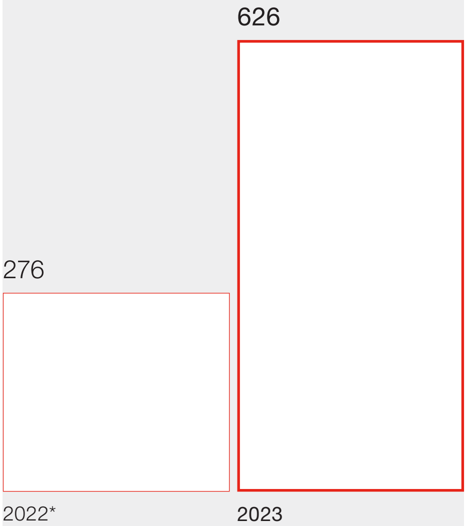
		2021 % change			2022 % change			2023 % change
Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
1.8	(3.7)	147	5.8	2.6	11.6	3.6	8.6	29.7
2.2	3.3	N/A	46.8	43.3	21.7	3.8	3.8	291.1
N/A	N/A	N/A	N/A	N/A	N/A	60.2	68.0	532.4
22.1	21.6	N/A	2.2	(6.4)	(4.5)	4.3	14.3	261.9
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
–	10.4	–	–	8.7	–	(50.0)	(50.0)	–
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	–	–	536.2	–	–	10.4	–	–
(0.7)	–	–	19.0	–	–	(6.5)	–	–
(1.4)	–	–	12.5	–	–	38.7	–	–
32.4	–	–	9.6	–	–	(3.6)	–	–
(0.7)	–	–	19.0	–	–	(6.5)	–	–
5.0	–	–	19.0	–	–	(6.5)	–	–
(0.7)	–	–	19.0	–	–	(6.5)	–	–

Relative importance of the spend on pay

The charts below show the relative movement in profit, shareholder returns and employee remuneration for the 2022 and 2023 financial years. Shareholder return for the year incorporates the distribution made in respect of that year. Employee remuneration includes salary, benefits, bonus, long-term incentives and retirement benefits. Profit is the ultimate driver behind the performance metrics of the bonus and long-term incentive schemes. See profit before tax on the consolidated income statement on page 174.

Profit before tax ($m)

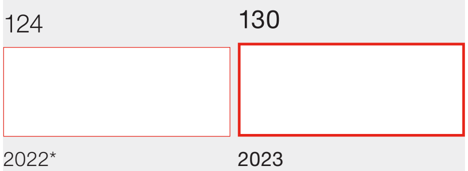
+127.1 (% change)



*Restated for the adoption of IFRS 17 and IFRS 9.

Dividend and return of capital to shareholders† ($m)

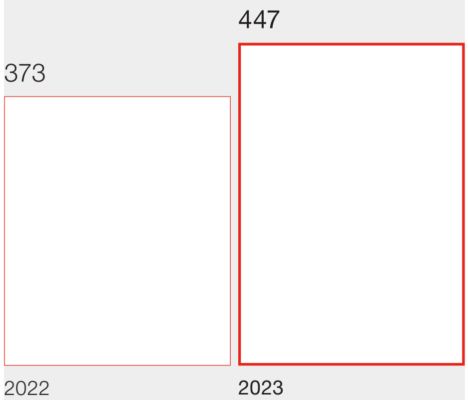
+4.8 (% change)



†Shareholder return for the year incorporates the distribution made on behalf of that year (for example, final dividend paid in April/May the following year) and excludes the impact of the share buyback announced in March 2024.

Total employee remuneration ($m)

+19.8 (% change)



How we have addressed the following factors in the UK Corporate Governance Code 2018

Factor	Consideration of how this is addressed for Hiscox
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	— Shareholders' views on the proposed changes to the remuneration policy were sought during Q1 2023 and constructive feedback was received. — In 2023, a range of people-related topics, including remuneration, were discussed by our Employee Engagement Network, facilitated by Committee member Anne MacDonald, who also serves as our Employee Liaison. The Committee receives information on broader workforce remuneration policies and practices during the year which informs its decision-making for Executive Director remuneration.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	— The remuneration philosophy is a simple one: to reward performance. Hiscox's remuneration framework is simple, comprising three main elements: — fixed pay (base salary, benefits and pension); — annual bonus; and — performance share awards.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The remuneration policy incorporates a number of design features to take account of and minimise risk: — the Committee has the ability to apply independent judgement and override formulaic outcomes to ensure that incentive awards are a fair reflection of both the Company's performance and that of the individual over that period; — part of the annual bonus is subject to deferral, and share awards are subject to a post-vesting holding period and a post-employment shareholding requirement; — all variable remuneration is subject to malus and clawback provisions.
Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	— The range of possible values are set out in the performance scenario charts in the remuneration policy on page 143. — Limits and ability to exercise discretion are also set out in the notes to the policy on page 141.
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	— Variable incentive pay-outs have a strong link to Company performance. The Committee is satisfied that the remuneration outcomes for 2023, detailed on pages 117 and 118, are reflective of Company performance over the respective performance periods.
Alignment to culture – incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	— The variable incentive schemes, including quantum, time horizons, form of award, performance measures and targets are all designed with the Company's purpose, values and strategy in mind. — Strategic non-financial measures, including retail claims NPS, are included in the annual incentive. — The pay arrangements for the Executive Directors are aligned with those of the broader workforce and senior team.

Remuneration policy

Hiscox has a forward-looking remuneration policy for its Board members

Hiscox has a forward-looking remuneration policy for its Executive Directors. The policy was approved at the 11 May 2023 AGM and is replicated below. The policy can be viewed in the 2022 Annual Report and Accounts at hiscoxgroup.com.

Future policy table

Executive Director remuneration

Base salary

Purpose and link to strategy	Fixed-pay elements enable the Company to be competitive in the recruitment market when looking to employ individuals of the calibre required by the business.
Operation	Base salary is normally reviewed annually, taking into account a range of factors including inflation rate movements by country, relevant market data and the competitive position of Hiscox salaries by role. Individual salaries are set by taking into account the above information, as well as the individual's experience, performance and skills, increases to salary levels across the wider Group, and overall business performance. By exception, an individual's salary may be amended outside of the annual review process.
Maximum potential value	The salaries for current Executive Directors which apply for 2024 are set out on page 123. Executive Directors' salary increases will normally be in line with overall employee salary increases in the relevant location. Increases above this level may be considered in other circumstances as appropriate (for example, to address market competitiveness, development in the role, or a change in role size, scope or responsibility).
Performance metrics	Individual and business performance are taken into account when setting salary levels.
Application to broader employee population	Process for review of salaries is consistent for all employees.

Future policy table

Executive Director remuneration

Benefits (including retirement benefits)

Purpose and link to strategy	Fixed-pay elements enable the Company to be competitive in the recruitment market when looking to employ individuals of the calibre required by the business.
Operation	**Retirement benefits** These vary by local country practice, but all open Hiscox retirement schemes are based on defined contributions or an equivalent cash allowance. This approach will be generally maintained for any new appointments other than in specific scenarios (for example, where local market practice dictates other terms). For current Executive Directors, a cash allowance of up to 10% of salary is paid in lieu of the standard employer pension contribution, or a combination of pension contributions and cash allowance, totalling 10% of salary. **Other benefits** Benefits are set within agreed principles but reflect normal practice for each country. Hiscox benefits include, but are not limited to: health insurance, life assurance, long-term disability schemes and participation in all-employee share plans such as the sharesave scheme. Executive Directors are included on the directors and officers' indemnity insurance. The Committee may provide reasonable additional benefits based on circumstances (for example, travel allowance and relocation expenses) for new hires and changes in role.
Maximum potential value	Set at an appropriate level by reference to the local market practice and reflecting individual and family circumstances. Pension benefits will be in line with the standard employer contribution taking into account any local requirements.
Performance metrics	None.
Application to broader employee population	Executive Directors' benefits are determined on a basis consistent with all employees.

Future policy table

Executive Director remuneration

Annual bonus

Purpose and link to strategy	To reward for performance against the achievement of financial results over the financial year and key objectives linked to Company strategic priorities. To provide a direct link between reward and performance. To provide competitive compensation packages.
Operation	Performance metrics and targets are set annually. The payment outcome at the end of the performance period is based on an assessment of the level of performance achieved with reference to the performance targets set at the start of the year, including an assessment of risk factors. Amounts are paid in accordance with the bonus deferral mechanism described on page 137. Bonus awards are non-pensionable. Bonus awards are subject to malus and clawback provisions as described in the notes to the policy table on page 141.
Maximum potential value	The maximum bonus opportunity for the Executive Directors will be as follows: — Group Chief Executive Officer and Group Chief Financial Officer – 300% of salary; — Group Chief Underwriting Officer – up to 400% of salary. Where performance is deemed to be below acceptable levels, pay-outs will be nil.
Performance metrics	Performance is assessed against relevant financial and non-financial targets designed to incentivise the achievement of Company strategy. The Committee has the discretion to determine the specific performance conditions attached to each bonus cycle and to set annual targets for these measures with reference to the strategy approved by the Board. The financial measures used will typically include return or profit-based targets. Up to 25% of the bonus can be based on non-financial measures including environmental, social and governance (ESG) related measures. For the measures and weightings to be used in a particular year, please refer to the annual report on remuneration. The discretion available to the Committee in assessing the achievement of the performance targets is as set out in the notes to the policy table on page 141.
Application to broader employee population	The operation of the annual incentive is consistent for the majority of employees across the Group.

Future policy table

Executive Director remuneration

Bonus deferral

Purpose and link to strategy	To align with sound risk management, encourage retention of employees, share ownership and alignment with shareholder interests.
Operation	Executive Directors are required to defer a percentage (currently 40%) of their total annual bonus into Hiscox shares for a period of three years. The release of these shares and the associated accrued dividend shares are generally subject to continued employment but are not subject to any further performance conditions. The remaining 60% will be paid as cash following the end of the financial year. The Remuneration Committee may exercise discretion and agree to early payment of deferred bonuses to Executive Directors on an exceptional basis. Deferred awards are subject to malus and clawback provisions as described in the notes to the policy table on page 141.
Maximum potential value	In accordance with the operation of the annual bonus plus accrued dividend shares.
Performance metrics	In accordance with the operation of the annual bonus.
Application to broader employee population	Bonus deferral is applied in line with regulatory requirements.

Future policy table
Executive Director remuneration

Long-term incentive plan – Performance Share Plan (PSP)

Purpose and link to strategy	To motivate and reward for the delivery of long-term objectives in line with Company strategy. To encourage share ownership and align interests with shareholders. To provide competitive compensation packages.
Operation	Awards are granted under, and governed by, the rules of the PSP as approved by shareholders from time to time. Share awards are made at the discretion of the Remuneration Committee. Awards normally vest after a three-year period subject to the achievement of performance conditions. Dividend equivalents may accrue prior to the vesting date. An additional holding period, which is currently two years, applies. Awards are generally subject to continued employment, however, awards may vest to leavers in certain scenarios. Dividends (or equivalents) may accrue on vested shares prior to release. Awards are subject to malus and clawback provisions as described in the notes to the policy table on page 141.
Maximum potential value	PSP awards are subject to a maximum annual grant of up to 250% of salary in respect of any one financial year plus accrued dividends (or equivalents).
Performance metrics	The performance conditions for awards are set to align with the long-term objectives of the Company. The Committee reviews the targets prior to each grant to ensure that they remain appropriate. The policy provides for a minimum aggregate weighting of 70% for financial metrics and for up to 30% to be based on strategic non-financial performance metrics. For the weightings used in a particular year, please refer to the annual remuneration report. For delivery of threshold performance, up to 20% of the relevant portion of the award can vest. For full vesting, the stretch hurdles need to be met in full. The discretion available to the Committee in assessing the achievement of the performance targets is as set out in the notes to the policy table on page 141. Where the Committee considers it appropriate to do so, under the plan rules the Committee is able to modify performance criteria for outstanding awards on the occurrence of certain events (for example, a major disposal).
Application to broader employee population	Participation in the PSP is normally restricted to senior individuals.

Future policy table
Executive Director remuneration

Shareholding guidelines

Purpose and link to strategy	To ensure Executive Directors are aligned with shareholder interests.
Operation	Within five years of becoming an Executive Director, individuals will normally be expected to have acquired an interest in Hiscox shares valued at 200% of salary. Shares owned by the Executive Director (and any connected person) count towards the guidelines as do shares subject to any vested but unexercised PSP awards (net of assumed taxes). Executive Directors are also expected to remain aligned with the interests of shareholders for an extended period after leaving the Company. Executive Directors will typically be expected to retain a shareholding at the level of the in-employment shareholding guideline (or the actual shareholding on stepping down, if lower) for two years after termination unless the Committee determines otherwise in exceptional circumstances.
Maximum potential value	N/A.
Performance metrics	N/A.
Application to broader employee population	Post-employment shareholding guidelines only apply to Executive Directors.

Future policy table

Non Executive Director remuneration

General approach	The total aggregate fees payable are set within the limit specified by the Company's Bye-laws. The fees paid are determined by reference to the skills and experience required by the Company, as well as the time commitment associated with the role. The decision-making process is informed by appropriate market data. Non Executive Directors are not eligible for participation in the Company's incentive plans or pension arrangements. Travel and other reasonable expenses incurred in the course of performing their duties are reimbursed to Non Executive Directors (including any tax thereon where these are deemed to be taxable benefits). Non Executive Directors are included on the directors and officers' indemnity insurance. The current fees payable to Non Executive Directors are set out on page 125.
Chair	The Chair receives an all-inclusive fee in respect of the role. In addition to their fee the Chair may be provided with incidental benefits, for example, private healthcare and life assurance (including any tax thereon where these are deemed to be taxable benefits). The remuneration of the Chair is determined by the Remuneration Committee.
Non Executive Directors	Non Executive Directors receive an annual fee in respect of their Board and Committee appointments together with additional compensation for further duties (for example, chairmanship, subsidiary boards, SID fee and employee liaison fee). The fees for the Non Executive Directors (excluding the Chair) are determined by the Nominations and Governance Committee.

Notes to the policy table

Performance measures, target setting and assessment

The performance targets for the annual bonus and Performance Share Plan (PSP) awards are closely aligned with the Company's short- and long-term strategic objectives. The intention is to provide a direct link between reward levels and performance.

The Company operates a performance scorecard-based approach for the annual bonus. This ensures that both individual bonus levels and overall spend are commensurate with the performance of the Company across a number of key metrics, some financial and some non-financial. The Committee considers performance metrics and targets prior to the start of each financial year to ensure that these remain suitable and relevant. It is the intention of the Committee that the bonus payments should normally reflect the outcome of the performance measures set, although the Committee has the ability to apply independent judgement to ensure that the outcome is a fair reflection of the performance of the Company and individual over the performance period. When making this judgement, the Committee has scope to consider any such factors as it deems relevant.

PSP performance measures are intended to motivate and reward delivery of long-term Company success. The Committee considers performance metrics and targets prior to the grant of each award to ensure that these remain suitable and relevant. It is the intention of the Committee that the vesting of PSP awards should normally reflect the outcome of the performance measures set, although the Committee has the ability to apply independent judgement to ensure that the outcome is a fair reflection of the performance of the Company and individual over the performance period. When making this judgement, the Committee has scope to consider any such factors as it deems relevant.

Detailed provisions

The Committee reserves the right to use discretion within the remuneration policy to aid in its operation or implementation (for example, for regulatory or administrative purposes), provided that any such change is not to the material advantage of Directors.

The Committee may continue to satisfy remuneration payments and payments for loss of office (including the exercise of any discretions available to the Committee in connection with such payments) where the terms of the payment were: i) agreed before 15 May 2014 when the first approved remuneration policy came into effect; ii) agreed before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' remuneration policy in force at the time they were agreed; or iii) agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, such payments include the Committee satisfying awards of variable remuneration.

Malus and clawback provisions

Bonus deferral applied from 2023 and PSP awards granted from 2023 are subject to malus and clawback provisions as set out below. The Committee may, in its absolute discretion, determine at any time prior to the vesting of an award to reduce, defer, cancel or impose further conditions in the following circumstances:

- a retrospective material restatement of the audited financial results of the Group;
- an error in assessing a performance condition applicable to the award or in the information or assumptions on which the award was granted, or vests;
- actions of gross misconduct or material error, including fraud, by the participant or their team;
- significant reputational or financial damage to the Company as a result of the participant's conduct;
- a failure of adequate risk management and/or controls by the participant or their team, resulting in a material impact to the Group;
- a material corporate failure in the Group;
- a regulatory or law enforcement investigation which results in significant censure.

Annual bonus and PSP awards granted to Executive Directors shall also be subject to clawback provisions for up to two years from the date of payment or vesting in the above circumstances.

The malus and clawback provisions that apply to awards made prior to 2023 are as set out in the relevant remuneration policy as at the date of award.

Recruitment policy

A new hire will ordinarily be remunerated in accordance with the policy described in the table on the previous pages. In order to define the remuneration for an incoming Executive Director, the Committee will take account of:

- prevailing competitive pay levels for the role;
- experience and skills of the candidate;
- awards (shares or earned bonuses) and other elements which will be forfeited by the candidate;
- transition implications on initial appointment;
- the overall Hiscox approach.

A buy-out payment/award may be necessary in respect of arrangements forfeited on joining the Company. The size and structure of any such buy-out arrangement will take account of relevant factors in respect of the forfeited terms including potential value, time horizons and any performance conditions which apply. The objective of the Committee will be to suitably limit any buy-out to the commercial value forfeited by the individual.

On initial appointment (including interim Director appointments) the maximum level of variable remuneration (excluding any buy-outs) is capped at the maximum level set out in the policy table on pages 133 to 139. Within these limits, and where appropriate, the Committee may tailor the award (for example, time frame, form, performance criteria) based on the commercial circumstances. Shareholders would be informed of the terms for any such arrangements. Ordinarily, it would be expected that the package on recruitment would be consistent with the usual ongoing Hiscox incentive arrangements.

On the appointment of a new Non Executive Chair or Non Executive Director, the fees will normally be consistent with the policy. Fees to Non Executives will not include share options or other performance-related elements.

Service contracts

It is the Company's policy that Executive Directors should have service contracts with an indefinite term which can be terminated by the Company by giving notice not exceeding 12 months or the Director by giving notice of six months.

The terms set out in the service contracts for the current Executive Directors do not allow for any payments that are not in line with this policy.

Non Executive Directors are appointed for a three-year term, which is renewable, with three months' notice on either side, no contractual termination payments being due and subject to re-election pursuant to the Bye-laws at the Annual General Meeting. The contract for the Chair is subject to a six-month notice provision on either side.

Policy on payment for loss of office

Subject to the execution of an appropriate general release of claims an Executive Director may receive on termination of employment by the Company:

1. Notice period of up to 12 months

In the normal course of events, an Executive will remain on the payroll but may be placed on gardening leave for the duration of the notice period (or until they leave early by mutual agreement, whichever is sooner). During this period they will be paid as normal, including base pay, pension contributions (or cash allowance as appropriate) and other benefits (for example, healthcare).

In the event of a termination where Hiscox requests that the Executive Director ceases work immediately, a payment in lieu of notice may be made that is equal to fixed pay, pension entitlements and other benefits (benefits may continue to be provided). Payments may be made in instalments and would ordinarily be subject to mitigation should the individual find alternative employment during the unexpired notice period.

2. Bonus payment for the financial year of exit

Bonuses will normally only be paid to Executive Directors who are granted 'good leaver' status in accordance with the bonus plan rules. The bonus amount would normally be pro-rated depending on the proportion of the financial year which has been completed by the time of the termination date and paid in line with the normal bonus scheme timings and performance metrics.

3. Release of any deferred bonuses

All outstanding bonuses deferred from the annual incentive scheme will normally be paid in full at the normal vesting date.

4. Unvested Performance Share Plan awards

Treatment would be in accordance with the plan rules and relevant grant documentation. The intended approach is summarised below.

- Awards will vest in line with the normal plan vesting date (unless the Committee determines otherwise). Awards vest to the extent that the relevant performance targets are considered to have been met.
- The award will normally be pro-rated to reflect the period which has elapsed from the commencement of the award to the date of termination unless the Committee determines otherwise.

If the departing Executive Director does not sign a release of claims, they would normally be entitled to payments defined under point 1 only. In the event that the Executive is dismissed for gross misconduct, they would forfeit all payments.

The Committee may also make a payment in respect of outplacement costs, legal fees and costs of settling any potential claims where appropriate.

5. Change of control

In the event of a change of control, outstanding PSP awards will normally vest early to the extent that the performance condition, as determined by the Committee in its discretion, has been satisfied and, unless the Committee determines otherwise, would be pro-rated to reflect the period which has elapsed from the commencement of the award to the date of the relevant corporate event.

Deferred bonus awards will vest in full. Outstanding awards under all-employee share plans will be treated in accordance with the relevant plan rules.

Consideration of employment conditions elsewhere

We are proud of our reward offering across the Company and apply principles consistent with how we pay our Executive Directors. We ensure employees are paid fairly in line with their responsibilities, experience and the market rate for the role. Employees participate in an annual bonus scheme and senior individuals are eligible for awards under the Performance Share Plan. We also offer a generous benefit package.

Variable remuneration for the most senior employees is more highly performance geared towards the longer term in order to encourage delivery of strong returns across the insurance cycle and create sustainable long-term value for our shareholders.

Hiscox encourages all employees to become shareholders through our sharesave schemes, enabling employees to share in the success of the Company.

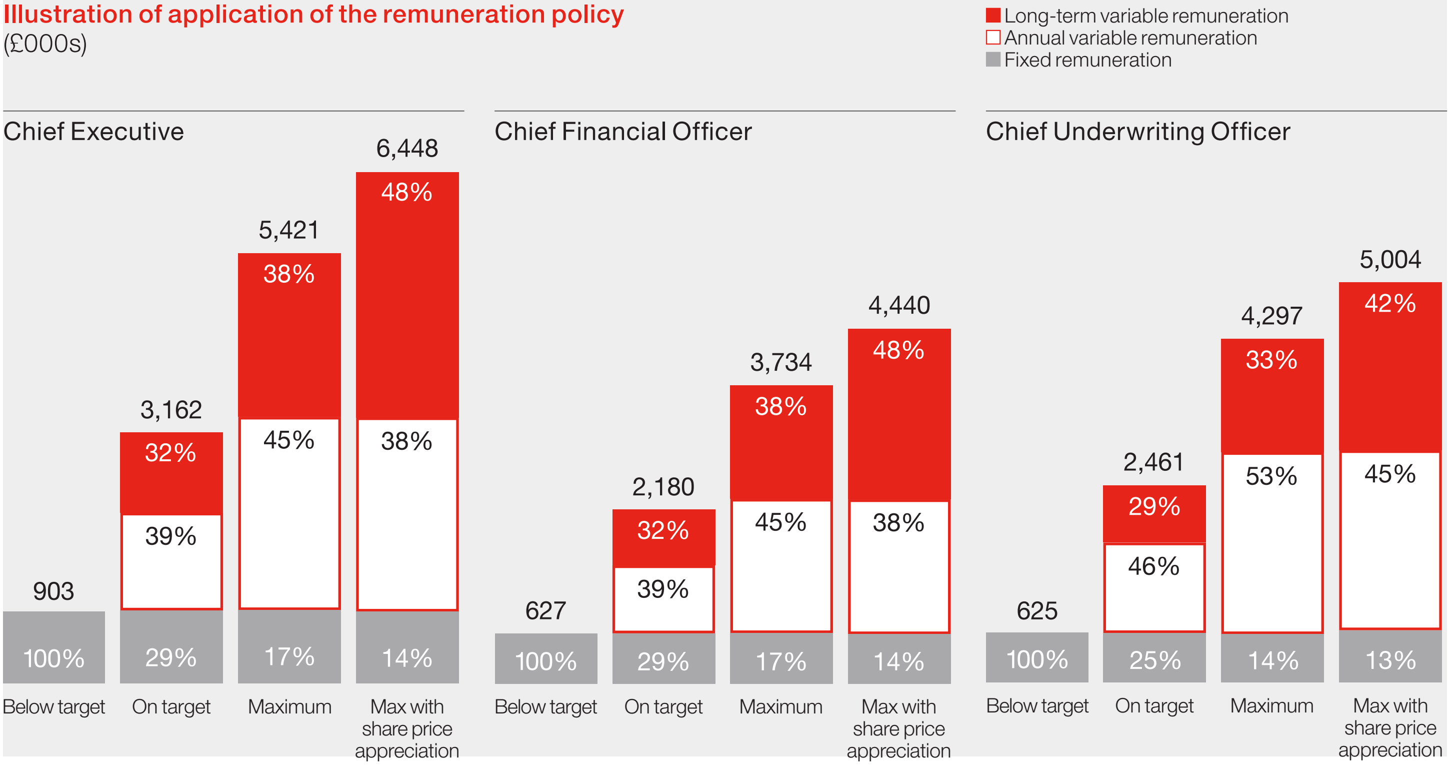
While the Committee did not consult directly with the broader workforce on the remuneration policy for Executive Directors, we have introduced a process by which employee views are gathered on a range of topics and presented to the Board (see page 128 for further details). The Remuneration Committee also receives an update on the broader workforce remuneration policies and practices during the year, which informs the Committee's consideration of the policy for Executive Directors.

Consideration of shareholder views

Hiscox regularly discusses remuneration policy matters with a selection of shareholders. The Remuneration Committee takes into consideration the range of views expressed in making its decisions.

The Committee consulted with major shareholders during Q1 2023 and took shareholder feedback into account when finalising the revised policy.

Illustration of application of the remuneration policy
(£000s)



The charts above have been compiled using the following assumptions.

Fixed remuneration	Fixed reward (base salary, benefits and retirement benefit). — Salary with effect from 1 April 2024. — Benefits as received during 2023, as disclosed in the Executive Director remuneration table on page 112. — Retirement benefit as received during 2023, as disclosed in the Executive Director remuneration table on page 112.
Variable remuneration	Assumptions have been made in respect of the annual incentive and the PSP for the purpose of these illustrations. — Annual incentive: the amounts shown in the scenarios are for illustration only. In practice, the award would be determined based on a range of performance factors and therefore vary depending on the circumstances. The maximum award reflects the incentive caps described at the beginning of this report. — PSP: scenario analysis assumes awards are granted at the maximum level set out in the policy table on page 138. In practice, award levels are determined annually and are not necessarily granted at the plan maximum every year.

Performance scenarios

Below target performance	Fixed reward only.
On target performance	Fixed reward plus variable pay for the purpose of illustration as follows. — Annual incentive: assume a bonus equivalent to 50% of the maximum opportunity. — PSP: assume vesting of 50% of the maximum award.
Maximum performance	Fixed reward plus variable pay for the purpose of illustration as follows. — Annual incentive: maximum bonus equivalent to 300% of salary for the Group Chief Executive Officer and Group Chief Financial Officer and 400% of salary for the Group Chief Underwriting Officer. — PSP: vesting of 100% of the maximum award.
Maximum performance with share price appreciation	Fixed reward plus variable pay for the purpose of illustration as follows. — Annual incentive: maximum bonus equivalent to 300% of salary for the Group Chief Executive Officer and Group Chief Financial Officer and 400% of salary for the Group Chief Underwriting Officer. — PSP: vesting of 100% of the maximum award plus assumed share price growth of 50%.

Q&A:

with David Heras
Managing Director, Hiscox Spain

David Heras joined Hiscox in 2008. He leads the Hiscox Spain team, which covers Spain and Portugal and is part of the wider Hiscox Europe operation. In recent years, its business on the Spain Peninsula, which is focused on the broker channel, has been growing at pace.

Spanish lessons

Hiscox Spain is growing rapidly thanks to its creative mindset, embracing of technology and commitment to building great relationships with brokers. >

Q&A:

with David Heras
Managing Director, Hiscox Spain

Q: What was Hiscox like when you first joined?
A: It was very different. Sixteen years ago, the Hiscox name was nothing in Spain. No-one knew us in the broker channel. We had just €5 million in premiums. But for me, that challenge is what made the job exciting. It's why I came. We are growing all the time and I've seen us roughly double our size every five years. Today, our premiums are almost €100 million. For me, this is a big achievement but of course there is still more to do, which is great because I am someone who is driven by a challenge, so I am as excited and committed now as I was on that first day.

Q: What kind of operation is Hiscox Spain now?
A: We are a small company still, but we make a lot of noise. To compete against the big guys, we are creative in how we serve our brokers and partners. We have a plan that we are executing, and we are exceeding expectations, but we also have the passion and energy to try new things. So last year we did something very different. At the start of the year, we came up with this idea of doing a Hiscox tour, driving across Spain in a bus with lots of our technological capabilities on board: APIs, the platform, the portal, all of these layers. We know the brokers here: most of them are not so good with technology, they don't have these capabilities. We wanted to get closer to them, to show them what we can do. So, to get closer to them, we went on tour.

Q: How did that work out?
A: It was a big challenge, but our marketing team accepted that challenge. We painted our bus in Hiscox colours. We took it to Madrid, Seville, Barcelona, Valencia. Thanks to this, we have doubled our retail sales, attracted new partners, and seen interest from new brokers that want to do business with us. This is something that makes us different. We have this capacity to take on challenges, to do new things and to have the courage to lead. This is the spirit here because it's in our company DNA. It's not the same as being in the UK though, where you see the Hiscox brand on the street. We are small, but our mission is always to grow.

Q: Your work at Hiscox Spain is currently devoted to the broker channel. Do you have any plans to broaden this by selling insurance directly?
A: Not at the moment, no. We need to wait for the maturity of our market, as Spain is not currently a direct-to-consumer insurance market, but I'm sure that time will come. Until then, it is better to focus on those areas of opportunities that are in our reach now. For example, we are still growing strongly through brokers and partners, where our investments in technology make us easy to do business with and we have plenty of opportunities to grow into.

Q: When you're speaking to potential new partners, what is it about Hiscox that you think differentiates you from your competitors?
A: It is our value proposition that differentiates us. We aim to be best in class – in terms of service, in terms of product, in terms of claims. We also have everything we need to connect them better thanks to our continued investment in technological capabilities that can give us an edge. In a world of increasing digitisation, we know we need to be leading this movement as an insurer and I'm proud of the progress we are making here.

Q: What's in store for Hiscox Spain in 2024?
A: This year, we will be launching a new generation of products. Let's imagine you are an IT consultant, or you open a beauty salon. You're starting a small business and you want to buy all the insurance you need. What we will do for you is make it so you can buy everything in a single pack. You will have a product that contains a combination of coverage specifically designed for your profession, at a reasonable price. For each profession, there will be two, three versions of the same product, with different levels of cover, and you will pay for what you need. That's what we call a customer-centric approach. But it all starts with research. We need to understand what that customer segment needs, so it will be inspired directly by our customers. We want to speak their language when it comes to what we offer them.

Q: Hiscox Europe is currently working through the roll-out of a new core system, which represents a major technological upgrade. Where is Hiscox Spain on that journey?
A: Having a core system that we can scale together, and when I say together I mean across all of our European countries, is the right thing to do. There are three phases to it: solution design, then launch, then migration. Germany was first, so in Germany we are in the migration phase. France is currently building the platform, and Benelux is currently focused on the solution design. In Spain, we will start the solution design during 2024. We are very lucky, as we will get to use the experiences accumulated by other countries, so the aim is that, by 2026, we will be operating in this new system.

"This year, we will be launching a new generation of products. Let's imagine you are an IT consultant, or you open a beauty salon. You're starting a small business and you want to buy all the insurance you need. What we will do for you is make it so you can buy everything in a single pack. You will have a product that contains a combination of coverage specifically designed for your profession, at a reasonable price."

This is just one part of the work, though. All of the peripheral technology is also crucial. The core system is the centre, but we need to make sure it works well with everything around it, and that is perhaps the most difficult part. It's like a car: we are replacing the engine with a more powerful one, but the car has many other components, so there's a lot of planning we need to do.

Q: Besides the sharing of investment and knowledge exemplified by the core system programme, what other benefits do you see as being part of the wider European organisation?
A: Europe is beautiful. Different cultures, different languages, different evolution phases, different maturity levels. This diversity gives us strength. This year in Spain we have had good growth, but maybe one year in the future we will grow less and another country will grow more – together, that gives us more robustness, more stability. We're not dependent on the conditions in just one place. I sit on our European leadership team so we share those experiences and those learnings cross-country, which collectively make us stronger and more resilient.

Q: Finally, do you feel a sense of community within Hiscox?
A: I feel it in many ways, starting within my own country. You cannot have a community unless people feel engaged, unless they want to be here, and in Spain we have some of the best engagement scores in the Group. Here in Madrid, we are 35 people working together. The other half of my team is in Lisbon, but distance is something that doesn't affect us. We have many, many ways to be connected. Lisbon and Madrid work as one. We are also connected to our colleagues all over Europe – we know we are stronger together. And then we are part of the whole global retail operation. We see how we contribute to Europe, and we see how Europe contributes to the Group. Last year, we hosted our annual Partners' meeting here in Madrid, and you could feel the connection between people who had come here from all over the world. I love that sense of us as one community, and I really believe we have a bright future together. ■

Directors' report

The Directors have pleasure in submitting their Annual Report and consolidated financial statements for the year ended 31 December 2023.

Management report

The Company is a holding company for subsidiaries involved in the business of insurance and reinsurance in Bermuda, the USA, the UK, Guernsey, Europe and Asia. The information found on pages 22 to 31, 36 to 39, 174 to 245 and 247 fulfils the requirements of the Management report as referred to in Chapter 4 of the Disclosure Guidance and Transparency Rules (DTR). This includes additional explanation of the figures detailed in the financial statements and the office locations of the Group in different countries.

The key performance indicators are shown on pages 6 to 7. Details of the use of financial instruments are set out in notes 3.3 and 17 to the consolidated financial statements. An analysis of the development and performance of the business during the financial year, its position at the end of the year, any important events since the end of the year and the likely future development can be found within the Chief Executive's report on pages 22 to 31. The Chief Executive's report also describes the main trends and factors likely to affect the future development, performance and position of the Company's business. A description of the Company's strategy and business model is set out on pages 10 to 11. The Company is not involved in any research and development activities. A description of the key risks and uncertainties and how they are managed or mitigated can be found in the key risks section on pages 12 to 15 and the risk management section on pages 36 to 39. In addition, note 3 to the consolidated financial statements provides a detailed explanation of the key risks which are inherent to the Group's business and how those risks are managed.

Compliance with the UK Corporate Governance Code 2018 (the Code)

Details of how the Company has applied the principles set out in the Code and complied with the provisions of the Code are set out on pages 90 to 94.

Emerging and principal risks

The confirmation required by Provision 28 of the Code in relation to the Board's robust assessment of the Company's emerging and principal risks (referred to in this document as key risks) can be found on page 38.

Corporate governance statement

The information that fulfils the requirements of the corporate governance statement as referred to in DTR 7.2 can be found on pages 84 to 89 in this report.

Diversity

The diversity of the business is outlined in the DEI section of this report on pages 62 to 67.

Financial results

The Group delivered a record pre-tax profit for the year of $625.9 million (2022 (restated): $275.6 million). Detailed results for the year are shown in the consolidated income statement on page 174.

Going concern

A review of the financial performance of the Group is set out in the Chief Executive's report on pages 22 to 31. The financial position of the Group, its cash flows and borrowing facilities are outlined on pages 28 to 29. The Group has considerable financial resources and a well-balanced book of business.

The Board has reviewed the Group's current and forecast solvency and liquidity positions for the next twelve months and beyond. As part of the consideration of the appropriateness of adopting the going concern basis, the Directors use scenario analysis and stress testing to assess the robustness of the Group's solvency and liquidity positions. Multiple experts within the business review the provisional results in order to reduce individual biases and to try and ensure all possibilities are considered and captured.

In undertaking this analysis, no material uncertainty in relation to going concern has been identified. This is due to the Group's strong capital and liquidity positions, which provide resilience to shocks, underpinned by the Group's approach to risk management which is described in note 3 on pages 191 to 205.

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

Longer-term viability statement

The preparation of the longer-term viability statement includes an assessment of the Group's long-term prospects in addition to an assessment of the ability to meet future commitments and liabilities as they fall due.

It is fundamental to the Group's longer-term strategy that the Directors manage and monitor risk, taking into account all key risks the Group faces, including insurance risks, so that it can continue to meet its obligations to policyholders. The Group is also subject to extensive regulation and supervision including the Bermuda Solvency Capital Requirement, which is outlined on page 29.

Against this background, the Directors have assessed the prospects of the Group in accordance with Provision 31 of the UK Corporate Governance Code 2018, with reference to the Group's current position and prospects, its strategy, risk appetite and key risks, as detailed in the key risks section on pages 12 to 15 and the risk management section on pages 36 to 39, as well as note 3 to the consolidated financial statements.

The assessment of the Group's prospects by the Directors covers the three years to 2026 and is underpinned by Management's 2024-2026 business plan. It includes projections of the Group's capital, liquidity and solvency and reflects the Group's risk profile of a portfolio of diversified short-tailed and medium-tailed insurance liabilities. In making the viability statement, the Board carried out, as part of the Group's solvency self-assessment process, a robust assessment using scenario analysis and stress testing to consider the Group's capacity to respond to a series of relevant financial, insurance-related or operational shocks should future circumstances or events differ from these current assumptions.

The adequacy of the liquid resources of the Group's parent company has been assessed by considering stress scenarios that would result in additional calls on central liquidity by the Group's business units. A 1-in-200 climate-heavy natural catastrophic year was assessed to be the most severe liquidity stress. Under this scenario the Group was shown to have access to sufficient liquidity sources to remain above risk appetite, after taking into account the Group's $600.0 million undrawn revolving credit facility. This analysis allows the Board to review and challenge the risk management strategy and consider potential mitigating actions.

Based on these assessments, the Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period. Longer term, the Group's viability is underpinned by the Group's strategy of balancing big-ticket with retail business, market growth opportunities and underwriting expertise. See pages 10 to 11 for further details of the Group's strategy and business model.

Dividends
An interim dividend of 12.5 cents per share was paid on 26 September 2023 and, as in previous years, a Scrip Dividend alternative was offered. The Board is also proposing payment of a final dividend in respect of the year ended 31 December 2023 (subject to shareholder approval) of 25.0 cents per share, to be paid on 12 June 2024 to shareholders on the register at 3 May 2024.

Bye-laws
The Company's Bye-laws contain no specific provisions relating to their amendment and any such amendments are governed by Bermuda Company Law and subject to the approval of shareholders in a general meeting.

Share capital
Details of the structure of the Company's share capital and changes in the share capital during the year are disclosed in note 22 to the consolidated financial statements. The ordinary shares of 6.5p each are the only class of shares presently in issue and carry voting rights. There is power under Bye-law 45 of the Company's Bye-laws for voting rights to be suspended if calls on shares are unpaid. However, there are no nil or partly paid shares in issue on which calls could be made. The Bye-laws also allow the Company to investigate interests in its shares and apply restrictions including suspending voting rights where information is not provided. No such restrictions are presently in place. The Company was authorised by shareholders at the 2023 AGM to purchase in the market up to 10% of the Company's issued ordinary shares. The Company announced on 5 March 2024 that it would commence a buyback of its issued ordinary shares for a maximum aggregate consideration of $150 million. The Company has commenced the buyback programme and will provide updates to the market on the amount and price of shares repurchased. Hiscox will cancel all the purchased shares.

Directors
The names and details of all Directors of the Company who served during the year and up to the date of this report are set out on pages 72 to 73. Details of the Chair's professional commitments are included in his biography on page 72.

Major interests in shares

The Company has been notified of the following interests in voting rights in its ordinary shares in accordance with DTR 5:

	Number of shares	% of issued share capital as at 31 January 2024*
Sun Life Financial Group	31,132,559	8.95
The Capital Group Companies, Inc.	28,552,549	8.21
Fidelity Management & Research Company	26,945,972	7.75
Government of Norway	17,913,616	5.15

*There were 347,766,707 shares in issue (excluding Treasury shares) as at 31 January 2024.

As at 4 March 2024, no changes have been notified to the Company.

Disclosure under LR 9.8.4 of the Listing Rules

Details of long-term incentive schemes	Annual report on remuneration (pages 117 to 119)
Allotment of shares for cash pursuant to employee share schemes	Note 19 to the consolidated financial statements on employee share schemes (page 226)

The Bye-laws of the Company govern the appointment and replacement of Directors. In accordance with the Code, the Directors will submit themselves for re-election at the AGM.

Details of the Directors' share ownership are also set out on page 121.

Biographical details of the Directors are set out on pages 72 to 73, as are the reasons why the Board believes their contribution is (and continues to be) important to the Company's long-term sustainable success. This information will also be set out in the circular which will accompany the notice of AGM.

Major interests in shares

The Company has been notified of the interests in voting rights in its ordinary shares in accordance with DTR 5, which are outlined in the table above. Any acquisitions or disposals of major shareholdings notified to the Company in accordance with DTR 5.1 are announced and those announcements are available on the Company's website, **hiscoxgroup.com**.

Political donations and charitable contributions

The Group made no political donations during the year (2022: $nil). Information concerning the Group's charitable activities is contained in the sustainability section on pages 46 to 49 and in our impact report which can be found at **hiscoxgroup.com/impactreport2022**.

Climate-related matters

In preparing and authorising this report, the Board has considered the relevance of material climate-related matters. Climate-related matters are discussed at all levels of the Company, including Board level, in line with the sustainability governance structure outlined on page 51.

The Company also aligns its climate-related activities to the TCFD framework, details of which can be found on pages 50 to 61.

Powers of Directors

The powers given to the Directors are contained in the Company's Bye-laws and are subject to relevant legislation and, in certain circumstances (including in relation to the issuing and buying back by the Company of its shares), approval by shareholders in a general meeting.

At the 2023 AGM, the Directors were granted authorities to allot and issue shares and to make market purchases of shares and intend to seek renewal of these authorities in 2024.

Disclosure under LR 9.8.4 of the Listing Rules

The information that fulfils the reporting requirements relating to the following matters can be found at the pages identified in the table above.

Annual General Meeting

The notice of the AGM, to be held on 9 May 2024, will be sent to shareholders alongside a copy of this report. The deadline for submission of proxies is 48 hours before the meeting.

By order of the Board
Marc Wetherhill
Company Secretary

Chesney House
96 Pitts Bay Road
Pembroke HM 08
Bermuda
5 March 2024

Directors' responsibilities statement

The Board is responsible for ensuring the maintenance of proper accounting records which disclose with reasonable accuracy the financial position of the Group. It is required to ensure that the financial statements present a fair view for each financial period. The Directors explain in the Annual Report their responsibility for preparing the Annual Report and Accounts.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors responsible for authorising the responsibility statement on behalf of the Board are the Chair, Jonathan Bloomer, and the Group Chief Executive Officer, Aki Hussain. The statements were approved for issue on 5 March 2024.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's position, performance, business model and strategy.

Advisors

Hiscox Ltd

Secretary
Marc Wetherhill

Registered office
Chesney House
96 Pitts Bay Road
Pembroke HM 08
Bermuda

Registered number
38877

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Citigroup Centre
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E14 5LB

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7th Floor
100 Liverpool Street
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EC2M 2AT

Registrars
Equiniti (Jersey) Limited
c/o Equiniti Limited
Aspect House
Spencer Road
Lancing
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United Kingdom

The people behind the policy: Hiscox community portrait

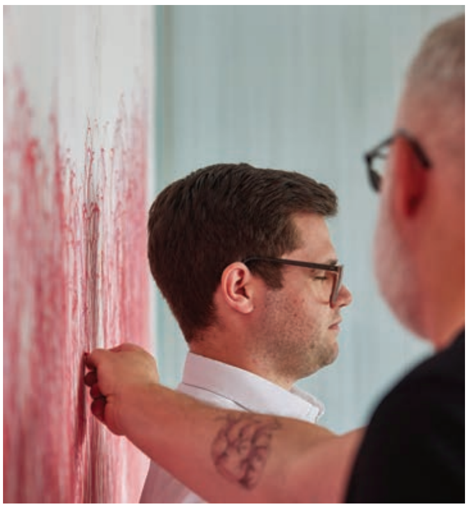
During 2023, we embarked on an exciting engagement programme across the Group.

Everyone at Hiscox has a key role to play and, working with globally renowned artist Tim Mann, we've been busy capturing that sense of community in a piece of art. >

Scan the QR code to view 'the making of the Hiscox community portrait' video.


Portrait23

Tim Mann



The Hiscox community portrait is a celebration of the power of collaboration and the intrinsic importance of each individual within a larger collective. Created by renowned artist Tim Mann, the artwork merges the overlapping outlines of over 1,200 employees from every part of the business, all of whom volunteered to be part of the project, creating a powerful visual representation of the Hiscox community.

Between May and November 2023, Tim visited six Hiscox offices: Atlanta, Bermuda, London, Madrid, Munich and York. After gathering the participants together in small groups and leading them into a conversation about the resonance of the project's themes with the Hiscox values, Tim used a red Conté crayon to draw a simple silhouette around each person, one by one – a brief but meaningful act of intimacy between artist and subject. Each employee left their own unique imprint on the work, with absolutely no sense of hierarchy or differentiation. *"By drawing around each individual in turn, we created a single image that celebrates every participant equally,"* says Tim. *"Without any one of those people who took part, it doesn't mean as much."*

During the sessions, a further series of artworks were created by each of the subjects drawing around their own hands in a similar fashion – the hand being, as Tim explains: *"A common symbol of strength and protection, but also of greeting and friendship."*

While the finished artworks have a distinct aesthetic appeal, Tim believes that their most consequential impact has come through the hundreds of thought-provoking personal interactions that led to their creation. *"The actual artwork is the process through which those people participate,"* Tim explains. *"The piece itself is just the evidence of that happening."*

The main portrait can now be viewed in our York office, while the hand-based pieces are in each of the participating locations.

Here's what some our people had to say about the experience of taking part.

"It was an interesting notion: that it takes many individuals to make a community, and we're all part of a bigger picture. We all contribute, but the community is more important than the individual self."

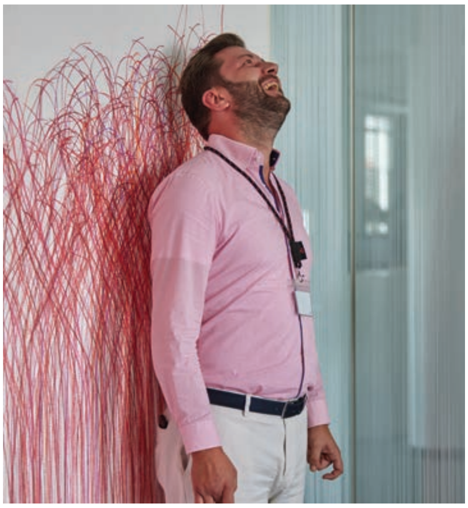
York

"It was good to connect with some of the team that I work with and there were some new people there that I didn't know. It built a connection between the five of us who went in at the same time. The artist told us that there's a bond there that we've created together. I'll remember that."

York

"It's very Hiscox. People often ask you what it means to be a Hiscox person, and it's quite hard to put that into words. I think this project sums it up quite neatly."

Bermuda



“To be part of a piece of art, it just makes you feel important – being part of something that will be there forever.”

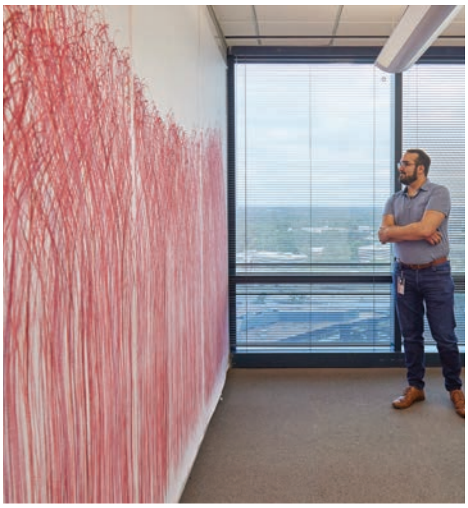
Madrid

“It was a really intense experience. I didn’t really think that I’d feel anything. But then as soon as he started drawing, I was very aware that a person I’d never met before was suddenly very close to me, taking evidence of my existence. It was a powerful moment.”

London

“I love the idea that it’s like perfume in a room – every single person that makes up the community is leaving a little trace.”

London

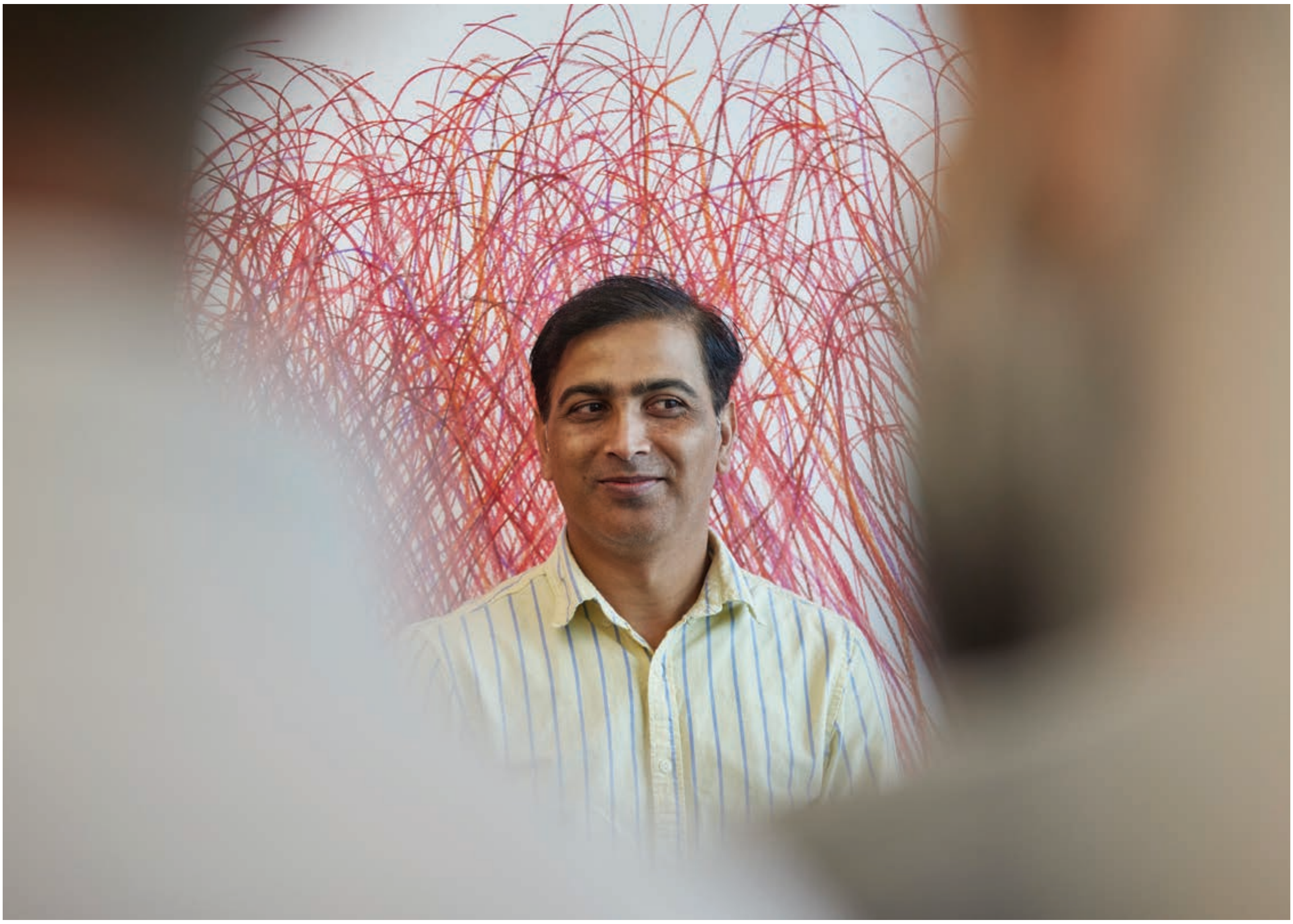


"It was really nice to hear Tim talk about the meaning of being a human and feeling empathy. The story he tells is not only about the Hiscox people, but how we make other people feel. There were 20 of us in the room, but it was really quiet. The experience was quite emotional. I get goosebumps just thinking about it."

Munich

"He was talking to us about the process being the art, not just what you see on the wall afterwards – the process of being part of this whole community."

Munich



"When you work in corporate America, people don't really consider you as an individual or what your contribution is. By bringing the whole community together we're showing that we actually care about the people we work with. Having that put into something that's artistic, that's creative, it's really interesting."

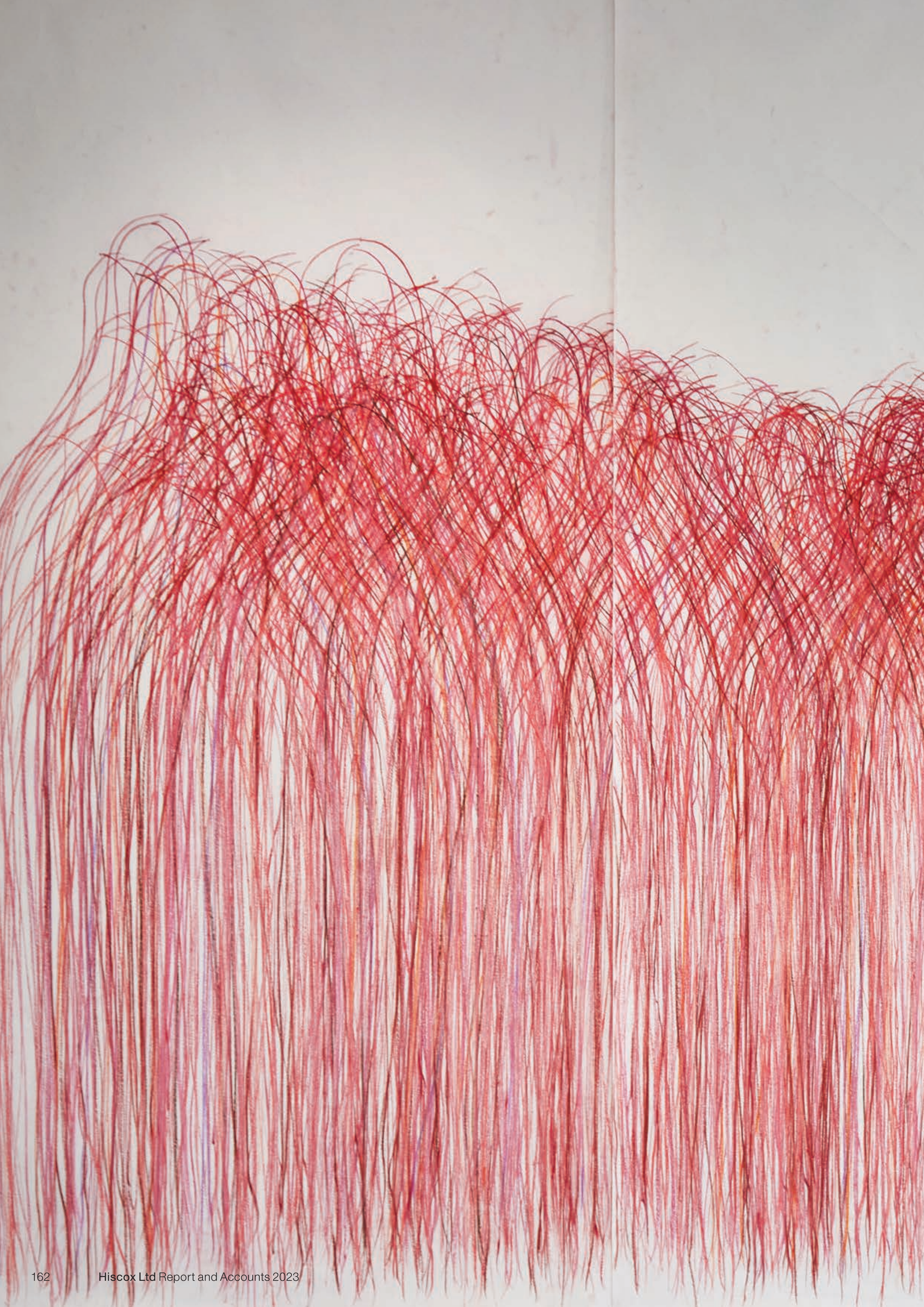
Atlanta




"If I could describe it in one word, I would say 'empowering'. It was a really good reminder of just how much impact each of us brings to Hiscox."

Atlanta





“The actual artwork is the process through which those people participate. The piece itself is just the evidence of that happening.”

Tim Mann

Financial summary

Independent auditor's report to the Board of Directors and the Shareholders of Hiscox Ltd

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hiscox Ltd (the Company) and its subsidiaries (together the Group) as at 31 December 2023, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with UK-adopted international accounting standards.

What we have audited

The Group's consolidated financial statements comprise:
- the consolidated balance sheet as at 31 December 2023;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

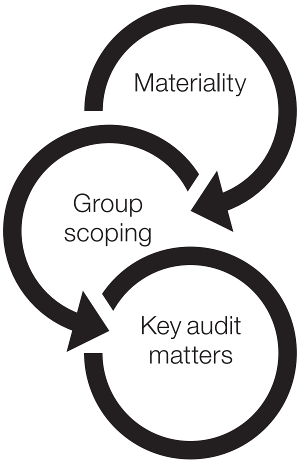
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the consolidated financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Our audit approach

Overview



- Overall group materiality: $44 million, which represents 1% of insurance revenue for the year ended 31 December 2023.

Our audit comprised:
- full scope audit procedures over four components;
- for certain other components, audit procedures over financial statement line item balances or specified procedures;
- for the remaining components that were not inconsequential, analytical procedures on their financial information.

- Valuation of insurance contract liabilities and reinsurance contract assets – assumptions and judgements.
- Implementation of IFRS 17 – transition and restatement of comparatives.
- Valuation of deferred tax asset – on enactment of Bermuda Corporate Income Tax.

Audit scope

As part of designing our audit, the risks of material misstatement in the consolidated financial statements were assessed and materiality was determined. In particular, consideration was given to where Management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, the risk of Management override of internal controls was addressed, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Tailoring of Group audit scope

The scope of our audit was tailored in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured into four segments (see note 4 to the consolidated financial statements) and is a consolidation of over 50 separate legal entities. The Group is a global specialist insurer and reinsurer, and its operations primarily consist of the legal entity operations in the United Kingdom, Europe, the United States and Bermuda.

A full scope audit was performed for four components located in the United Kingdom and Bermuda. Financial statement line item audit procedures or specified procedures were also performed over components in the United Kingdom, the United States and Bermuda. Taken together this work provided over 80% coverage of the Group's insurance revenue and over 80% of the Group's total assets.

The four full scope audit components are: (i) Hiscox Dedicated Corporate Member Syndicate No. 33, (ii) Hiscox Dedicated Corporate Member Syndicate No. 3624, (iii) Hiscox Insurance Company Limited, and (iv) the parent Company, Hiscox Ltd (including consolidation). For certain other components, account balances were identified which were considered to be significant in size or audit risk at the financial statement line-item level in relation to the consolidated financial statements, financial statement line item audit procedures, or specified procedures were performed over these specified balances. Analytical procedures over the financial information of the remaining components that were not inconsequential were performed.

In establishing the overall approach to the Group audit a determination was made of the type of work that needed to be performed at the components by the Group engagement team, or by the component audit teams within the PwC United Kingdom, PwC United States and PwC Bermuda firms. A determination was made of the level of involvement of the Group engagement team that was necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained. The Group engagement team had regular interaction with the component teams during the audit process. The engagement leader and senior members of the Group engagement team reviewed in detail all reports with regards to the audit approach and findings submitted by the component auditors. This together with additional procedures performed as described above, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

The impact of climate risk on our audit

As part of our audit, enquiries were made of Management (both within and outside of the Group's finance function) to understand the process Management adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support the disclosures made within the notes to the consolidated financial statements. The key areas where Management has evaluated that climate risk has a potential to impact the business are in relation to underwriting risk, financial risk, and regulatory, legal, and reputational risk. Management considers that the impact of climate change does not give rise to a material financial statement impact.

Our knowledge of the Group was applied to evaluate Management's assessment of the impact on the financial statements. An evaluation was performed of the completeness of Management's assessment of climate change risk under the categories of Physical risk, Transition risk, and Litigation risk and how these may affect the consolidated financial statements and the audit procedures performed.

As part of this, our audit procedures included:
- reading the minutes of meetings of the Group's Sustainability Steering Committee;
- reading submissions to regulators;
- reading the Group's Climate Report 2023; and
- considering the Group's memberships, accreditations and public commitments.

The risks of material misstatement to the consolidated financial statements as a result of climate change were assessed and it was concluded that for the year ended 31 December 2023, there was no impact on the key audit matters or the assessment of the risks of material misstatement.

Finally, the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Report and Accounts was considered against the consolidated financial statements and our knowledge obtained from our audit including challenging the disclosures given in the narrative reporting within the consolidated financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, certain quantitative thresholds for materiality were determined, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Materiality

Overall Group materiality	$44 million
How we determined it	In determining materiality, we considered a range of financial metrics believed to be relevant to the primary users of the consolidated financial statements. We selected a materiality amount using our professional judgement which represents 1% of insurance revenue for the year ended 31 December 2023.
Rationale for the materiality benchmark applied	The materiality amount selected is appropriate to the size and nature of the business. Expressing materiality in terms of insurance revenue, one of the key metrics relevant to key users of the consolidated financial statements, provides a good representation relative to the size and complexity of the business and it is not distorted by insured catastrophe events to which the Group is exposed, or the levels of external reinsurance purchased by the Group.

Performance materiality is used to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, performance materiality is used in determining the scope of the audit and the nature and extent of testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. The performance materiality applied was 75% of overall materiality, amounting to $33 million for the consolidated financial statements.

A number of factors were considered in the determination of performance materiality including: the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – we concluded that 75% of overall materiality was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $2 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

This year there are two new key audit matters:

- Implementation of IFRS 17 – transition and restatement of comparatives; and
- Valuation of deferred tax asset – on enactment of Bermuda Corporate Income Tax.

We have combined the prior year key audit matter entitled 'Valuation of gross claims liabilities' and 'Valuation of reinsurance claims recoverable' into one single key audit matter entitled 'Valuation of insurance contract liabilities reinsurance contract assets – assumptions and judgements' to reflect the matter in terms of IFRS 17.

'Disclosure of the expected impact of IFRS 17', which was a key audit matter last year, is no longer included because this was a risk relevant to a specific disclosure made in the prior year consolidated financial statements.

Key audit matters

Key audit matter	How our audit addressed the key audit matter
1. Valuation of insurance contract liabilities and reinsurance contract assets – assumptions and judgements Refer to notes 2.11, 2.18 and 20 to the consolidated financial statements for disclosures of related accounting policies and balances. As at 31 December 2023 insurance contract liabilities comprised $354.4 million of liabilities for remaining coverage (LRC), and $6.2 billion of liabilities for incurred claims (LIC). Reinsurance contract assets comprised $118.8 million of assets for remaining coverage (ARC), and $2.2 billion of assets for incurred claims (AIC). Insurance contract liabilities and reinsurance contract assets are inherently uncertain and contain material estimates. LIC and AIC – the most subjective element continues to be the incurred but not yet reported claims cash flows, which form part of the LIC, and the associated reinsurers' share of incurred but not yet reported claim cash flows, which form part of AIC. The LIC and AIC also include the risk adjustment to reflect the Management's view of the compensation that it requires for bearing uncertainty about the amount and timing of cash flows from non-financial risks. Management bases these estimates on the estimated ultimate cost of all claims, together with estimates of the related claims handling costs, these estimates can be materially impacted by numerous factors including: — the underlying volatility attached to estimates for certain classes of business, where small changes in assumptions can lead to large changes in the levels of the estimate held; — the risk of inappropriate assumptions used in determining current year estimates, especially for 'long-tailed' classes of business, there is necessarily greater use of Management judgement; — the risk that key assumptions in respect of natural catastrophes and other large claim losses are inappropriate. There is significant judgement involved in those loss estimates, particularly as they are often based on limited data; — the valuation of AIC is uncertain due to the significant degree of judgement applied in valuing the underlying insurance contracts that have been reinsured, the complexity of the application and coverage of the reinsurance programme; and — the determination of discount rates (including choice of illiquidity premium) and payment patterns used to derive the cash flow for incurred claims. Liabilities and assets for remaining coverage – we consider the most significant judgements to be: — the determination of the Premium Allocation Approach (PAA) measurement model for groups of contracts that are not automatically eligible, including the selection of 'reasonably expects' assumptions; — the appropriateness of methodologies and assumptions adopted to value reinsurance assets associated with retrospective reinsurance arrangements measured under the General Measurement Model (GMM); and — the judgement on the degree of risk that will transfer with respect to retrospective reinsurance arrangements.	In performing our work over the valuation of insurance contract liabilities and reinsurance contract assets PwC actuarial specialists were used, where appropriate. Procedures included the following: — understood and evaluated the process and the design and implementation of controls in place to determine the insurance contract liabilities and reinsurance contract assets. This included evaluating the design and implementation of the relevant controls in place; — tested the underlying data to source documentation; — assessed the appropriateness of the policy applied to determine the risk adjustment and testing of the derivation of the adjustment; — evaluated and challenged the robustness of the key judgements adopted in relation to LIC and AIC, including the risk adjustment; — applied our industry knowledge and experience and compared the methodology, models and assumptions used against recognised actuarial practices; — for the undiscounted best estimate liabilities, developed independent point estimates for classes of business considered to be higher risk, particularly focusing on the largest and most uncertain classes, as well as for certain other classes for unpredictability, as at 31 August 2023 and performed a roll-forward test to 31 December 2023; — evaluated the methodology and assumptions or performed a diagnostic check to identify and investigate any anomalies over the remaining classes of business; — tested the accuracy of application of reinsurance contract terms; — understood updates made to the actuarial assumptions impacting the forecast future claims cash flows, and evaluated any changes for reasonableness. This includes assumptions on discount rates and payment patterns; and — assessed the appropriateness of the judgements and supporting estimates used to determine use of the PAA and GMM measurement models, including testing the completeness and accuracy of the supporting data, evaluating the assumptions used and scenarios applied and testing the accuracy of the models used. The results of our procedures indicated that the valuation of insurance contract liabilities and reinsurance contract assets were supported by the evidence obtained.

Key audit matters

Key audit matter	How our audit addressed the key audit matter
2. Implementation of IFRS 17 – transition and restatement of comparatives Refer to notes 2.1.1, 2.11 and 20 to the consolidated financial statements for disclosures of related accounting policies and balances. On 1 January 2023, the Group transitioned to IFRS 17 *Insurance Contracts* which replaced IFRS 4. Due to the significance of the changes introduced by the standard, which requires new and complex accounting models and the application of the new accounting policies, there is increased inherent risk in respect of the functionality and application of these models in this first year of adoption. This is of particular focus for the Group as the calculation engine used (Tyche) to determine the liabilities, assets and related items of income and expense under IFRS 17 has been internally developed. The 2022 opening balance sheet and the 2022 comparatives have been restated in order to comply with the requirements of IFRS 17. The comparatives have been calculated by Management by adjusting the reported position on an IFRS 4 basis using internal models developed for transition. These adjustments require a number of significant judgements and estimates including: — the determination of the measurement model to apply under the standard, in particular Management's use of the PAA measurement model for groups of contracts that are not automatically eligible; — the appropriateness of methodologies and assumptions adopted to value reinsurance assets associated with retrospective reinsurance arrangements measured under the GMM; — the methodology and assumptions in respect of determining the risk adjustment; — the methodology used by Management to determine discount rate, which was deemed to be significant to the overall impact of transition; and — the implementation of new models to produce the IFRS 17 results, which include the Tyche and internally developed models for transition.	In performing our audit work over the transition to IFRS 17, and restatement of the comparative consolidated financial statements (including the 2022 opening balance sheet), the following procedures were performed: — evaluated the design and implementation of the relevant controls in place; — assessed the significant judgements used by Management to determine the accounting policies along with the compliance of those policies with IFRS 17; — tested the application of Management's documented accounting policies; — assessed the appropriateness of the judgements and supporting estimates used to determine use of the PAA and GMM measurement models, including testing the completeness and accuracy of supporting data, evaluating the assumptions used and scenarios applied, and testing the accuracy of models used; — tested Management's calculation engine and the transition models using our independent model; — evaluated the appropriateness of the methodology used to determine discount rates and independently recalculated the impact of discounting; — assessed the appropriateness of the policy applied to determine the risk adjustment and testing of the derivation of the adjustment; — tested the mapping of outputs from the calculation engine to the general ledger and financial statement disclosures; and — tested the mathematical accuracy and completeness of the supporting calculations and adjustments used to determine the 2022 comparatives and opening position at 1 January 2022; As a result of the procedures performed, we have no matters to report related to the Implementation of IFRS 17 – transition and restatement of comparatives.

Key audit matters

Key audit matter	How our audit addressed the key audit matter

3. Valuation of deferred tax asset – on enactment of Bermuda Corporate Income Tax
 	
Refer to notes 2.12, 2.18 and 23 to the consolidated financial statements for disclosures of related accounting policies and balances.
 	
The Bermuda government has introduced a corporate income tax (CIT), which was substantively enacted on 27 December 2023, and applies to Bermuda constituent entities with effect from 1 January 2025. The CIT will apply at a rate of 15% on the profits of Hiscox's Bermuda entities which are consolidated in the financial statements of Hiscox Ltd. A deferred tax asset (DTA) of $150 million in relation to Bermuda CIT has been recognised at the balance sheet date related to the Economic Transition Adjustment (ETA) calculated as at 30 September 2023.
 	
The ETA for Hiscox Bermuda is primarily driven from the customer relationship intangible asset.
 	
Management has used an external expert to value the customer relationships which is dependent on a number of key assumptions including: forecast cashflows, discount rate, and contributory asset charges. These assumptions are inherently judgemental and the customer relationship intangible asset is sensitive to changes in these key assumptions.
	In performing our work over the valuation of the deferred tax asset arising on enactment of Bermuda Corporate Income Tax, PwC valuation experts were used and the following procedures were performed:
	— obtained an understanding of the key components of the customer relationship intangible asset. We focused our testing on the material components of the customer relationship intangible asset and evaluated the following key assumptions:
	  — forecast cash flows: compared the assumptions in respect of forecast operating profit and cash flows to historical results and assessed the underlying projections;
	  — discount rate: developed an independent estimate of the discount rate applied to the cash flows and compared this to the discount rate used by Management;
	  — contributory asset charges: benchmarked the contributory asset charges applied by Management to industry benchmark data to assess the reasonableness of the assumption;
	— tested the mathematical accuracy of Management's model and the appropriateness of the methodologies used to determine the fair value of the customer relationship intangible asset.
	
	The results of our procedures and the evidence obtained supported Management's valuation of the Bermuda CIT deferred tax asset.

Other information

Management is responsible for the other information. The other information comprises the Report and Accounts (but does not include the consolidated financial statements and our auditor's report thereon). The other information also includes reporting based on the TCFD recommendations. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with UK-adopted international accounting standards and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Other voluntary reporting – Directors' remuneration

The Company voluntarily prepares a report on Directors' remuneration in accordance with the provisions of the UK Companies Act 2006. The Directors have requested an audit of the part of the report on Directors' remuneration specified by the UK Companies Act 2006 to be audited as if the Company were a UK-registered company.

In our opinion, the part of the report on Directors' remuneration to be audited has been properly prepared in accordance with the UK Companies Act 2006.

Corporate governance statement

The Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies has been reviewed. Our additional responsibilities with respect to the corporate governance statement as other information are described in the other information section of this report.

Based on the work undertaken as part of our audit, it was concluded that each of the following elements of the corporate governance statement is materially consistent with the consolidated financial statements and our knowledge obtained during the audit, and there is nothing material to add or draw attention to in relation to:

- the Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- the disclosures in the Report and Accounts that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- the Directors' statement in the consolidated financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the consolidated financial statements;
- the Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate; and
- the Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

The review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the consolidated financial statements and our knowledge and understanding of the Group and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, it was concluded that each of the following elements of the corporate governance statement is materially consistent with the consolidated financial statements and our knowledge obtained during the audit:

- the Directors' statement that they consider the Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the shareholders to assess the Group's position, performance, business model and strategy;
- the section of the Report and Accounts that describes the review of effectiveness of risk management and internal control systems; and
- the section of the Report and Accounts describing the work of the audit committee.

There is nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these consolidated financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditor's report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

The engagement partner on the audit resulting in this independent auditor's report is Marisa Savage.

PricewaterhouseCoopers Ltd.
Chartered Professional Accountants
Bermuda
5 March 2024

Consolidated income statement

For the year ended 31 December 2023	Note	2023 $m	2022 (restated)* $m
Insurance revenue	4	4,483.2	4,273.3
Insurance service expenses	4	(3,189.3)	(3,485.9)
Insurance service result before reinsurance contracts held		1,293.9	787.4
Allocation of reinsurance premiums	4	(1,119.4)	(1,264.8)
Amounts recoverable from reinsurers for incurred claims	4	317.8	838.3
Net expenses from reinsurance contracts held		(801.6)	(426.5)
Insurance service result	4	492.3	360.9
Investment result	7	384.4	(187.3)
Net finance (expenses)/income from insurance contracts		(220.7)	213.7
Net finance income/(expenses) from reinsurance contracts		81.0	(102.1)
Net insurance finance (expenses)/income	7	(139.7)	111.6
Net financial result	7	244.7	(75.7)
Other income	8	91.1	42.3
Other operational expenses	8	(125.5)	(67.8)
Net foreign exchange (losses)/gains		(27.0)	54.7
Other finance costs	9	(50.0)	(39.7)
Share of profit of associates after tax	13	0.3	0.9
Profit before tax		625.9	275.6
Tax credit/(expense)	22	86.1	(21.7)
Profit for the year (all attributable to owners of the Company)		712.0	253.9
Earnings per share on profit attributable to owners of the Company			
Basic	25	206.1¢	73.8¢
Diluted	25	201.5¢	72.7¢

*Restated for the adoption of IFRS 17 and IFRS 9, see note 2.1.

Consolidated statement of comprehensive income

For the year ended 31 December 2023	Note	2023 $m	2022 (restated) $m
Profit for the period		712.0	253.9
Other comprehensive income			
Items that will not be reclassified to the income statement:			
Remeasurements of the net defined benefit pension scheme	24	(4.1)	34.9
Income tax effect		(1.7)	(7.7)
		(5.8)	27.2
Items that may be reclassified subsequently to the income statement:			
Exchange gains/(losses) on translation of foreign operations		25.0	(118.0)
Other comprehensive income net of tax		19.2	(90.8)
Total comprehensive income for the year (all attributable to owners of the Company)		731.2	163.1

The notes on pages 178 to 245 are an integral part of these consolidated financial statements.

Consolidated balance sheet

	Note	31 December 2023 $m	31 December 2022 (restated) $m	1 January 2022 (restated) $m
Assets				
Employee retirement benefit asset	24	44.4	20.9	–
Goodwill and intangible assets	11	323.9	320.4	313.1
Property, plant and equipment	12	130.3	133.1	90.4
Investments in associates	13	0.8	5.6	5.7
Deferred tax assets	23	180.7	38.2	70.3
Assets included in disposal group classified as held for sale	8	59.1	–	–
Financial assets carried at fair value	14	6,574.4	5,812.1	6,041.3
Reinsurance contract held assets	20	2,098.3	2,517.2	2,856.9
Trade and other receivables	15	206.5	160.6	155.4
Current tax assets		5.1	4.0	4.9
Cash and cash equivalents	18	1,437.0	1,350.9	1,300.7
Total assets		11,060.5	10,363.0	10,838.7
Equity and liabilities				
Shareholders' equity				
Share capital	19	38.8	38.7	38.7
Share premium	19	528.8	517.6	516.8
Contributed surplus	19	184.0	184.0	184.0
Currency translation reserve		(379.2)	(404.2)	(286.2)
Retained earnings		2,923.2	2,297.8	2,108.8
Equity attributable to owners of the Company		3,295.6	2,633.9	2,562.1
Non-controlling interest		1.1	1.1	1.1
Total equity		3,296.7	2,635.0	2,563.2
Employee retirement benefit obligations	24	–	–	35.1
Deferred tax liabilities	23	56.9	4.1	4.5
Liabilities included in disposal group classified as held for sale	8	54.8	–	–
Insurance contract liabilities	20	6,604.0	6,694.3	7,186.9
Financial liabilities	14	674.7	636.2	746.7
Current tax liabilities		10.9	14.1	21.3
Trade and other payables	21	362.5	379.3	281.0
Total liabilities		7,763.8	7,728.0	8,275.5
Total equity and liabilities		11,060.5	10,363.0	10,838.7

The notes on pages 178 to 245 are an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 5 March 2024 and signed on its behalf by:

Aki Hussain
Group Chief Executive Officer

Paul Cooper
Group Chief Financial Officer

Consolidated statement of changes in equity

	Note	Share capital $m	Share premium $m	Contributed surplus $m	Currency translation reserve $m	Retained earnings $m	Equity attributable to owners of the Company $m	Non-controlling interest $m	Total equity $m
Balance at 31 December 2021 (as previously reported)		38.7	516.8	184.0	(289.3)	2,088.0	2,538.2	1.1	2,539.3
IFRS 17 and IFRS 9 opening equity adjustments (note 2.1)		–	–	–	3.1	20.8	23.9	–	23.9
Balance at 1 January 2022		38.7	516.8	184.0	(286.2)	2,108.8	2,562.1	1.1	2,563.2
Profit for the year		–	–	–	–	253.9	253.9	–	253.9
Other comprehensive income net of tax		–	–	–	(118.0)	27.2	(90.8)	–	(90.8)
Employee share options:									
Equity settled share-based payments		–	–	–	–	27.2	27.2	–	27.2
Proceeds from shares issued	19	–	0.1	–	–	–	0.1	–	0.1
Deferred and current tax on employee share options		–	–	–	–	1.2	1.2	–	1.2
Shares issued in relation to Scrip Dividend	19, 26	–	0.7	–	–	–	0.7	–	0.7
Dividends paid to owners of the Company	26	–	–	–	–	(120.5)	(120.5)	–	(120.5)
Balance at 31 December 2022		38.7	517.6	184.0	(404.2)	2,297.8	2,633.9	1.1	2,635.0
Profit for the year		–	–	–	–	712.0	712.0	–	712.0
Other comprehensive income net of tax		–	–	–	25.0	(5.8)	19.2	–	19.2
Employee share options:									
Equity settled share-based payments		–	–	–	–	43.2	43.2	–	43.2
Proceeds from shares issued	19	0.1	9.6	–	–	–	9.7	–	9.7
Deferred and current tax on employee share options		–	–	–	–	2.1	2.1	–	2.1
Shares issued in relation to Scrip Dividend	19, 26	–	1.6	–	–	–	1.6	–	1.6
Dividends paid to owners of the Company	26	–	–	–	–	(126.1)	(126.1)	–	(126.1)
Balance at 31 December 2023		**38.8**	**528.8**	**184.0**	**(379.2)**	**2,923.2**	**3,295.6**	**1.1**	**3,296.7**

The notes on pages 178 to 245 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2023	Note	2023 $m	2022 (restated) $m
Profit before tax		625.9	275.6
Adjustments for:			
Net foreign exchange losses/(gains)		27.0	(54.7)
Interest and equity dividend income	7	(237.0)	(119.5)
Interest expense		50.0	39.7
Net fair value (gains)/losses on financial assets	7	(170.6)	254.2
Depreciation, amortisation and impairment	8, 11, 12	77.1	60.0
Charges in respect of share-based payments	19	43.2	27.2
Realised gain/(loss) on sale of subsidiary undertaking, intangible assets and property plant and equipment		(4.0)	0.1
Changes in operational assets and liabilities:			
Insurance and reinsurance contracts		248.3	2.2
Financial assets carried at fair value		(549.6)	(128.3)
Financial liabilities carried at amortised cost		0.7	0.9
Other assets and liabilities		(15.6)	(49.8)
Cash paid to the pension fund	24	(24.8)	(13.5)
Interest received		218.1	109.1
Equity dividends received		1.5	3.9
Interest paid		(48.5)	(31.3)
Tax paid		(9.6)	(2.4)
Net cash flows from operating activities		232.1	373.4
Proceeds from sale of associate		9.5	–
Purchase of property, plant and equipment		(1.1)	(20.9)
Proceeds from the sale of property, plant and equipment		–	0.9
Purchase of intangible assets	11	(42.6)	(61.9)
Net cash flows used in investing activities		(34.2)	(81.9)
Proceeds from the issue of ordinary shares		9.6	0.1
Proceeds from the issue of loan notes		–	279.1
Distributions made to owners of the Company		(124.5)	(119.8)
Repayment of borrowings		–	(336.6)
Principal elements of lease payments		(14.0)	(13.7)
Net cash flows used in financing activities		(128.9)	(190.9)
Net increase in cash and cash equivalents		69.0	100.6
Cash and cash equivalents at 1 January		1,350.9	1,300.7
Net increase in cash and cash equivalents		69.0	100.6
Effect of exchange rate fluctuations on cash and cash equivalents		17.1	(50.4)
Cash and cash equivalents at 31 December	18	1,437.0	1,350.9

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

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

The notes on pages 178 to 245 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 General information

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

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

2 Basis of preparation

The financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards, and Section 4.1 of the Disclosure and Transparency Rules and the Listing Rules, both issued by the Financial Conduct Authority (FCA) and in accordance with the provisions of the Bermuda Companies Act 1981.

The consolidated financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board has reviewed the Group's current and forecast solvency and liquidity positions for the next 12 months and beyond. As part of the consideration of the appropriateness of adopting the going concern basis, the Directors use scenario analysis and stress testing to assess the robustness of the Group's solvency and liquidity positions. In undertaking this analysis, no material uncertainty in relation to going concern has been identified, due to the Group's strong capital and liquidity positions providing resilience to shocks, underpinned by the Group's approach to risk management described in note 3. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence over a period of at least 12 months from the date of this report. For this reason, the Group continues to adopt the going concern basis in preparing the consolidated financial statements.

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

The balance sheet of the Group is presented in order of increasing liquidity. All amounts presented in the income statement and statement of comprehensive income relate to continuing operations.

The financial statements were approved for issue by the Board of Directors on 5 March 2024.

2.1 Material accounting policies information

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The most critical individual components of these financial statements that involve the highest degree of judgement or significant assumptions and estimations are identified in note 2.1.1.

Except as described in section (a) below and overleaf, the accounting policies adopted are consistent with those of the previous financial year.

(a) New accounting standards, interpretations and amendments to published standards

In these consolidated financial statements, the Company has applied IFRS 17 and IFRS 9 for the first time.

	$m
Equity as at 31 December 2021 as previously reported	2,539.3
Impact of IFRS 17	25.1
Impact of IFRS 9	(1.2)
Restated equity 1 January 2022	2,563.2

2.1.1 IFRS 17 *Insurance Contracts*

The Group has restated comparative information for 2022 applying the full retrospective transitional provisions of IFRS 17 *Insurance Contracts*.
The nature of the changes in accounting policies can be summarised as follows.

Measurement

IFRS 17 requires a current measurement model where estimates are remeasured each reporting period. Under the General Measurement Model (GMM), contracts are

2 Basis of preparation
2.1 Material accounting policies information
2.1.1 IFRS 17 *Insurance Contracts* continued

measured using the building blocks of discounted probability-weighted fulfilment cash flows, including an explicit risk adjustment, and a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. A simplification, the premium allocation approach (PAA), can be applied if certain eligibility criteria are met. The majority of the Group's policies have a coverage period of 12 months or less and so are eligible for the PAA. Management applies significant judgements in assessing whether applying the PAA to groups of contracts with a coverage period extending beyond 12 months would produce a measurement of the liability for remaining coverage (LRC) that would not differ materially from the one that would be produced applying GMM. Management has concluded that a majority of the Group's insurance contracts issued and reinsurance contracts held meet the criteria and the PAA is applied to measure them.

The measurement principles differ from the approach used by the Group under IFRS 4. The key areas are:

- the LRC reflects premiums received less insurance acquisition cash flows and less amounts recognised in insurance service revenue;
- measurement of the LRC is adjusted if a group of contracts is expected to be onerous (for example, loss making) over the remaining coverage period and a loss is recognised immediately in the consolidated income statement under 'insurance service expenses' with the recoveries in 'amounts recoverable from reinsurers for incurred claims'. A loss component is measured as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the LRC of the group of contracts;
- measurement of the liability for incurred claims (LIC) is determined on a probability-weighted expected value basis. In contrast to IFRS 4, the LIC is discounted. The LIC also includes an explicit risk adjustment to compensate for non-financial risk. The liability includes the Group's obligation to pay other incurred insurance expenses;
- the discount rates used to calculate the LIC are constructed using risk-free rates, plus an illiquidity premium, where applicable. Risk-free rates are determined by reference to the market observable data (swap rates or highly liquid sovereign bonds) in the currencies of the respective (re)insurance contract liabilities. The illiquidity premium is determined based on market observable illiquidity premiums in financial assets, adjusted to reflect the liquidity characteristics of the liability cash flows;
- the risk adjustment for non-financial risk is the estimated compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. Management applies significant judgements in determining the risk adjustment amount;
- measurement of the reinsurance contract asset for remaining coverage (ARC) reflecting reinsurance premiums paid for reinsurance held is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous contracts;
- measurement of the reinsurance asset for incurred claims (AIC) is similar to the LIC as set out above except for the adjustment for the effect of the risk of reinsurer's non-performance;
- the expected premium receipts are recognised in the consolidated income statement as part of insurance revenue over the insurance coverage period on the basis of the passage of time unless the expected pattern of release from risk differs significantly from the passage of time, in which case it is recognised based on the expected timing of incurred claims and benefits;
- all insurance and reinsurance contract assets and liabilities are monetary items. As a result, those balances denominated in foreign currencies are subject to revaluation at foreign exchange rates prevailing at the reporting date, with the impact of changes in foreign exchange rates recognised in the consolidated income statement;
- under IFRS 4, acquisition costs were recognised and presented separately as 'deferred acquisition costs'. Under IFRS 17, the Group has taken the option to include directly attributable acquisition cash flows in the LRC which are tested separately for recoverability and are amortised as part of insurance service expenses.

Changes to presentation and disclosure

The presentation of the consolidated income statement changes, with premium and claims figures being replaced with insurance revenue, insurance service expense and insurance finance income and expenses. Gross and net written premium will no longer be presented on the face of the consolidated income statement.

Further, reinsurance commission income that is contingent on claims, for example profit commission income, is treated as part of claims recoveries cash flows and that which is not contingent on claims, for example overrider commission, is accounted for as part of premium paid or received cash flows.

Transition

On transition date, 1 January 2022, the Group:

- has identified, recognised and measured each group of insurance contracts as if IFRS 17 requirements had always applied;
- derecognised any existing balances that would not exist had IFRS 17 requirements always applied;
- performed a PAA eligibility assessment for the 2021 and prior unexpired groups of insurance and reinsurance contracts with coverage periods of longer than 12 months;
- has determined that the net impact to equity at 1 January 2022 was $25.1 million (increase) driven by the following factors:
  - the application of the discounting of the insurance contract liabilities and assets of $55.0 million (increase); and
  - offset by other differences including the recognition of onerous contract net loss components, non-performance risk, and alignment of risk adjustment and accounting policies on a consistent basis under IFRS 17 of $29.9 million (decrease).

2 Basis of preparation
2.1 Material accounting policies information continued
2.1.2 IFRS 9 *Financial Instruments*

The Group has adopted IFRS 9 *Financial Instruments* with effect from 1 January 2023. IFRS 9 replaces IAS 39 and addresses the classification and measurement of financial assets and liabilities; impairment of financial assets; and general hedge accounting. Comparatives have been restated with adjustments to the carrying amounts of financial assets and liabilities at the date of transition recognised in retained earnings.

The adoption of IFRS 9 has resulted in changes to the Group's accounting policies for recognition, classification and measurement of financial assets and liabilities.

Transition

On the transition date, 1 January 2022, the net impact recognised in equity is $1.2 million (decrease) driven by the recognition of expected credit losses (ECL) under IFRS 9 for financial assets carried at amortised cost, net of tax.

Classification and measurement of financial instruments

IFRS 9 contains three principal classification categories for financial assets: amortised cost; fair value through other comprehensive income (FVOCI); and fair value through profit or loss (FVPL). On transition to IFRS 9, the Group assessed the business models and contractual cash flows of its financial instruments.

The below table reconciles the carrying amounts of financial instruments, from their previous measurement category in accordance with IAS 39, to the measurement categories upon transition to IFRS 9 on 1 January 2022, including any remeasurement impact. Certain balances previously disclosed within trade and other receivables/payables are in scope of IFRS 17 as they are attributable to insurance contracts; these balances have been excluded from the table below as they are not in scope of IFRS 9.

The classification of financial instruments under IFRS 9 has had no impact on the carrying values previously measured under IAS 39.

The difference in the carrying amount for trade and other receivables is due to the ECL impairment methodology introduced by IFRS 9.

Impairment allowances

IFRS 9 introduces an ECL approach for measuring impairment allowances. The ECL methodology is an unbiased, probability-weighted estimation that incorporates all available information relevant to the assessment of credit risk, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. The forward-looking aspect of IFRS 9 requires judgement as to how changes in economic factors affect ECLs.

Classification and measurement of financial instruments

	31 December 2021 IAS 39		1 January 2022 IFRS 9	
	Measurement category	Carrying amount $m	Measurement category	Carrying amount $m
Financial assets				
Government gilts/bonds	FVPL	907.4	FVPL (mandatory)	907.4
Corporate bonds	FVPL	3,600.8	FVPL (mandatory)	3,600.8
Asset backed securities	FVPL	116.6	FVPL (mandatory)	116.6
Mortgage-backed securities	FVPL	360.1	FVPL (mandatory)	360.1
Other fixed income holdings	FVPL	434.3	FVPL (mandatory)	434.3
Hedge/equity funds	FVPL	417.0	FVPL (mandatory)	417.0
Strategic investments	FVPL	44.2	FVPL (mandatory)	44.2
Insurance-linked funds	FVPL	50.9	FVPL (mandatory)	50.9
Deposits with credit institutions (Lloyd's deposits)	Loans and receivables (Amortised cost)	108.9	Amortised cost	108.9
Derivatives	FVPL	1.1	FVPL (mandatory)	1.1
Trade and other receivables	Loans and receivables (Amortised cost)	68.5	Amortised cost	67.3
Cash and cash equivalents	Amortised cost	1,300.7	Amortised cost	1,300.7
Total		7,410.5		7,409.3
Financial liabilities				
Borrowings and accrued interest	Amortised cost	746.5	Amortised cost	746.5
Derivatives	FVPL	0.2	FVPL (mandatory)	0.2
Trade and other payables	Amortised cost	22.4	Amortised cost	22.4
Total		769.1		769.1

2 Basis of preparation
2.1 Material accounting policies information continued
2.1.3 Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2, Making Materiality Judgements — Disclosure of Accounting Policies
The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. These amendments had no impact on the consolidated financial statements of the Group.

2.1.4 Amendments to IAS 12 Income Taxes
The Group has adopted the amendments to IAS 12 published on 12 May 2023 for the first time in the current year. The amendments address accounting for income taxes arising from tax law enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD) ('Pillar Two legislation'). Various jurisdictions in which the Hiscox Group operates have enacted or substantively enacted Pillar Two legislation before the balance sheet date, including domestic top-up tax and multinational top-up taxes, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exception under the IAS 12 amendment to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes. See note 23 for details of potential impact of these new rules on future accounting periods.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Other than discussed as above, new standards, amendments to standards and interpretations, as adopted by the UK, that are effective for annual periods beginning on 1 January 2023 have been applied in preparing these consolidated financial statements and had no material impact on the Group.
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates.

(b) Future accounting developments
The following new standards, and amendments to standards, are effective for annual periods beginning after 1 January 2023 and have not been applied in preparing these financial statements:
- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants.
- Amendments to IFRS 16 – *Lease Liability in a Sale and Leaseback*.
- Amendments to IAS 7 and IFRS 7 – *Supplier Finance Arrangements*.
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

2.2 Basis of consolidation
(a) Subsidiaries
Subsidiaries are those entities controlled by the Group. Control exists when the Group has power over an entity, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. The consolidated financial statements include the assets, liabilities and results of the Group up to 31 December each year. The financial statements of subsidiaries are included in the consolidated financial statements only from the date that control commences until the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(b) Associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is generally identified with a shareholding of between 20% and 50% of an entity's voting rights. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity-accounted basis from the date that significant influence commences until the date that significant influence ceases.

The Group's share of its associate's post-acquisition profits or losses after tax is recognised in the income statement for each period, and its share of the movement in the associate's net assets is reflected in the investments' carrying values on the balance sheet. When the Group's share of losses equals or exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(c) Transactions eliminated on consolidation
Intragroup balances, transactions and any unrealised gains arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Foreign currency gains and losses on intragroup monetary assets and liabilities may not fully eliminate on consolidation when the intragroup monetary item concerned is transacted between two Group entities that have different functional currencies. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way

2 Basis of preparation
2.2 Basis of consolidation
(c) Transactions eliminated on consolidation continued
as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Foreign currency translation
(a) Functional currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). Entities operating in France, Germany, The Netherlands, Spain, Portugal, Ireland and Belgium have functional currency of Euros; those subsidiary entities operating from the USA, Bermuda, Guernsey and Syndicates have functional currency of US Dollars with the exception of Hiscox Ltd, a public company incorporated and domiciled in Bermuda with functional currency of Sterling. Functional currencies of entities operating in Asia include US Dollars, Singapore Dollars and Thai Baht. All other entities have a functional currency of Sterling.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as IFRS 9 effective net investment hedges or when the underlying balance is deemed to form part of the Group's net investment in a subsidiary operation and is unlikely to be settled in the foreseeable future. Non-monetary items carried at historical cost are translated on the balance sheet at the exchange rate prevailing on the original transaction date. Non-monetary items measured at fair value are translated using the exchange rate ruling when the fair value was determined.

(c) Group companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain, or loss, on sale.

2.4 Property, plant and equipment
Property, plant and equipment are stated at historical cost, less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance items are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite useful economic life. The cost of leasehold improvements is amortised over the unexpired term of the underlying lease or the estimated useful life of the asset, whichever is shorter. Depreciation on other assets is calculated using the straight-line method to allocate their cost, less their residual values, over their estimated useful lives.

The rates applied are as follows:

— buildings	20–50 years
— vehicles	3 years
— leasehold improvements including fixtures and fittings	10–15 years
— furniture, fittings and equipment	3–15 years

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

2.5 Intangible assets
(a) Goodwill
Goodwill represents amounts arising on acquisition of subsidiaries and associates. In respect of acquisitions that have occurred since 1 January 2004, goodwill represents the excess of the fair value of consideration of an acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities assumed of the acquired subsidiary or associate at the acquisition date.

In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous generally accepted accounting principles.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is not amortised but is tested at least annually for impairment and carried at cost, less accumulated impairment losses.

Goodwill is allocated to the Group's cash-generating units identified according to the smallest identifiable unit to which cash flows are generated.

The impairment review process examines whether or not the carrying value of the goodwill attributable to individual cash-generating units exceeds its recoverable amount. Any excess of goodwill over the recoverable amount arising from the review process indicates impairment. Any impairment charges are presented as part of operational expenses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2 Basis of preparation

2.5 Intangible assets continued

(b) Other intangible assets

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside of goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Customer relationships, syndicate capacity and software acquired are capitalised at cost, being the fair value of the consideration paid. Software is capitalised on the basis of the costs incurred to acquire and bring it into use. Intangible assets with indefinite lives such as syndicate capacity are subsequently valued at cost and are subject to annual impairment assessment.

Intangible assets with finite useful lives are consequently carried at cost, less accumulated amortisation and impairment. The useful life of the asset is reviewed annually. Any changes in estimated useful lives are accounted for prospectively with the effect of the change being recognised in the current and future periods, if relevant.

Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful lives of the intangible assets.

Subsequent expenditure on other intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Those intangible assets with finite lives are assessed for indicators of impairment at each reporting date. Where there is an indication of impairment then a full impairment test is performed. An impairment loss recognised for an intangible asset in prior years should be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

2.6 Impairment of non-financial assets

Non-financial assets (such as goodwill, an intangible asset or item of property, plant and equipment) that have an indefinite useful life are not subject to amortisation and are tested annually or whenever there is an indication of impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Objective factors that are considered when determining whether a non-financial asset or group of non-financial assets may be impaired include, but are not limited to, the following:

- adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability;
- the likelihood of accelerated obsolescence arising from the development of new technologies and products; and
- the disintegration of the active market(s) to which the asset is related.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately. Impairment losses recognised in respect of goodwill are not subsequently reversed.

2.7 Financial assets and liabilities

The Group classifies its financial assets in the following measurement categories, which depends on the business model for managing the financial assets and the contractual terms of the cash flows.

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at fair value through profit or loss (FVPL), are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Such assets held by the Group include cash and cash equivalents, receivables from brokers, prepayments and accrued income, receivables and accrued interest and other debtors.
- Fair value through other comprehensive income (FVOCI): assets that are held for collection of contractual cash flows and for selling the financial assets, and where the cash flows represent SPPI, and that are not designated as FVPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss on the instrument's amortised cost previously recognised in OCI is reclassified from equity to profit or loss. Interest from these financial assets is included in interest income using the effective interest rate method. The Group does not hold any assets at FVOCI as the business model criteria are not met.
- Fair value through profit or loss (FVPL): assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Assets can also be designated to FVPL if in doing so it eliminates, or significantly reduces, an accounting mismatch. The gains or losses arising from fair value changes on assets measured at FVPL are recognised in profit or loss and presented within investment result in the period in which they arise. The Group's investment assets in this category include government bonds, corporate bonds, asset and mortgage-backed securities, other fixed income holdings, equities, investment funds, insurance-linked funds and derivatives. All these assets are at FVPL because of the business model test and the characteristics of the associated contractual cash flows.

(a) Recognition

The Group recognises a financial asset or a financial liability in its balance sheet when, and only when, it becomes a

2 Basis of preparation
2.7 Financial assets and liabilities
(a) Recognition continued
party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(b) Impairment allowances
An expected credit loss (ECL) model is applicable for all assets measured at amortised cost and FVOCI. The assessment of credit risk and the estimation of an ECL are unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. The forward-looking aspect of IFRS 9 requires judgement as to how changes in economic factors affect ECLs. Impairment charges are recognised in the income statement within operational expenses.

The ECL is a three-stage model based on forward-looking information regarding changes in credit quality since inception. Credit risk is measured using a probability of default (PD); exposure at default (EAD); and loss given default (LGD) as follows.
- PD is an estimate of the likelihood of default of the asset.
- EAD is an estimate of the exposure at that future default date, taking into account expected changes in the exposure after the reporting date.
- LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive. It is usually expressed as a percentage of the exposure at default.

The three stages of ECL are defined and assessed as follows.
- Stage 1 – no significant increase in credit risk since inception, ECL is calculated using a 12-month PD.
- Stage 2 – a significant increase in credit risk since inception, ECL is calculated using a lifetime PD.
- Stage 3 – credit impaired, ECL is calculated using a lifetime PD.

A significant increase in credit risk is considered to have incurred when payments are 30 days past due, or earlier if other factors indicate the risk has increased significantly since inception.

Financial assets are written off when there is no reasonable expectation of recovery on a case-by-case basis.

(c) Derecognition
Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets have expired; or they have been transferred and the Group transfers substantially all the risks and rewards of ownership; or they have been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control. Any gain or loss arising from derecognition is recognised directly in profit or loss. A financial liability is derecognised when the obligation under that liability is discharged, cancelled or expires.

(d) Investment income
The total gain/loss from financial assets carried at fair value through profit or loss (FVPL) is recognised in profit or loss and disclosed in the notes as investment income comprising interest received, realised gains/losses and unrealised gains/losses.

(e) Financial liabilities
At initial recognition, the Group classifies a financial liability at fair value and subsequently at amortised cost using the effective interest rate method. Financial liabilities mainly include payables to brokerage customers, short-term borrowings, long-term borrowings and bonds payable.

When all or part of the current obligations of a financial liability have been discharged, the Group derecognises the portion of the financial liability or obligation that has been discharged. The difference between the carrying amount of the derecognised liability and the consideration is recognised in profit or loss.

Derivative financial liabilities are measured at fair value through profit or loss. All the related realised and unrealised gains or losses and transaction costs are recognised in profit or loss.

2.8 Cash and cash equivalents
The Group has classified cash deposits and short-term highly liquid investments as cash and cash equivalents. These assets are readily convertible into known amounts of cash and are subject to inconsequential changes in value. Cash equivalents are financial investments with less than three months to maturity at the date of acquisition.

2.9 Derivative financial instruments
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently valued at fair value at each balance sheet date. Fair values are obtained from quoted market values and, if these are not available, valuation techniques including option pricing models are used as appropriate. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. For derivatives not formally designated as a hedging instrument, fair value changes are recognised immediately in the consolidated income statement. Changes in the value of derivatives and other financial instruments formally designated as hedges of net investments in foreign operations are recognised in the currency translation reserve to the extent they are effective; gains or losses relating to the ineffective portion of the hedging instruments are recognised immediately in the consolidated income statement.

The Group had no derivative instruments designated for hedge accounting during the current and prior financial year.

2.10 Own shares
Where any Group company purchases the Parent Company's equity share capital (own shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's owners on consolidation. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's owners, net of any directly attributable incremental transaction costs and the related tax effects.

2 Basis of preparation continued

2.11 Insurance and reinsurance contracts

The accounting policy set out below is applicable to insurance and reinsurance contracts that are issued by the Group and reinsurance contracts held by the Group unless indicated otherwise.

(a) Classification

Insurance contracts are defined as those containing significant insurance risk. Significant insurance risk criteria are met if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

The Group issues short-term casualty and property (re)insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. The Group also enters into ceded reinsurance contracts with reinsurers, under which the Group transfers significant insurance risk to reinsurers and is compensated for claims on contracts issued by the Group.

(b) Separating components

The Group assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Group's products do not include any distinct components that require separation.

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a guaranteed minimum amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The guaranteed minimum amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are excluded from insurance service revenue and expenses.

(c) Level of aggregation

Insurance contracts are aggregated into groups for measurement purposes. The level of aggregation for the Group is determined firstly by grouping contracts into portfolios which, with some limited exceptions, are set as the reserving classes of each legal entity. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. No group for level of aggregation purposes may contain contracts issued more than one year apart. The grouping of contracts is not subsequently reconsidered.

A group of insurance contracts is considered to be onerous at initial recognition if the fulfilment cash flows allocated to that group of contracts in total are a net outflow. That is if the present value of expected claims, attributable expenses and risk adjustment exceeds the premium.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Reinsurance contracts held cannot be onerous.

(d) Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:
- the beginning of the coverage period;
- the date when the first payment from the policyholder is due, or actually received if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

Insurance contracts acquired in a business combination within the scope of IFRS 3 *Business Combinations* or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Reinsurance contracts held are recognised as follows:
- a group of reinsurance contracts held that provide proportionate coverage is recognised at the later of the following dates (unless underlying contracts are onerous, in which case earlier recognition is required):
  - the beginning of the coverage period of the group; and
  - the initial recognition of any underlying insurance contract;
- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held; unless the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria. Composition of the groups is not reassessed in subsequent periods.

An insurance contract is derecognised when it is:
- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified such that the modification results in a change in the measurement model, for example: GMM, or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contracts to be included in a different group.

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification of the contract as an adjustment to the relevant liability or asset for remaining coverage.

When a group of insurance contracts is derecognised, adjustments to remove related rights and obligations result in the following amounts being charged immediately to the consolidated income statement:
- if the contract is extinguished, any net difference between the derecognised part of the liability for remaining

2 Basis of preparation
2.11 Insurance and reinsurance contracts
(d) Recognition and derecognition continued

coverage (LRC) of the original contract and any other cash flows arising from extinguishment;
- if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
- if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

(e) Contract boundary
The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:
- the Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- both of the following criteria are satisfied:
  - the Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  - the pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

(f) Measurement – premium allocation approach
Initial measurement

The Group applies the premium allocation approach (PAA) to the majority of the insurance contracts that it issues and reinsurance contracts that it holds, because:
- the coverage period of each contract in the group is one year or less; or
- for contracts longer than one year, the Group has modelled possible future scenarios and reasonably expects that the measurement of the LRC for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model.

For insurance contracts issued, on initial recognition, the Group measures the LRC as the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows.

For reinsurance contracts held, on initial recognition, the Group measures assets for the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows. For insurance contracts issued, insurance acquisition cash flows allocated to a group are recognised over the coverage period of contracts in the group. For reinsurance contracts held, broker fees are recognised over the coverage period of contracts in a group.

Subsequent measurement
For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:
- increased for premiums received in the period;
- decreased for insurance acquisition cash flows paid in the period;
- decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period;
- increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses; and decreased for any investment component paid or transferred to the liability for incurred claims.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:
- increased for ceding premiums paid in the period;
- increased for broker fees paid in the period;
- decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period; and
- decreased for any investment component paid or transferred to the reinsurance assets for incurred claims.

The Group does not adjust the LRC for insurance contracts issued or the remaining coverage for reinsurance contracts held for the effect of the time value of money, because associated premiums are due within one year of the coverage period. The Group only adjusts the remaining coverage for reinsurance contracts held for the time value of money in relation to the legacy portfolio transactions (LPT) that were held, as the associated premiums are not due within one year of the coverage period.

The Group estimates the liability for incurred claims (LIC) as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, and they reflect current estimates from the perspective of the entity.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or has become onerous subsequently, the Group increases the carrying amount of the LRC, recognising a loss component, to the amounts of the excess of the fulfilment cash flows that relate to the remaining coverage of the group of contracts, over the carrying amount of the LRC of the group. The amount of such an increase is recognised in insurance service expenses. Subsequently, the loss component is amortised over the coverage period of the group of contracts. When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that

2 Basis of preparation

2.11 Insurance and reinsurance contracts

(f) Measurement – premium allocation approach continued

group, the carrying amount of the reinsurance asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of expected recoveries that will be in the consolidated income statement and a loss recovery component is established or adjusted for that amount. The loss recovery component is calculated by multiplying the loss component recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts. When underlying insurance contracts that are reinsured are included in the same group as insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

(g) Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, for example a group of contracts that is exposed to large natural catastrophe risk concentrated in the first or second half of the year, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

Changes to the basis of allocation are accounted for prospectively as a change in accounting estimate.

(h) Insurance service expenses

Insurance service expenses include the following:
- incurred claims, excluding investment components reduced by loss component allocations;
- other incurred directly attributable expenses;
- insurance acquisition cash flows amortisation using the pattern that is consistent with the insurance revenue;
- changes that relate to past service;
- changes that relate to future service;
- insurance acquisition cash flows assets impairment; and
- mandatory reinstatement premiums.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated income statement.

(i) Allocation of reinsurance premiums

The allocation of reinsurance premiums includes reinsurance premiums and other incurred directly attributable expenses. Reinsurance premium and expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services. Additionally, broker fees and ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance premiums.

In addition, the allocation of reinsurance premiums includes changes in the reinsurance assets arising from retroactive reinsurance contracts held and voluntary reinstatement ceded premiums.

(j) Amounts recoverable from reinsurers for incurred claims

The amounts recoverable from reinsurers for incurred claims include:
- incurred claims recoveries, excluding investment components;
- loss-recovery component allocations;
- changes that relate to past service;
- effect of changes in the risk of reinsurers' non-performance;
- amounts relating to accounting for onerous groups of underlying insurance contracts issued;
- ceding commissions that are contingent on claims of the underlying contracts issued reducing incurred claims recovery; and
- mandatory reinstatement ceded premiums.

(k) Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:
- the effect of the time value of money and changes in the time value of money. This mainly comprises interest accreted on the LIC and interest unwind on the AIC; and
- the effect of financial risk and changes in financial risk. This mainly includes the effect of changes in interest rates, for example, discount rates.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses. The change in the risk adjustment is entirely presented as part of the insurance service result.

Foreign exchange gains and losses continue to be presented as a net other foreign exchange gain/(loss) line item.

2.12 Taxation

Current tax, including corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and, in certain cases, based on advice sought from specialist tax advisors.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not recognised. With the exception of deferred tax related to top-up income taxes arising from tax

2 Basis of preparation

2.12 Taxation continued

law enacted to implement Pillar Two legislation, deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2.13 Employee benefits

(a) Pension obligations

The Group has defined contribution and defined benefit pension schemes. The defined benefit scheme closed to future accrual with effect from 31 December 2006 and active members were offered membership of the defined contribution scheme from 1 January 2007. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and has no further obligation beyond the agreed contribution rate. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The amount recognised on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit method. As the plan is closed to all future benefit accrual, each participant's benefits under the plan are based on their service to the date of closure or earlier leaving date and their final pensionable earnings. The service cost is the expected administration cost during the year. Past service costs are recognised immediately in the income statement.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the income statement through operating expenses.

To the extent that a surplus emerges on the defined benefit obligation, it is only recognisable as an asset when it is probable that future economic benefits will be recovered by the Group.

(b) Other long-term employee benefits

The Group provides sabbatical leave to employees on completion of every five years' service. The present value of the expected costs of these benefits is accrued over the period of employment. In determining this liability, consideration is given to future increases in salary levels, experience with employee departures and periods of service.

(c) Share-based compensation

The Group operates equity settled share-based employee compensation plans. These include the share option schemes, and the Group's Performance Share Plans, outlined in the Directors' remuneration report, together with the Group's Save As You Earn (SAYE) schemes. The fair value of the employee services received, measured at grant date, in exchange for the grant of the awards is recognised as an expense, with the corresponding credit being recorded in retained earnings within equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards granted, excluding the impact of any non-market vesting conditions (for example, profitability or net asset growth targets). Non-market vesting conditions are included in assumptions about the number of awards that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of awards that are expected to vest.

The Group recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity, in periods in which the estimates are revised.

When the terms and conditions of an equity settled share-based employee compensation plan are modified, and the expense to be recognised increases as a result of the modification, then the increase is recognised evenly over the remaining vesting period. When a modification reduces the expense to be recognised, there is no adjustment recognised and the pre-modification expense continues to be applied. The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

(d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(e) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where a contractual obligation to employees exists or where there is a past practice that has created a constructive obligation.

2 Basis of preparation continued
2.14 Finance costs
Finance costs consist of interest charges accruing on the Group's borrowings and bank overdrafts together with commission fees charged in respect of Letters of Credit and interest in respect of lease liabilities and funds withheld. Arrangement fees in respect of financing arrangements are charged over the life of the related facilities.

2.15 Leases
(a) Hiscox as lessee
The Group recognises right-of-use assets at the commencement date of the lease (for example, the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets are presented on the balance sheet as property, plant and equipment.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. Lease liabilities are included in trade and other payables on the balance sheet.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification that is not accounted for as a separate lease: future lease payments that are linked to a rate or index, a change in the lease term, a change in the in-substance fixed lease payments, a change in the assessment to purchase the underlying asset or a change in the amounts expected to be payable under a residual value guarantee.

The Group applies the short-term lease recognition exemption to its applicable short-term leases. It also applies the low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(b) Hiscox as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant contractual agreement.

2.16 Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

2.17 Operations held for sale
Assets and liabilities held for disposal as part of operations which are held for sale are shown separately in the consolidated statement of financial position. Operations held for sale are recorded at the lower of their carrying amount and their fair value less the estimated selling costs.

2.18 Use of significant judgements, estimates and assumptions
The preparation of financial statements requires the Group to select accounting policies and make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses in the consolidated financial statements.

The Audit Committee reviews the reasonableness of critical judgements, estimates and assumptions applied and the appropriateness of material accounting policies information. The significant issues considered by the Committee in the year are included within the Audit Committee report on pages 99 to 101.

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

- Consolidation: assessment of whether the Group controls or has significant influence over underlying entity, for example, the treatment of insurance-linked securities funds including consideration of its decision-making authority and its rights to the variable returns from the entity.
- Financial investments: classification and measurement of investments including the application of the fair value option.

Insurance and reinsurance contracts
(a) Liability for incurred claims
The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. The Group relies on actuarial analysis to estimate the settlement cost of future claims. Via a formal governed process, there is close communication between the actuaries and other key stakeholders, such as the underwriters, claims and finance teams when setting and validating the assumptions. The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios.

Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area,

2 Basis of preparation
2.18 Use of significant judgements, estimates and assumptions

(a) Liability for incurred claims continued

as well as by significant business lines and claim types. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

(b) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would charge to make it indifferent between the cash flows with a range of probable scenarios versus equivalent fixed cash flows.

To determine the risk adjustment for non-financial risk for reinsurance contracts, the Group applies a combination of a value at risk (VaR) (or a percentile) approach and a scenario-based approach both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results. Most business is measured under the PAA model and therefore the Group does not calculate a risk adjustment in relation to LRC excluding loss component.

For the incurred claim liabilities measurement purposes, the Group calculates the risk adjustment at each insurance undertaking entity in accordance with its risk profile using a combination of VaR method and scenario analysis targeting an overall confidence level for the aggregate risk distribution. Scenario analysis is used to determine the level of compensation that the Group requires for bearing uncertainty about the large event-driven claims, for example natural catastrophe. This element of the compensation for risk takes into consideration the range of potential outcomes from an event and the sensitivities of the loss positions in any modelled scenarios. Given the nature of the underlying business and losses it is normal for new risks to become apparent or for the magnitude of existing risks to change over time.

Group diversification benefit is not considered at the individual insurance undertaking entity level but is considered in determining the confidence level at a consolidated level for disclosure purposes. At 31 December 2023, the risk adjustment in respect of the LIC net of reinsurance is at the 83rd percentile (31 December 2022: 78th percentile).

(c) Premium allocation approach eligibility assessment

A simplified measurement model, the PAA, can be applied if certain eligibility criteria are met. The majority of the Group's policies have a coverage period of 12 months or less and so are eligible for the PAA. Management applies significant judgment whether applying PAA to those groups of contracts would differ materially from GMM with a coverage period extending beyond 12 months.

Significant accounting estimates

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events. Actual results may differ from those estimates, possibly significantly. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

Insurance and reinsurance contracts

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

(a) Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates were derived using swap rates available in the market denominated in the same currency as the insurance contracts being measured. When swap rates are not available, highly liquid sovereign bonds with the highest, for example, AAA/AA credit rating were used.

Management uses judgement to assess liquidity characteristics of the liability cash flows. The illiquidity premium was estimated based on market observable liquidity premiums in financial assets, adjusted to reflect the illiquidity characteristics of the liability cash flows. The illiquidity premium is determined by reference to market observable AA-rated bonds yield curve in the currency of the insurance contract being measured, adjusted to remove both expected and unexpected credit risk.

The following discount rates were applied for the currencies and periods presented below:

	Year end 31 December 2023		
	1 year %	3 year %	5 year %
USD	4.83	3.92	3.74
GBP	4.97	4.12	3.82
EUR	3.49	2.75	2.65
CAD	4.63	3.69	3.39

2 Basis of preparation
2.18 Use of significant judgements, estimates and assumptions
(a) Discount rates continued

	Year end 31 December 2022		
	1 year %	3 year %	5 year %
USD	4.90	4.24	4.00
GBP	4.59	4.64	4.55
EUR	3.12	3.28	3.31
CAD	4.66	4.03	3.74

(b) Estimates of future cash flows to fulfil insurance contracts
Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In setting these expectations, the Group uses information about past events, current conditions and forecasts of future conditions. The Group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method. The Group has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. This includes an allocation of acquisition cash flows among existing groups of insurance contracts issued. Claims settlement-related expenses are largely allocated based on claims costs.

Uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims and uncertainties regarding future inflation rates leading to claims and claims-handling expenses growth. Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

(c) Fair value measurement
The Group carries its financial investments at fair value through profit or loss, with fair values determined using published price quotations in the most active financial markets in which the assets trade, where available. Where quoted market prices are not available, valuation techniques are used to value financial instruments. These include third-party valuation reports and models utilising both observable and unobservable market inputs. Valuation techniques involve judgement, including the use of valuation models and their inputs, which can lead to a range of plausible valuations for financial investments. Note 3.3(a) discusses the reliability of the Group's fair values.

(d) Employee benefit
The employee retirement benefit scheme obligations are calculated and valued with reference to a number of actuarial assumptions including mortality, inflation rates and discount rate, many of which have been subject to recent volatility. This complex set of economic variables can have a significant impact on the financial statements, as shown in note 24.

(e) Tax
The Group operates in a multinational environment, and legislation concerning the determination of taxation of assets and liabilities is complex and continually evolving. In preparing the financial statements, the Group applies significant judgements in identifying uncertainties over tax treatments and in the measurement of the provision being the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and based on advice sought from specialist tax advisors.

A deferred tax asset can be recognised only to the extent that it is recoverable. The recoverability of deferred tax assets in respect of carry forward losses requires consideration of the future levels of taxable profit in the Group. In preparing the Group's financial statements, management estimates taxation assets and liabilities after taking appropriate professional advice, as shown in note 22. Significant estimates and assumptions used in the valuation of deferred tax relate to the forecast taxable profits, taking into account the Group's financial and strategic plans. See note 23 for further details of adjustments made to deferred tax during the year.

The determination and finalisation of agreed taxation assets and liabilities may not occur until several years after the reporting date and consequently the final amounts payable or receivable may differ from those presented in these financial statements.

2.19 Reporting of additional performance measures
The Directors consider that the combined, claims and expense ratio measures reported in respect of operating segments and the Group overall in note 4, net asset value per share and return on equity measures disclosed in notes 5 and 6 and prior-year developments disclosed in note 20, provide useful information regarding the underlying performance of the Group's businesses.

These measures are widely recognised by the insurance industry and are consistent with the internal performance measures reviewed by senior management including the chief operating decision-maker. However, these measures are not defined within the accounting standards and interpretations, and therefore may not be directly comparable with similarly titled additional performance measures reported by other companies.

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

3 Management of risk continued

delivery of its contractual obligations and its achievement of sustainable profitable economic and social performance.

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

The principal sources of risk relevant to the Group's operations and its financial statements fall into three broad categories: operational risk, insurance risk and financial risk, which are described in notes 3.1, 3.2 and 3.3 below. The Group also actively manages its capital risks as detailed in note 3.4 and tax risks as detailed in note 3.5. Additional unaudited information is also provided in the corporate governance, risk management and capital sections of this Report and Accounts.

3.1 Operational risk

The Group is exposed to the risk of direct or indirect loss resulting from internal processes, people or systems, or from external events. This includes cyber security risk, as well as major IT, systems or service failures. The Group has demonstrated continued resilience, underscoring the benefits of its business model, disciplined risk management and ongoing investment in technology and infrastructure.

Hiscox has implemented several operational risk management processes, which include enhancing its defences and response to information security and cyber threats. Hiscox regularly reassesses its information security standards and methodologies to ensure appropriate governance and consistency in its approach.

In line with its 'future of work' programme, Hiscox continues to monitor and adapt its hybrid working policies and practices and ensure that the workforce is equipped with the necessary technology to enable this. In the second half of 2023, the organisation also completed a 'ways of working' review. These measures have continued to be successful in addressing employee engagement and a number of operational risks.

In 2023, Hiscox also focused on Group-wide crisis management response planning, including conducting cyber crisis simulations to test and enhance its response plans. The organisation has also established an enterprise portfolio management (EPM) capability aimed at strengthening operational maturity and controls in relation to its change agenda over the next two-to-three years.

3.2 Insurance risk

The predominant risk to which the Group is exposed is insurance risk which is assumed through the underwriting process. Insurance risk can be sub-categorised into i) underwriting risk including the risk of catastrophe and systemic insurance losses and the insurance competition and cycle, and ii) reserving risk.

i) Underwriting risk

The Board sets the Group's underwriting strategy and risk appetite, seeking to exploit identified opportunities in light of other relevant anticipated market conditions.

The Board requires all underwriters to operate within an overall Group appetite for individual events. This defines the maximum exposure that the Group is prepared to retain on its own account for any one potential catastrophe event or disaster. In addition, the Group's overall underwriting risk appetite seeks to ensure that in a 1-in-200 bad year we are within the underwriting risk limit. The limit is calibrated each year based on exposure, expected profit and the size of other correlated risks to enable us to continue in business and take advantage of market opportunities that arise.

Specific underwriting objectives such as aggregation limits, reinsurance protection thresholds and geographical disaster event risk exposures are prepared and reviewed by the Group Chief Underwriting Officer in order to translate the Board's summarised underwriting strategy into specific measurable actions and targets. These actions and targets are reviewed and approved by the Board in advance of each underwriting year. The Board continually reviews its underwriting strategy throughout each underwriting year in light of the evolving market pricing and loss conditions and as opportunities present themselves. The Group's underwriters and management consider underwriting risk at an individual contract level, and also from a portfolio perspective, where the risks assumed in similar classes of policies are aggregated and the exposure evaluated in light of historical portfolio experience and prospective factors.

To assist with the process of pricing and managing underwriting risk, the Group routinely performs a wide range of activities including the following:
- regularly updating the Group's risk models;
- documenting, monitoring and reporting on the Group's strategy to manage risk;
- developing systems that facilitate the identification of emerging issues promptly;
- utilising sophisticated computer modelling tools to simulate catastrophes and measure the resultant potential losses before and after reinsurance;
- monitoring legal developments and amending the wording of policies when necessary;
- regularly aggregating risk exposures across individual underwriting portfolios and known accumulations of risk;
- examining the aggregated exposures in advance of underwriting further large risks; and
- developing processes that continually factor market intelligence into the pricing process.

The delegation of underwriting authority to specific individuals, both internally and externally, is subject to regular review. All underwriting staff and binding agencies have strict parameters in relation to the levels and types of business they can underwrite, based on individual levels of experience and competence. These parameters cover areas such as the maximum sums insured per insurance contract, maximum

3 Management of risk
3.2 Insurance risk
i) Underwriting risk continued

gross premiums written and maximum aggregated exposures per geographical zone and risk class. Regular meetings are held between the Group Chief Underwriting Officer and a specialist team in order to monitor claims development patterns and discuss individual underwriting issues as they arise. The Group compiles estimates of losses arising from extreme loss events using statistical models alongside input from its underwriters. These require significant management judgement. The extreme loss scenarios, shown on pages 38 to 39, represent hypothetical major events occurring in areas with large insured values.

They also represent areas of potentially significant exposure for Hiscox. In addition to understanding the loss Hiscox may suffer from an event, it is important to ensure that the risk models used are calibrated to the risks faced today. This includes recognising and forecasting inflationary trends, updating trends in claims payments, and capturing climate change-related impacts. Hiscox has a climate risk framework, which is used to assess where research resources should be focused, and models updated, and as a result improves not only the Group's understanding of the potential impact of a changing climate but also the Group's ability to respond.

The selection of extreme loss scenario events is adjusted each year and they are not therefore necessarily directly comparable from one year to the next. The events are extreme and unprecedented, and as such these estimates may prove inadequate as a result of incorrect assumptions, model deficiencies, or losses from unmodelled risks. This means that should an extreme loss event actually occur, the Group's final ultimate losses could materially differ from those estimates modelled by management. The Group's insurance contracts include provisions to contain losses, such as the ability to impose deductibles and demand reinstatement premiums in certain cases. In addition, in order to manage the Group's exposure to repeated catastrophic events (both man-made and natural catastrophes), relevant policies frequently contain payment limits to cap the maximum amount payable from these insured events over the contract period. In the case of climate-exposed risks specifically, the vast majority of contracts written by the Group are annual in nature and thus can be revised frequently. This flexibility is a key tool for managing the multi-decade challenge of climate risks holistically.

The Group also manages underwriting risk by purchasing reinsurance. Reinsurance protection is purchased at an entity level and is also considered at an overall Group level to mitigate the effect of catastrophes and unexpected concentrations of risk. However, the scope and type of reinsurance protection purchased may change depending on the extent and competitiveness of cover available in the market.

The estimated liquidity profile to settle the net claims liabilities is given in note 3.3(e).

The specific insurance risks accepted by the Group fall broadly into the following main categories: reinsurance inwards, marine and major asset property, other property risks, casualty professional indemnity and casualty other insurance risks. These specific categories are defined for risk review purposes only, as each contains risks specific to the nature of the cover provided. They are not exclusively aligned to any specific reportable segment in the Group's operational structure or to the primary internal reports reviewed by the chief operating decision-maker. The Group also considers climate change to be a cross-cutting risk with potential to impact each existing risk type, rather than a stand-alone risk. By design, the established and embedded Group risk management framework provides a controlled and consistent system for the identification, measurement, mitigation, monitoring and reporting of risks (both current and emerging) and so is structured in a way that allows us to continually and consistently manage the various impacts of climate risk on the risk profile. This is supported by equally robust processes and policies that address climate-related underwriting risks, such as the Group-wide ESG exclusions policy which represents a commitment to reduce steadily, and eliminate by 2030, both underwriting and investment exposure to coal-fired power plants and coal mines; Arctic energy exploration, beginning with the Arctic National Wildlife Refuge; oil sands; and controversial weapons such as landmines.

More information on the strategy and governance structures in place to manage climate-related risks can be found on pages 50 to 61. The following describes the policies and procedures used to identify and measure the risks associated with each individual category of business.

Estimated concentration of insurance risks measured in insurance revenue is as follows:

Estimated concentration of insurance risk in 2023

	Types of insurance risk in the Group						
	Reinsurance inwards $m	Property – marine and major assets $m	Property – other assets $m	Casualty – professional indemnity $m	Casualty – other risks $m	Other* $m	Total $m
Total	976.2	345.0	903.3	1,077.1	789.2	392.4	4,483.2

Estimated concentration of insurance risk in 2022 (restated)

	Types of insurance risk in the Group						
	Reinsurance inwards $m	Property – marine and major assets $m	Property – other assets $m	Casualty – professional indemnity $m	Casualty – other risks $m	Other* $m	Total $m
Total	931.6	287.1	846.4	1,046.8	780.6	380.8	4,273.3

*Includes a diverse mix of certain specialty lines such as kidnap and ransom, terrorism and other risks which contain a mix of property and casualty exposures.

3 Management of risk
3.2 Insurance risk continued

Reinsurance inwards

The Group's reinsurance inwards acceptances are primarily focused on large commercial property, homeowner and marine and short-tail specialty exposures held by other insurance companies, predominantly in North America and other developed economies. This business is characterised more by large claims arising from individual events or catastrophes than the high-frequency, low-severity attritional losses associated with certain other business written by the Group. Multiple insured losses can periodically arise out of a single natural or man-made occurrence. The main circumstances that result in claims against the reinsurance inwards book are conventional catastrophes, such as earthquakes or storms, but also includes other events including fires, explosions and cyber events. The occurrence and impact of these events are very difficult to predict over the short term, which complicates attempts to anticipate claims frequencies on an annual basis. In those years where there is a low incidence of severe catastrophes, claims frequencies on the reinsurance inwards book can be relatively low.

A significant proportion of the reinsurance inwards business provides cover on an excess of loss basis for individual events. The Group agrees to reimburse the cedant once their losses exceed a minimum level. Consequently, the frequency and severity of reinsurance inwards claims are related not only to the number of significant insured events that occur, but also to their individual magnitude. If numerous catastrophes occurred in any one year, but the cedant's individual loss on each was below the minimum stated, then the Group would have no liability under such contracts. Maximum gross line sizes and aggregate exposures are set for each type of programme.

The Group writes reinsurance risks for periods of mainly one year so that contracts can be assessed for pricing and terms and adjusted to reflect any changes in market conditions and the evolving impact of climate change.

Property risks – marine and major assets

The Group directly underwrites a diverse range of property risks. The risk profile of the property covered under marine and major asset policies is different to that typically contained in the other classes of property (such as private households and contents insurance) covered by the Group.

Typical property covered by marine and other major property contracts includes fixed and moveable assets such as ships and other vessels, cargo in transit, energy platforms and installations, pipelines, other subsea assets, satellites, commercial buildings and industrial plant and machinery. These assets are typically exposed to a blend of catastrophic and other large loss events and attritional claims arising from conventional hazards such as collision, flooding, fire and theft. Climate change may give rise to more frequent and severe extreme weather events (for example, windstorms and river flooding) and it may be expected that their frequency will increase over time.

For this reason, the Group accepts major property insurance risks for periods of mainly one year so that each contract can be repriced on renewal to reflect the continually evolving risk profile. The most significant risks covered for periods exceeding one year are certain specialist lines such as marine and offshore construction projects which can typically have building and assembling periods of between three and four years. These form a small proportion of the Group's overall portfolio.

Marine and major property contracts are normally underwritten by reference to the commercial replacement value of the property covered. The cost of repairing or rebuilding assets, of replacement or indemnity for contents and time taken to restart or resume operations to original levels for business interruption losses are the key factors that influence the level of claims under these policies. The Group's exposure to commodity price risk in relation to these types of insurance contracts is very limited, given the controlled extent of business interruption cover offered in the areas prone to losses of asset production.

Other property risks

The Group provides home and contents insurance, together with cover for artwork, antiques, classic cars, jewellery, collectables and other assets. The Group also extends cover to reimburse certain policyholders when named insureds or insured assets are seized for kidnap and a ransom demand is subsequently met. Events which can generate claims on these contracts include burglary, kidnap, seizure of assets, acts of vandalism, fires, flooding and storm damage. Losses on most classes can be predicted with a greater degree of certainty as there is a rich history of actual loss experience data and the locations of the assets covered, and the individual levels of security taken by owners, are relatively static from one year to the next.

The losses associated with these contracts tend to be of a higher frequency and lower severity than the marine and other major property assets covered above. The Group's home and contents insurance contracts are exposed to weather and climate-related risks such as floods and windstorms and their consequences. As outlined earlier, the frequency and severity of these losses do not lend themselves to accurate prediction over the short term. Contract periods are therefore not normally more than one year at a time to enable risks to be regularly repriced.

Contracts are underwritten by reference to the commercial replacement value of the properties and contents insured. Claims payment limits are always included to cap the amount payable on occurrence of the insured event.

Casualty insurance risks

The casualty underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of potential hazard, industry and geography. However, the Group's exposure is more focused towards professional, general, technological and marine liability risks rather than human bodily injury risks, which are only accepted under limited circumstances. Claims typically arise from incidents such as errors and omissions attributed to the insured, professional negligence and specific losses suffered as a result of electronic or technological failure of software products and websites.

The provision of insurance to cover allegations made against individuals acting in the course of fiduciary or managerial responsibilities, including directors and officers' insurance, is one example of a casualty insurance risk.

The Group's casualty insurance contracts mainly experience low-severity attritional losses. By nature, some casualty losses

3 Management of risk
3.2 Insurance risk
Casualty insurance risks continued

may take longer to settle than other categories of business. In addition, there is increased potential for accumulation in casualty risk due to the growing complexity of business, technological advances, and greater interconnectivity and interdependency across the world due to globalisation. The Group's pricing strategy for casualty insurance policies is typically based on historical claim frequencies and average claim severities, adjusted for inflation and extrapolated forwards to incorporate projected changes in claims patterns. In determining the price of each policy, an allowance is also made for acquisition and administration expenses, reinsurance costs, investment returns and the Group's cost of capital.

The market for cyber insurance is still a relatively immature one, complicated by the fast-moving nature of the threat, as the world becomes even more connected. The risks associated with cyber insurance are multiplying in both diversity and scale, with associated financial and reputational consequences of failing to prepare for them. The Group has focused its cyber expertise on prevention, in addition to the more traditional recovery product. Cyber products are sold through our businesses in the UK, USA and Europe, and the product is sold both direct to consumers and through a more traditional broker channel.

ii) Reserving risk

The Group's procedures for estimating the outstanding costs of settling insured losses at the balance sheet date, including liability of incurred claims, are detailed in note 20. The Group's provision estimates are subject to rigorous review by senior management from all areas of the business. The managed Syndicates and US business receive a review of their estimates from independent actuaries. The final provision is approved by the relevant boards on the recommendation of dedicated reserving committees. Similar to the underwriting risk detailed above, the Group's reserve risks are well diversified. Short-tailed claims are normally notified and settled within 12 to 24 months of the insured event occurring. Those claims taking the longest time to develop and settle typically relate to casualty risks, where legal complexities occasionally develop regarding the insured's alleged omissions or negligence. The length of time required to obtain definitive legal judgments and make eventual settlements exposes the Group to a degree of reserving risk in an inflationary environment.

The final quantum for casualty claims may not be established for many years after the event. A significant proportion of the casualty insurance amounts reserved on the balance sheet may not be expected to settle within 24 months of the balance sheet date. Consequently, our approach is not to recognise favourable experience in the early years of development in the reserving process when setting the booked reserve.

Certain marine and property insurance contracts, such as those relating to subsea and other energy assets and the related business interruption risks, can also take longer than normal to settle. This is because of the length of time required for detailed subsea surveys to be carried out and damage assessments agreed, together with difficulties in predicting when the assets can be brought back into full production.

For the inwards reinsurance lines, there is often a time lag between the establishment and re-estimate of case reserves and reporting to the Group. The Group works closely with the reinsured to ensure timely reporting and also centrally analyses industry loss data to verify the reported reserves.

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

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

3.3 Financial risk
Overview

The Group is exposed to financial risk through its ownership of financial instruments, including financial liabilities. These items collectively represent a significant element of the Group's net shareholder funds. The Group invests in financial assets in order to fund obligations arising from its insurance contracts and financial liabilities.

The key financial risk for the Group is that the proceeds from its financial assets and investment result generated thereon are not sufficient to fund the Group's obligations. The most important elements and economic variables that could result in such an outcome relate to the reliability of fair value measures, equity price risk, interest rate risk, credit risk, liquidity risk and currency risk. The Group's policies and procedures for managing exposure to these specific categories of risk are detailed below.

(a) Reliability of fair values

The Group has elected to carry trade and other receivables at amortised cost and all financial investments at fair value through profit or loss as they are managed and evaluated on a fair value basis in accordance with a documented strategy.

With the exception of any unquoted investments shown in note 17, all of the financial investments held by the Group are available to trade in markets and the Group therefore seeks to determine fair value by reference to published prices or as derived by pricing vendors using observable quotations in the most active financial markets in which the assets trade.

The fair value of financial assets is measured primarily with reference to their closing market prices at the balance sheet date. The ability to obtain quoted market prices may be reduced in periods of diminished liquidity. In addition, those quoted prices that may be available may represent an unrealistic proportion of market holdings or individual trade sizes that could not be readily available to the Group. In such instances, fair values may be determined or partially supplemented using other observable market inputs such as prices provided by market makers such as dealers and brokers, and prices achieved in the most recent regular transaction of identical or closely related instruments occurring before the balance sheet date, but updated for relevant perceived changes in market conditions.

3 Management of risk
3.3 Financial risk
(a) Reliability of fair values continued

Valuation of securities will continue to be impacted by external market factors including interest rates, default rates, rating agency actions and liquidity. The Group will make adjustments to the investment portfolio as appropriate as part of its overall portfolio strategy, but its ability to mitigate its risk by selling or hedging its exposures may be limited by the market environment.

The Group's future results may be impacted, both positively and negatively, by the valuation adjustments applied to securities.

Note 17 provides an analysis of the measurement attributes of the Group's financial instruments.

(b) Price risk

The Group is exposed to price risk through its holdings of equities and investment funds. This is limited to a relatively small and controlled proportion of the overall investment portfolio and the equities and investment funds involved are diversified over a number of companies and industries.

The fair value of equities and investment fund assets in the Group's balance sheet at 31 December 2023 was $205 million (2022: $339 million). A 10% downward correction in equities and investment fund prices at 31 December 2023 would have been expected to reduce Group equity and profit after tax by approximately $18 million (2022: $30 million). These may be analysed as follows:

Nature of equity and investment fund holdings

	2023 % weighting	2022 % weighting
Directly held equity securities	15	8
Equity funds	32	43
Hedge funds	53	49
Geographic focus		
Specific UK mandates	39	22
Global mandates	61	78

The allocation of price risk is not heavily confined to any one market index so as to reduce the Group's exposure to individual sensitivities. We make allocations to diversifying and less volatile strategies, such as absolute return strategies, so as to balance our desire to maximise returns with the need to ensure capital is available to support our underwriting throughout any downturn in financial markets.

(c) Interest rate risk

Debt and fixed income investments represent a significant proportion of the Group's assets and the Board continually monitors investment strategy to minimise the risk of a fall in the portfolio's market value which could affect the amount of business that the Group is able to underwrite or its ability to settle claims as they fall due. The fair value of the Group's investment portfolio of debt and fixed income holdings is normally inversely correlated to movements in market interest rates. If market interest rates rise, the fair value of the Group's debt and fixed income investments would tend to fall and vice versa if credit spreads remained constant. Debt and fixed income assets are predominantly invested in high-quality corporate, government and asset-backed bonds. The investments typically have relatively short durations and terms to maturity. The portfolio is managed to minimise the impact of interest rate risk on anticipated Group cash flows. The Group may also, from time to time, enter into interest rate future contracts in order to reduce interest rate risk on specific portfolios. The fair value of debt and fixed income assets in the Group's balance sheet at 31 December 2023 was $6,334 million (2022: $5,427 million). These may be analysed below as follows:

Nature of debt and fixed income holdings

	2023 % weighting	2022 % weighting
Government issued	20	20
Agency and government supported	4	3
Asset-backed securities	8	4
Mortgage-backed instruments	6	5
Corporate bonds	60	64
Lloyd's deposits and bond funds	1	2
Credit funds	1	2

One method of assessing interest rate sensitivity is through the examination of duration-convexity factors in the underlying portfolio. Duration is the weighted average length of time required for an instrument's cash flow stream to be recovered, where the weightings involved are based on the discounted present values of each cash flow. A closely related concept, modified duration, measures the sensitivity of the instrument's price to a change in its yield to maturity. Convexity measures the sensitivity of modified duration to changes in the yield to maturity. Using these three concepts, scenario modelling derives the below estimated impact on instruments' fair values for a 100 basis point change in the term structure of market interest rates.

The Group has used a duration-convexity-based sensitivity analysis for the debt and fixed income holdings, and recalculated the discounting impact for the reinsurance contract assets and insurance contract liabilities. If market interest rates had increased or decreased by 100 basis points at the balance sheet date, the Group equity and profit after tax for the year might have been expected to decrease or increase by the following amounts:

	1% increase/decrease in interest rates
31 December 2023	Equity/profit after tax $m
Reinsurance contract held assets	(34)/34
Insurance contract liabilities	87/(87)
Debt and fixed income holdings	(91)/91

	1% increase/decrease in interest rates
31 December 2022 (restated)	Equity/profit after tax $m
Reinsurance contract held assets	(43)/43
Insurance contract liabilities	92/(92)
Debt and fixed income holdings	(77)/77

The liability for incurred claims, reinsurance assets for incurred claims and certain reinsurance assets for remaining coverage are subject to discounting. Please refer to note 2.18(a) for further details regarding the discount rate used.

At 31 December 2023, the Group had borrowings at nominal value of £525 million (2022: £525 million). The borrowings

3 Management of risk
3.3 Financial risk
(c) Interest rate risk continued

comprised £525 million (2022: £525 million) of long-term debt, which includes two listed instruments of £275 million and £250 million, as explained in note 14: the first being fixed-to-floating rate callable subordinated notes where the floating rate becomes effective from November 2025; the second being fixed rate notes maturing in September 2027. The Group also has a revolving credit facility of $600 million (2022: $600 million), which is $nil drawn (2022: $nil) and, therefore, is not presenting interest rate risk. The Group has no other significant borrowings or other assets or liabilities carrying interest rate risk, other than the facilities and Letters of Credit (LOCs) outlined in note 27.

(d) Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will suffer a deterioration in actual or perceived financial strength and be unable to pay amounts in full when due, or that for any other reason they renege on a contract or alter the terms of an agreement. The concentrations of credit risk exposures held by insurers may be expected to be greater than those associated with other industries, due to the specific nature of reinsurance markets and the extent of investments held in financial markets. In both markets, the Group interacts with a number of counterparties who are engaged in similar activities with similar customer profiles, and often in the same geographical areas and industry sectors. Consequently, as many of these counterparties are themselves exposed to similar economic characteristics, one single localised or macroeconomic change could severely disrupt the ability of a significant number of counterparties to meet the Group's agreed contractual terms and obligations.

Key areas of exposure to credit risk include:
- reinsurance asset for incurred claims including amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- counterparty risk with respect to investments, derivative transactions and catastrophe bonds.

The Group's maximum exposure to credit risk is represented by the carrying values of financial assets and reinsurance assets included in the consolidated balance sheet at any given point in time. The Group does not use credit derivatives or other products to mitigate maximum credit risk exposures on reinsurance assets, but collateral may be requested to be held against these assets. The Group structures the levels of credit risk accepted by placing limits on its exposure to a single counterparty, or groups of counterparties, and having regard to geographical locations. Such risks are subject to an annual or more frequent review.

There is no significant concentration of credit risk with respect to trade and other receivables, as the Group has a large number of internationally dispersed debtors with unrelated operations. Reinsurance is used to contain insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is therefore continually reviewed throughout the year.

The Group Reinsurance Credit Committee (RCC) assesses the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information detailing their financial strength and performance, as well as detailed analysis from the Group's analysis team. The financial analysis of reinsurers produces an assessment categorised by factors including their S&P rating (or equivalent when not available from S&P).

Despite the rigorous nature of this assessment exercise, and the resultant restricted range of reinsurance counterparties with acceptable strength and credit credentials that emerges therefrom, some degree of credit risk concentration remains inevitable.

While the rating agencies provide strong analysis on the financials and governance of a reinsurance security, the RCC also takes account of qualitative factors. The RCC considers the reputation of its reinsurance partners and also receives details of recent payment history and the status of any ongoing negotiations between Group companies and these third parties. The final score that a security receives will determine how much reinsurance credit risk Hiscox is willing to have with that security based on the exposure guidelines.

This information is used to update the reinsurance purchasing strategy.

Individual operating units maintain records of the payment history for significant brokers and contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset, where counterparties are both debtors and creditors of the Group, and obtaining collateral from unrated counterparties. Management information reports detail provisions for impairment on trade and other receivables and subsequent write-off. Exposures to individual intermediaries and groups of intermediaries are collected within the ongoing monitoring of the controls associated with regulatory solvency.

The Group also mitigates counterparty credit risk by focusing debt and fixed income investments in a portfolio of typically high-quality corporate and government bonds.

3 Management of risk
3.3 Financial risk
(d) Credit risk continued

An analysis of the Group's major exposures to counterparty credit risk, excluding trade and other receivables, and equities and units in unit trusts, based on S&P or equivalent rating, is presented below:

As at 31 December 2023	Note	AAA $m	AA $m	A $m	BBB $m	Other/ non-rated $m	Total $m
Debt and fixed income holdings	14	847.1	1,751.1	1,721.8	1,608.9	404.7	6,333.6
Reinsurance contract held assets	20	524.9	1,039.4	525.0	–	9.0	2,098.3
Total		1,372.0	2,790.5	2,246.8	1,608.9	413.7	8,431.9

As at 31 December 2022 (restated)*	Note	AAA $m	AA $m	A $m	BBB $m	Other/ non-rated $m	Total $m
Debt and fixed income holdings	14	521.6	1,475.2	1,580.7	1,449.3	399.8	5,426.6
Reinsurance contract held assets	20	1,097.5	689.2	715.0	0.9	14.6	2,517.2
Total		1,619.1	2,164.4	2,295.7	1,450.2	414.4	7,943.8

*Restated for the adoption of IFRS 17.

Within the debt and fixed income holdings, which include debt securities, deposits with credit institutions, credit funds and cash equivalent assets, there are exposures to a range of government borrowers, on either a direct or guaranteed basis, and banking institutions. The Group, together with its investment managers, closely manages its geographical exposures across government issued and supported debt.

The largest aggregated counterparty exposure related to debt and fixed income holdings at 31 December 2023 of $994 million is to the US Treasury (2022: $827 million).

The Group is exposed to concentrations of risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The largest counterparty exposure included in reinsurance assets at 31 December 2023 is to Munich Reinsurance Company (2022: Blue Jay Reinsurance). The recoverable amount from Munich Reinsurance Company represents 17% (2022: Blue Jay Reinsurance 26%) of this category of assets.

For the current period and prior period, the Group did not experience any material defaults on debt securities. The Group's AAA-rated reinsurance assets include fully collateralised positions at 31 December 2023 and 2022.

3 Management of risk
3.3 Financial risk continued
(e) Liquidity risk

The Group is exposed to daily calls on its available cash resources, mainly from claims arising from insurance and reinsurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum level of cash and maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover unexpected levels of claims and other cash demands.

A significant proportion of the Group's investments is in highly liquid assets which could be converted to cash in a prompt fashion and at minimal expense. The Group's exposure to equities is concentrated on shares and funds that are traded on internationally recognised stock exchanges.

The main focus of the investment portfolio is on high-quality, short-duration debt and fixed income securities and cash. There are no significant holdings of investments with specific repricing dates. Notwithstanding the regular interest receipts and also the Group's ability to liquidate these securities and the majority of its other financial instrument assets for cash in a prompt and reasonable manner, the contractual maturity profile of the fair value of these securities at 31 December is as follows.

As at 31 December 2023	Within one year $m	Between one and two years $m	Between two and three years $m	Between three and four years $m	Between four and five years $m	Over five years $m	2023 total $m
Debt and fixed income holdings	1,595.7	1,587.7	1,489.3	659.9	366.6	634.4	6,333.6
Cash and cash equivalents	1,437.0	–	–	–	–	–	1,437.0
Total	3,032.7	1,587.7	1,489.3	659.9	366.6	634.4	7,770.6

As at 31 December 2022 (restated)*	Within one year $m	Between one and two years $m	Between two and three years $m	Between three and four years $m	Between four and five years $m	Over five years $m	2022 total $m
Debt and fixed income holdings	1,355.5	1,519.6	1,296.1	495.0	272.7	487.7	5,426.6
Cash and cash equivalents	1,350.9	–	–	–	–	–	1,350.9
Total	2,706.4	1,519.6	1,296.1	495.0	272.7	487.7	6,777.5

*Restated for the adoption of IFRS 17.

The Group's equities, equity funds, hedge funds and credit funds and other non-dated instruments have no contractual maturity terms but predominantly could be liquidated in an orderly manner for cash in a prompt and reasonable timeframe within one year of the balance sheet date.

The available headroom of working capital is monitored through the use of a detailed Group cash flow forecast which is reviewed by management monthly, or more frequently as required.

Average contractual maturity analysed by denominational currency of investments as at 31 December

	2023 in years	2022 in years
US Dollar	4.03	3.77
Sterling	2.18	2.65
Euro	2.55	2.67
Canadian Dollar	2.59	2.48

3 Management of risk
3.3 Financial risk
(e) Liquidity risk continued

The following is an analysis by liability type of the estimated timing of net cash flows based on the liability for incurred claims. The estimated phasing of settlement is based on current estimates and historical trends and the actual timing of future settlement cash flows may differ materially from the disclosure below.

Estimated profile of net undiscounted liability for incurred claims on balance sheet

As at 31 December 2023	Within one year $m	Between one and two years $m	Between two and three years $m	Between three and four years $m	Between four and five years $m	Over five years $m	2023 total $m
Total	1,821.6	1,042.6	557.3	359.5	202.2	368.5	4,351.7

As at 31 December 2022 (restated)*	Within one year $m	Between one and two years $m	Between two and three years $m	Between three and four years $m	Between four and five years $m	Over five years $m	2022 total $m
Total	1,642.8	975.9	521.6	336.5	189.3	344.8	4,010.9

*Restated for the adoption of IFRS 17.

Details of the payment profile of the Group's borrowings, derivative instruments and other liabilities are given in notes 14, 16 and 21.

(f) Currency risk

Currency risk is the risk of loss resulting from fluctuations in exchange rates. The Group operates internationally and therefore is exposed to the financial impact of fluctuations in the exchange rates of various currencies.

The Group's exposures to foreign exchange risk arise mainly with respect to the US Dollar, Sterling and the Euro. These exposures may be classified in two main categories:
- operational foreign exchange exposure arises from the conversion of foreign currency transactions resulting from the activities of entering into insurance, investment, financing and operational contracts in a currency that is different to each respective entity's functional currency; and
- structural foreign exchange exposure arises from the translation of the Group's net investment in foreign operations to the US Dollar, the Group's presentation currency.

Operational currency risk

Operational foreign exchange risk is principally managed within the Group's individual entities by broadly matching assets and liabilities by currency and liquidity. Due attention is paid to local regulatory solvency and risk-based capital requirements. All foreign currency derivative transactions with external parties are managed centrally. The Group also manages some exchange risk centrally through matching intragroup loans and balances.

3 Management of risk

3.3 Financial risk

(f) Currency risk continued

Structural currency risk

The Group's exposure to structural currency risks mainly relates to Sterling and Euro net investments in businesses operating in the UK and Europe. The Group does not ordinarily seek to use derivatives to mitigate the structural risk because:
- the currency translation gains and losses are accounted for in the currency translation reserve (a component of equity) and do not affect the income statement unless the related foreign operation is disposed of;
- the currency translation gains and losses have no cash flow.

In periods of significant volatility that are expected to persist for an extended period of time, the Group may elect to utilise derivatives to mitigate or reduce the risk in order to preserve capital.

The currency profile of the Group's assets and liabilities is as follows:

Year ended 31 December 2023	US Dollar $m	Sterling $m	Euro $m	Other $m	2023 $m
Goodwill and intangible assets	126.8	125.8	65.3	6.0	323.9
Financial assets carried at fair value	4,691.8	1,045.2	635.7	201.7	6,574.4
Cash and cash equivalents	819.7	321.2	219.1	77.0	1,437.0
Reinsurance contract held assets	1,710.7	203.5	157.9	26.2	2,098.3
Other assets	385.2	146.7	39.6	55.4	626.9
Total assets	7,734.2	1,842.4	1,117.6	366.3	11,060.5
Insurance contract liabilities	4,893.2	764.7	845.4	100.7	6,604.0
Other liabilities	92.4	939.6	96.8	31.0	1,159.8
Total liabilities	4,985.6	1,704.3	942.2	131.7	7,763.8
Total equity	2,748.6	138.1	175.4	234.6	3,296.7

Year ended 31 December 2022 (restated)	US Dollar $m	Sterling $m	Euro $m	Other $m	2022 $m
Goodwill and intangible assets	135.7	131.7	46.7	6.3	320.4
Financial assets carried at fair value	4,165.8	938.5	511.8	196.0	5,812.1
Cash and cash equivalents	773.1	248.9	229.8	99.1	1,350.9
Reinsurance contract held assets	1,839.9	404.0	179.3	94.0	2,517.2
Other assets	99.1	212.8	33.9	16.6	362.4
Total assets	7,013.6	1,935.9	1,001.5	412.0	10,363.0
Insurance contract liabilities	4,677.0	963.1	849.3	204.9	6,694.3
Other liabilities	62.5	856.6	110.7	3.9	1,033.7
Total liabilities	4,739.5	1,819.7	960.0	208.8	7,728.0
Total equity	2,274.1	116.2	41.5	203.2	2,635.0

3 Management of risk
3.3 Financial risk
(f) Currency risk continued
Sensitivity analysis

As at 31 December 2023, the Group used closing rates of exchange of $1: £0.78 and $1: €0.91 (2022: $1: £0.83 and $1: €0.94). The Group performs a sensitivity analysis based on a 10% strengthening or weakening of the US Dollar against Sterling.

This analysis assumes that all other variables, in particular interest rates, remain constant and that the underlying valuation of assets and liabilities in their base currency is unchanged. The estimated sensitivities below take account of the retranslation movements of foreign currency monetary assets and liabilities in Group entities, and, for the effect on equity, the impact on the retranslation of entities with non-US Dollar functional currencies. The methodology includes inter-company balances that are eliminated on consolidation, but still expose the Group to foreign currency risk.

During the year, the Group transacted in a number of over-the-counter forward currency derivative contracts. The impact of these contracts on the sensitivity analysis is negligible.

As at 31 December	December 2023 effect on equity after tax $m	December 2023 effect on profit before tax $m	December 2022 effect on equity after tax (restated) $m	December 2022 effect on profit before tax (restated) $m
Strengthening of Sterling	77.4	13.6	62.2	17.4
Weakening of Sterling	(77.4)	(13.6)	(62.2)	(17.4)

(g) Limitations of sensitivity analysis

The sensitivity information given in notes 3.3 (a) to (f) demonstrates the estimated impact of a change in a major input assumption, while other assumptions remain unchanged. In reality, there are normally significant levels of correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results. The same limitations exist in respect to the retirement benefit scheme sensitivities presented in note 24 to these financial statements. Furthermore, estimates of sensitivity may become less reliable in unusual market conditions, such as instances when risk-free interest rates fall towards zero.

The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action.

3 Management of risk continued

3.4 Capital risk management

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

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

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

The Group measures its capital requirements against its available capital. Available capital is defined by the Group as the total of net tangible asset value and subordinated debt.

The subordinated debt issued by the Group is hybrid in nature, which means it counts towards regulatory and rating agency capital requirements.

At 31 December 2023, the available capital was $3,323.4 million (2022 restated: $2,645.4 million), comprising net tangible asset value of $2,972.8 million (2022 restated: $2314.6 million) and subordinated debt of $350.6 million (2022: $330.8 million).

The Group can source additional funding from revolving credit and Letter of Credit (LOC) facilities. Standby funding from these sources comprised $931 million at 31 December 2023 (2022: $931 million).

The Group's borrowing facilities include financial covenants that are standard in such arrangements, including certain balance sheet metrics. These are monitored on a regular basis, at least quarterly, but more frequently where necessary.

The Board ensures that the use and allocation of capital are given a primary focus in all significant operational actions. With that in mind, the Group has developed and embedded capital modelling tools within its business. These join together short-term and long-term business plans and link divisional aspirations with the Group's overall strategy.

The model provides the basis of the allocation of capital to different business lines, as well as the regulatory and rating agency capital processes.

3 Management of risk
3.4 Capital risk management continued
Gearing
The Group currently utilises gearing as an additional source of funds to maximise the opportunities from strong markets and to reduce the risk profile of the business in weaker markets, particularly with respect to the more volatile business. The Group's gearing is obtained from a number of sources, including:

- LOC and revolving credit facility – the Group's main facility may be drawn in cash up to $600 million under a revolving credit facility and utilised as LOC up to $266 million. The facility was renewed during 2022, enabling the Group to utilise the LOC as Funds at Lloyd's to support underwriting on the 2022, 2023 and 2024 years of account. The revolving credit facility is available until the end of 2024. As at 31 December 2023, $266 million was utilised by way of LOC to support the Funds at Lloyd's requirement and the revolving credit facility was undrawn (2022: $266 million and the revolving credit facility was undrawn);
- In 2020, the Group sourced an additional $65 million of funding in the form of a Funds at Lloyd's facility. Under this facility assets are pledged with the Corporation of Lloyd's on the Group's behalf, providing regulatory Tier 1 capital. As at 31 December 2023 and 2022 the facility was fully drawn;
- £275 million of fixed-to-floating rate subordinated notes that are classified as Tier 2 debt. This was raised in November 2015 and matures in 2045. The debt is rated BBB- by S&P and Fitch;
- £250 million of fixed rate senior notes raised in September 2022 and maturing in September 2027. The debt is rated BBB+ by S&P and Fitch;
- External Names – 27.4% of Syndicate 33's capacity is capitalised by third parties, who also pay a profit share of approximately 20%;
- Syndicate 6104 at Lloyd's – with a capacity of £57 million for the 2024 year of account (2023 year of account: £19.4 million). This Syndicate is wholly backed by external members and takes pure year of account quota share of Syndicate 33's applicable excess of loss property catastrophe reinsurance, marine, terrorism and cyber accounts;
- gearing quota shares – historically the Group has used reinsurance capital to fund its capital requirement for short-term expansions in the volume of business underwritten by the Syndicate; and
- qualifying quota shares and legacy portfolio transactions – these are reinsurance arrangements that allow the Group to increase the amount of premium it writes.

Financial strength
The financial strength ratings of the Group's significant insurance company subsidiaries are outlined below:

	A.M. Best	Fitch	S&P
Hiscox Insurance Company Limited	A (Excellent)	A+	A (Strong)
Hiscox Insurance Company (Bermuda) Limited	A (Excellent)	A+	A (Strong)
Hiscox Insurance Company (Guernsey) Limited	A (Excellent)	A+	–
Hiscox Insurance Company Inc.	A (Excellent)	–	–
Hiscox Société Anonyme	–	–	A (Strong)

Syndicate 33 benefits from an A.M. Best rating of A (Excellent). In addition, the Syndicate also benefits from the Lloyd's ratings of A (Excellent) from A.M. Best, AA- (Very strong) from S&P, AA- (Very strong) from Fitch and AA- (Very strong) from Kroll Bond Rating Agency.

Capital performance
The Group's main capital performance measure is the achieved return on equity (ROE). This marker aligns the aspirations of employees and shareholders. As variable remuneration relates directly to ROE and it is used as a key metric within the business planning process, this concept is embedded in the workings and culture of the Group. The Group seeks to maintain its cost of capital levels and its debt to overall equity ratios in line with others in the non-life insurance industry.

Capital modelling and regulation
The capital requirements of an insurance group are determined by its exposure to risk and the solvency criteria established by management and statutory regulations.

The Group's capital requirements are managed both centrally and at a regulated entity level. The assessed capital requirement for the business placed through Hiscox Insurance Company Limited, Hiscox Insurance Company (Bermuda) Limited, Hiscox Insurance Company (Guernsey) Limited, Hiscox Insurance Company Inc., Hiscox Société Anonyme and Direct Asia Insurance (Singapore) Pte Limited is driven by the level of resources necessary to maintain regulatory requirements.

3 Management of risk

3.4 Capital risk management

Capital modelling and regulation continued

The Group's regulatory capital is supervised by the Bermuda Monetary Authority (BMA). The Group had sufficient capital at all times throughout the year to meet the BMA's requirements. The Solvency II regime came into force in Europe on 1 January 2016. This requires insurance companies to calculate their capital requirements using either an internal model or a standard formula. Hiscox Insurance Company Limited and Hiscox Société Anonyme use the standard formula to calculate their regulatory capital requirements. Their risk profiles are sufficiently well represented by the standard formula not to warrant going through the internal model approval process. Hiscox's Lloyd's operations use the internal model that has been built to meet the requirements of the Solvency II regime. The model is concentrated specifically on the particular product lines, market conditions and risk appetite of each risk carrier.

For Syndicate 33 and Syndicate 3624, internal model results are uplifted by Lloyd's to the level of capital required to support its ratings. Capital models are used more widely across the Group to monitor exposure to key risk types, inform decision-making and measure ROE across different segments of the business. From the 2016 year end, the Group has been required to publish a financial condition report, as part of its regulatory filing with the BMA. This is a public document and sets out the financial performance and solvency position of the Group in accordance with the economic balance sheet return filed with the BMA. It is intended to provide the public with certain information to be able to make informed assessments about the Group. In the Group's other geographical territories, including the USA and Asia, its subsidiaries underwriting insurance business are required to operate within broadly similar risk-based externally imposed capital requirements when accepting business.

During the year the Group was in compliance with capital requirements imposed by regulators in each jurisdiction where the Group operates.

3.5 Tax risk

The Group is subject to income taxes levied by the various jurisdictions in which the Group operates, and the division of taxing rights between these jurisdictions results in the Group tax expense and effective rate of income tax disclosed in these financial statements. Due to the Group's operating model, there is an unquantifiable risk that this division of taxing rights could be altered materially, either by a change to the tax residence, or permanent establishment profile, of Hiscox Ltd or its principal subsidiaries; or due to the repricing or recharacterisation for tax purposes of transactions between members of the Group, under local transfer pricing or related tax legislation. The Group seeks to manage this risk by:

- maintaining appropriate internal policies and controls over its operations worldwide;
- monitoring compliance with these policies on an ongoing basis;
- adhering to internationally recognised best practice in determining the appropriate division of profits between taxing jurisdictions;
- taking additional advice and obtaining legal opinions from local third-party professionals with the necessary experience in the particular area.

The Group seeks to maintain an open dialogue with the relevant tax authorities and to resolve any issues arising promptly.

Various jurisdictions in which the Group operates have now enacted legislation implementing the principles of the OECD 'Pillar Two' tax rules, intended to apply a global minimum tax to the profits of multinational enterprises such as Hiscox with effect from 1 January 2024. The anticipated impact of these legislative changes on the Group is discussed in note 23. Pillar Two legislation represents a departure from existing corporate income tax principles, introducing new concepts and design features to the corporate income tax landscape; and since the release of model rules by the OECD in December 2021, has been designed and implemented at speed. In this context, there is a risk that the new legislation could prove to have unintended and/or unforeseen consequences for the Group, which could have an impact on the Group's income tax payable in future periods. The Group relies on expert advice from third-party professionals, as well as open dialogue with implementing tax authorities, to manage this risk.

In alignment with the adoption of Pillar Two legislation by other jurisdictions, in December 2023 Bermuda enacted a corporate income tax which will apply to the Group's Bermudian resident entities with effect from 1 January 2025 at a rate of 15%. It is anticipated that the introduction of this tax will increase the income tax payable and therefore the effective tax rate to which the Group is exposed with effect from 1 January 2025.

The Group recognises uncertain tax provisions where there is uncertainty that a tax treatment will be accepted under local law, including matters which are under discussion with the tax authorities. Based on facts and circumstances at the balance sheet date, the range of the total exposure is estimated between $19 million and $53 million. The estimate is subject to review on an ongoing basis and is susceptible to the progress of the settlement discussions with the tax authorities. Matters under discussion which could affect the estimate include the Hiscox Group's policy on the allocation of expenses between companies within the Group, the allocation of income and expenses between branches of the same company, and the period subject to re-assessment.

4 Operating segments

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

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

- Hiscox Retail brings together the results of the Group's retail business divisions in the UK, Europe, USA and Asia. Hiscox UK and Hiscox Europe underwrite personal and commercial lines of business through Hiscox Insurance Company Limited and Hiscox Société Anonyme (Hiscox SA), together with the fine art and non-US household insurance business written through Syndicate 33. Hiscox USA comprises commercial, property and specialty business written by Hiscox Insurance Company Inc. and Syndicate 3624;
- Hiscox London Market comprises the internationally traded insurance business written by the Group's London-based underwriters via Syndicate 33, including lines in property, marine and energy, casualty and other specialty insurance lines;
- Hiscox Re & ILS is the reinsurance division of the Hiscox Group, combining the underwriting platforms in Bermuda and London. The segment comprises the performance of Hiscox Insurance Company (Bermuda) Limited, excluding the internal quota share arrangements, with the reinsurance contracts written by Syndicate 33. In addition, the healthcare and casualty reinsurance contracts previously written in Bermuda on Syndicate capacity are also included. The segment also includes the performance and fee income from the ILS funds, along with the gains and losses made as a result of the Group's investment in the funds;
- Corporate Centre comprises finance costs and administrative costs associated with Group management activities and intragroup borrowings, as well as all foreign exchange gains and losses.

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

4 Operating segments continued

(a) Profit before tax by segment

Year ended 31 December 2023	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Insurance revenue	2,337.7	1,175.6	969.9	–	4,483.2
Insurance service expenses	(2,072.3)	(856.5)	(260.5)	–	(3,189.3)
Incurred claims and changes to liabilities for incurred claims	(983.6)	(486.5)	(55.6)	–	(1,525.7)
Acquisition costs*	(668.2)	(251.1)	(119.7)	–	(1,039.0)
Other attributable expenses*	(407.3)	(118.9)	(85.2)	–	(611.4)
Losses on onerous contracts and reversals	(13.2)	–	–	–	(13.2)
Insurance service result before reinsurance contracts held	265.4	319.1	709.4	–	1,293.9
Allocation of reinsurance premiums	(250.6)	(336.5)	(532.3)	–	(1,119.4)
Amount recoverable from reinsurers for incurred claims	165.4	193.4	(41.0)	–	317.8
Net expense from reinsurance contracts held	(85.2)	(143.1)	(573.3)	–	(801.6)
Insurance service result	180.2	176.0	136.1	–	492.3
Investment result	203.9	109.9	70.6	–	384.4
Net finance expense from insurance contracts	(110.9)	(61.1)	(48.7)	–	(220.7)
Net finance income from reinsurance contracts	21.5	23.7	35.8	–	81.0
Net insurance finance income	(89.4)	(37.4)	(12.9)	–	(139.7)
Net financial result	114.5	72.5	57.7	–	244.7
Other income	21.3	22.0	41.5	6.3	91.1
Other operational expenses*	(47.8)	(18.8)	(12.8)	(46.1)	(125.5)
Net foreign exchange losses	–	–	–	(27.0)	(27.0)
Other finance costs	(0.9)	(0.3)	(1.1)	(47.7)	(50.0)
Share of profits of associates	–	–	–	0.3	0.3
Profit/(loss) before tax	267.3	251.4	221.4	(114.2)	625.9
Ratio analysis					
Claims ratio (%)	41.6	35.5	20.5	–	37.4
Expense ratio (%)	50.0	43.6	47.8	–	48.1
Combined ratio (%)	91.6	79.1	68.3	–	85.5

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

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

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

4 Operating segments

(a) Profit before tax by segment continued

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

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

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

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

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

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

4 Operating segments
(a) Profit before tax by segment continued

Year ended 31 December 2022 (restated)	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Insurance revenue	2,218.0	1,130.6	924.7	–	4,273.3
Insurance service expenses	(2,002.2)	(881.9)	(601.8)	–	(3,485.9)
Incurred claims and changes to liabilities for incurred claims	(958.0)	(506.4)	(436.7)	–	(1,901.1)
Acquisition costs	(618.4)	(276.6)	(110.5)	–	(1,005.5)
Other attributable expenses	(422.5)	(98.7)	(54.3)	–	(575.5)
Losses on onerous contracts and reversals	(3.3)	(0.2)	(0.3)	–	(3.8)
Insurance service result before reinsurance contracts held	215.8	248.7	322.9	–	787.4
Allocation of reinsurance premiums	(293.3)	(356.3)	(615.2)	–	(1,264.8)
Amount recoverable from reinsurers for incurred claims	260.0	230.9	347.4	–	838.3
Net expense from reinsurance contracts held	(33.3)	(125.4)	(267.8)	–	(426.5)
Insurance service result	182.5	123.3	55.1	–	360.9
Investment result	(98.9)	(54.4)	(34.0)	–	(187.3)
Net finance expense from insurance contracts	107.0	56.0	50.7	–	213.7
Net finance income from reinsurance contracts	(38.5)	(27.5)	(36.1)	–	(102.1)
Net insurance finance expense	68.5	28.5	14.6	–	111.6
Net financial result	(30.4)	(25.9)	(19.4)	–	(75.7)
Other income	11.7	7.4	20.8	2.4	42.3
Other operational expenses	(32.1)	(3.8)	(8.4)	(23.5)	(67.8)
Net foreign exchange losses	–	–	–	54.7	54.7
Other finance costs	(1.5)	–	(1.2)	(37.0)	(39.7)
Share of profit of associates	–	–	–	0.9	0.9
Profit/(loss) before tax	130.2	101.0	46.9	(2.5)	275.6
Ratio analysis					
Claims ratio (%)	40.0	37.3	38.1	–	39.1
Expense ratio (%)	51.0	47.2	46.4	–	49.6
Combined ratio (%)	91.0	84.5	84.5	–	88.7

4 Operating segments

(a) Profit before tax by segment continued

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

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

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

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

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

4 Operating segments continued

(b) Geographical information

The Group's operational segments underwrite business domestically in Bermuda and from locations in the UK, USA, Guernsey, France, Germany, Belgium, The Netherlands, Spain, Portugal, Ireland, Singapore and Thailand.

The following table provides an analysis of the Group's insurance revenue by material geographical location from external parties:

Group's insurance revenue from external parties

	Year to 31 December 2023					Year to 31 December 2022 (restated)				
	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
UK	729.8	96.2	41.0	–	867.0	757.7	89.1	37.0	–	883.8
Europe	597.4	81.1	62.9	–	741.4	478.4	81.8	49.8	–	610.0
USA	932.4	729.6	552.9	–	2,214.9	909.0	673.7	531.4	–	2,114.1
Rest of world	78.1	268.7	313.1	–	659.9	72.9	286.0	306.5	–	665.4
	2,337.7	1,175.6	969.9	–	4,483.2	2,218.0	1,130.6	924.7	–	4,273.3

The following table provides an analysis of the Group's non-current assets by material geographical location excluding financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts:

Non-current assets	2023 total $m	2022 total $m
UK	254.5	267.5
Europe	83.5	59.9
USA	109.0	120.7
Rest of world	8.0	11.0
	455.0	459.1

5 Net asset value per share and net tangible asset value per share

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

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

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

6 Return on equity

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

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

7 Net investment and insurance finance result

The total investment result for the Group comprises:

	Note	2023 $m	2022 $m
Investment result			
Investment income including interest receivable		237.0	119.5
Net realised losses on financial investments at fair value through profit or loss		(17.6)	(54.1)
Net fair value gains/(losses) on financial investments at fair value through profit or loss		170.6	(254.2)
Investment return – financial assets		390.0	(188.8)
Net fair value gains on derivative financial instruments	16	1.1	8.5
Investment expenses		(6.7)	(7.0)
Total investment return		384.4	(187.3)
Net finance (expense)/income from insurance contracts:			
Interest accreted		(228.5)	(35.7)
Effects of changes in interest rates and other financial assumptions		7.8	249.4
Total net finance (expense)/income from insurance contracts		(220.7)	213.7
Net finance income/(expenses) from reinsurance contracts:			
Interest accreted		87.5	9.5
Effects of changes in interest rates and other financial assumptions		(6.5)	(111.6)
Total net finance income/(expenses) from reinsurance contracts		81.0	(102.1)
Net insurance finance (expense)/income		(139.7)	111.6
Net financial result		244.7	(75.7)

8 Other income and operational expenses

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

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

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

Operational expenses comprise attributable expenses amounting to $611.4 million (2022: $575.5 million) included within insurance service expense, and non-attributable expenses amounting to $125.5 million (2022: $67.8 million) included within other operational expenses.

Total operational expenses have been restated for the year ended 31 December 2022 to include reclassification from acquisition costs under IFRS 17 and the impact of IFRS 9 credit loss impairment charges. The restatement results in an increase of total operational expenses by $1.0 million.

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

9 Other finance costs

	Note	2023 $m	2022 (restated) $m
Interest charge associated with borrowings	14	39.4	32.2
Other interest expenses*		10.6	7.5
Other finance costs		50.0	39.7

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

10 Auditor's remuneration

Fees payable to the Group's external auditor, PwC, its member firms and its associates (exclusive of VAT) include the following amounts recorded in the consolidated income statement:

Group	2023 $m	2022 $m
Amounts receivable by the auditors and its associates in respect of:		
The auditing of the accounts of the Group and its subsidiaries	6.8	5.6
All audit-related assurance services	0.4	0.3
All other non-audit services	0.1	–
	7.3	5.9

Fees for the auditing of the Group and its subsidiaries in 2023 include audit work relating to the implementation of IFRS 17 *Insurance Contracts* of $1.8 million (2022: $1.6 million). The full audit fee payable for the Syndicate 33 and Syndicate 6104 audit has been included above, although an element of this is borne by the third-party participants in the Syndicate.

11 Goodwill and intangible assets

	Goodwill $m	Syndicate capacity $m	State authorisation licences $m	Software and development costs $m	Other $m	Total $m
At 1 January 2022						
Cost	11.5	33.1	8.5	386.4	20.2	459.7
Accumulated amortisation and impairment	(3.2)	–	–	(127.6)	(15.8)	(146.6)
Net book amount	8.3	33.1	8.5	258.8	4.4	313.1
Year ended 31 December 2022						
Opening net book amount	8.3	33.1	8.5	258.8	4.4	313.1
Additions	–	–	–	59.2	2.7	61.9
Disposals	–	–	–	(1.1)	–	(1.1)
Amortisation charges	–	–	–	(35.5)	(1.8)	(37.3)
Foreign exchange movements	(0.5)	–	–	(14.9)	(0.8)	(16.2)
Closing net book amount	7.8	33.1	8.5	266.5	4.5	320.4
At 31 December 2022						
Cost	10.2	33.1	8.5	409.8	20.3	481.9
Accumulated amortisation and impairment	(2.4)	–	–	(143.3)	(15.8)	(161.5)
Net book amount	7.8	33.1	8.5	266.5	4.5	320.4
Year ended 31 December 2023						
Opening net book amount	7.8	33.1	8.5	266.5	4.5	320.4
Additions	–	–	–	42.6	–	42.6
Amortisation charges	–	–	–	(37.0)	(1.9)	(38.9)
Impairment charge*	–	–	–	(6.0)	–	(6.0)
Foreign exchange movements	0.4	–	–	5.1	0.3	5.8
Closing net book amount	8.2	33.1	8.5	271.2	2.9	323.9
At 31 December 2023						
Cost	10.8	33.1	8.5	467.3	23.4	543.1
Accumulated amortisation and impairment	(2.6)	–	–	(196.1)	(20.5)	(219.2)
Net book amount	8.2	33.1	8.5	271.2	2.9	323.9

*The impairment charge for the year relates to DirectAsia business classed as a disposal group held for sale.

Goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the smallest identifiable unit to which cash flows are generated. $7.4 million (2022: $7.0 million) is allocated to the Lloyd's corporate member entity CGU and $0.8 million (2022: $0.8 million) is allocated to the CGUs within the Hiscox Retail business segment. Goodwill is considered to have an indefinite life and as such is tested annually for impairment based on the recoverable amount which is considered to be the higher of the fair value, less cost to sell or value in use. During 2023, there was no impairment charge on goodwill (2022: $nil).

Value in use is considered to be the best indication of the recoverable amount for goodwill. Value in use calculations are performed using cash flow projections based on financial forecasts. A discount factor, based on a weighted average cost of capital (WACC) for the Group, of 10.0% to 10.3%, depending on the underlying currency (2022: 11.0% to 11.5%), has been applied to the cash flow projections to determine the net present value. The outcome of the value in use calculation is measured against the carrying value of the asset and, where the carrying value is in excess of the value in use, the asset is written down to this amount.

Impairment assessments

To test the sensitivity of the assessment, management flexed the key assumptions within a reasonably expected range. Within this range, goodwill and other intangible assets recoveries were stress tested and remain supportable across all cash-generating units or assets.

Intangible assets

All intangible assets have a finite useful life except for the Syndicate capacity and US state authorisation licences.

11 Goodwill and intangible assets continued

(a) Syndicate capacity

The cost of purchasing the Group's participation in the Lloyd's insurance syndicates is not amortised, but is tested annually for impairment and is carried at cost less accumulated impairment losses. Having considered the future prospects of the London insurance market, the Board believes that the Group's ownership of Syndicate capacity will provide economic benefits over an indefinite number of future periods. This assumption is reviewed annually to determine whether the asset continues to have an indefinite life.

The Group's intangible asset relating to Syndicate capacity has been allocated, for impairment testing purposes, to one individual CGU, being the active Lloyd's corporate member entity. The asset is tested annually for impairment based on its recoverable amount which is considered to be the higher of the asset's fair value less costs to sell or its value in use. The value in use is determined using cash flow projections based on business plans approved by management and discounted at the applicable WACC rate. At 31 December 2023, the value in use or the fair value less cost to sell exceeded the carrying value of Syndicate capacity recognised on the balance sheet.

(b) US state authorisation licences

In 2007, the Group acquired insurance authorisation licences for 50 US states as part of a business combination. The licences are allocated for impairment testing to the Group's North American underwriting business. The carrying value of this asset calculated using a projected cash flow based on business plans approved by management and discounted at the same rate used for goodwill, is tested annually for impairment based on its value in use, and the results show no impairment.

(c) Software and development costs

The Group capitalises acquired software licenses based on the costs incurred. Amortisation is calculated using the straight-line method over a period of three to ten years.

Internally developed software is capitalised only if future economic benefits are probable and can be measured reliably. Amortisation of internally developed computer software begins when the software is available for use and is allocated on a straight-line basis over the expected useful life of the asset.

The useful life of the asset is reviewed annually and, if different from previous estimates, is revised accordingly with the change being accounted for as a change in accounting estimates in accordance with IAS 8.

The carrying value of software and development costs is reviewed for impairment on an ongoing basis by reference to the stage and expectation of a project. Additionally, at the end of each reporting period, the Group reviews the positions for any indication of impairment, and as a result of this impairment of $6.0 million was recorded in 2023 on DirectAsia business classed as a disposal group held for sale (2022: $nil).

At 31 December 2023 there were $34.1 million of assets under development on which amortisation is yet to be charged (2022: $71.7 million).

The assets are expected to be recovered or settled more than 12 months after the reporting date and as such are considered to be non-current.

(d) Rights to customer contractual relationships (included in other)

Intangible costs related to securing customer contractual relationships are recognised as an asset where they can be identified separately and measured reliably and it is probable that they will be recovered by directly related future profits. These costs are amortised on a straight-line basis over the useful economic life which is deemed to be ten years and are carried at cost less accumulated amortisation and impairment losses.

At the end of each reporting period, the carrying value arrived at using value in use is tested for impairment. Value in use is calculated using the same method as described above for goodwill and the same discount rate used. The results of this test led to no impairment charge on intangible rights to customer contractual relationships in 2023 (2022: $nil).

12 Property, plant and equipment

	Land and buildings $m	Leasehold improvements $m	Furniture fittings and equipment and art $m	Right-of-use assets: property and other $m	Total $m
Year ended 31 December 2022					
Opening net book amount	21.8	1.9	29.0	37.7	90.4
Additions	–	0.1	20.8	52.7	73.6
Disposals	–	–	(0.1)	(0.8)	(0.9)
Depreciation charge	(1.1)	(0.7)	(4.3)	(16.6)	(22.7)
Foreign exchange movements	(2.4)	–	(2.4)	(2.5)	(7.3)
Closing net book amount	18.3	1.3	43.0	70.5	133.1
At 31 December 2022					
Cost	26.6	13.4	80.7	116.8	237.5
Accumulated depreciation	(8.3)	(12.1)	(37.7)	(46.3)	(104.4)
Net book amount	18.3	1.3	43.0	70.5	133.1
Year ended 31 December 2023					
Opening net book amount	18.3	1.3	43.0	70.5	133.1
Additions	–	–	1.7	13.1	14.8
Disposals	–	–	–	(0.7)	(0.7)
Depreciation charge	(1.1)	(0.6)	(5.1)	(12.9)	(19.7)
Impairment	–	(0.4)	(0.2)	–	(0.6)
Foreign exchange movements	0.9	0.2	2.1	2.6	5.8
Closing net book amount	18.1	0.5	41.5	72.6	132.7
At 31 December 2023					
Cost	28.1	13.1	85.1	132.4	258.7
Accumulated depreciation	(10.0)	(12.6)	(43.6)	(59.8)	(126.0)
Net book amount	18.1	0.5	41.5	72.6	132.7
Less: assets held for sale	–	–	–	(2.4)	(2.4)
Net book amount	18.1	0.5	41.5	70.2	130.3

The Group’s land and buildings assets relate to freehold property in the UK. There was no impairment charge on these assets during the year (2022: $nil).

The assets are expected to be recovered or settled more than 12 months after the reporting date and as such are considered to be non-current.

The income from subleasing right-of-use assets amounted to $0.4 million (2022: $0.6 million).

13 Subsidiaries, associates and interests in other entities

This note provides details of the Syndicates and Special Purpose Insurers (SPI) managed by the Group, the acquisition and disposal of subsidiaries and associates during the year and investments in associates.

(a) Subsidiaries

Hiscox Dedicated Corporate Member Limited (HDCM) underwrites as a corporate member of Lloyd's on the main Syndicates managed by Hiscox Syndicates Limited (the main managed Syndicates numbered 33 and 3624).

As at 31 December 2023, HDCM owned 72.6% of Syndicate 33 (2022: 72.6%), and 100% of Syndicate 3624 (2022: 100%). In view of the several but not joint liability of underwriting members at Lloyd's for the transactions of Syndicates in which they participate, the Group's attributable share of the transactions, assets and liabilities of these Syndicates has been included in the financial statements. The Group manages the underwriting of, but does not participate as a member of, Syndicate 6104 at Lloyd's which provides reinsurance to Syndicate 33 on a normal commercial basis. Consequently, aside from the receipt of managing agency fees, defined profit commissions as appropriate and interest arising on effective assets included within the experience account, the Group has no share in the assets, liabilities or transactions of Syndicate 6104. The position and performance of that Syndicate is therefore not included in the Group's financial statements.

(b) SPIs

The Kiskadee Diversified Fund and Kiskadee Select Fund were launched in 2014 to provide investment opportunities to institutional investors in property catastrophe reinsurance and insurance-linked strategies. The funds are managed by Hiscox Re Insurance Linked Strategies Limited (formerly known as Kiskadee Investment Managers Limited) which is a wholly owned subsidiary of the Group.

The Kiskadee Latitude Fund was launched in 2019 to give investors access to a more diverse portfolio of insurance and reinsurance risks, with less focus on pure property catastrophe risk. The fund is managed by Hiscox Re Insurance Linked Strategies Limited which is a wholly owned subsidiary of the Group.

The Group determined that it does not control the Kiskadee Diversified Fund, the Kiskadee Select Fund and the Kiskadee Latitude Fund. Hence they are not consolidated.

The Kiskadee Cadence Fund was launched in December 2019 to achieve attractive risk-adjusted returns by investing primarily in a worldwide reinsurance and retrocession portfolio and the Kiskadee Select Plus Fund was launched in January 2021 to achieve attractive risk-adjusted returns that have low correlation to broader financial markets by investing primarily in a diversified, worldwide property catastrophe reinsurance and retrocession portfolio, including a portion of non-catastrophe reinsurance. These funds are segregated accounts of Kiskadee ILS Fund SAC Ltd, which is managed by Hiscox Re Insurance Linked Strategies Limited, a wholly owned subsidiary of the Group. The Group determined that it does control these funds and hence they are consolidated.

As at 31 December 2023, the Group recognised a financial asset at fair value of $35.4 million (2022: $45.3 million) in relation to its investment in the unconsolidated funds (note 17). In assessing the maximum exposure to loss from its interest in the funds, the Group has determined it is no greater than the fair value recognised as at the balance sheet date. The total size of the unconsolidated funds was $505 million at 31 December 2023 (2022: $600 million). In addition to the return on the financial asset, the Group also receives fee income through Hiscox Re Insurance Linked Strategies Limited and Hiscox Insurance Company (Bermuda) Limited, both wholly owned subsidiaries, under normal commercial terms.

The Group is exposed to credit risk associated with reinsurance recoveries on risks fronted for the SPIs. Note 3.3(d) discusses how the Group manages credit risk associated with reinsurance assets. The operations of the funds and SPIs are financed through the issuance of preference shares to external investors. The Group does not intend to provide any further financial support to the funds or SPIs.

13 Subsidiaries, associates and interests in other entities continued

(c) Investments in associates

Year ended 31 December	2023 $m	2022 $m
At beginning of year	5.6	5.7
Disposals during the year	(5.2)	–
Distributions received	(0.3)	(0.3)
Net profit from investments in associates	0.3	0.9
Foreign exchange movements	0.4	(0.7)
At end of year	0.8	5.6

The Group's interests in its principal associates, all of which are unlisted, were as follows:

		100% results			
	% interest held at 31 December	Assets $m	Liabilities $m	Revenues $m	Profit after tax $m
2023					
Associates incorporated in the UK	32%	2.8	2.1	5.3	0.1
Associates incorporated in Europe	26%	2.6	1.4	2.8	1.1
Total at the end of 2023		5.4	3.5	8.1	1.2
2022					
Associates incorporated in the UK and USA	from 32% to 35%	10.3	6.7	10.9	0.9
Associates incorporated in Europe	from 26% to 35%	8.6	5.4	4.1	2.0
Total at the end of 2022		18.9	12.1	15.0	2.9

The equity interests held by the Group in respect of associates do not have quoted market prices and are not traded regularly in any active recognised market. The associates concerned have no material impact on the results or assets of the Group.

The assets are expected to be recovered or settled more than 12 months after the reporting date and as such are considered to be non-current.

14 Financial assets and liabilities

Financial assets designated at fair value through profit or loss are measured at fair values, with all changes from one accounting period to the next being recorded through the income statement.

	Note	2023 $m	2022 $m
Debt and fixed income holdings		6,333.6	5,426.6
Equities and investment funds		205.4	339.1
Total investments		6,539.0	5,765.7
Insurance-linked funds	17	35.4	45.3
Derivative financial instruments	16	–	1.1
Total financial assets carried at fair value		6,574.4	5,812.1

The effective maturity of the debt and fixed income holdings due within and after one year are as follows:

	2023 $m	2022 $m
Within one year	1,595.7	1,355.5
After one year	4,737.9	4,071.1
	6,333.6	5,426.6

Equities, investment funds and insurance-linked securities do not have any maturity dates. The effective maturity of all other financial assets is due within one year.

An analysis of the credit risk and contractual maturity profiles of the Group's financial instruments is given in notes 3.3(d) and 3.3(e).

Financial liabilities of the Group are:

	Note	2023 $m	2022 $m
Derivative financial instruments	16	0.3	0.3
Financial liabilities carried at fair value		0.3	0.3

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

All of the financial liabilities carried at fair value are due within one year and all the borrowings are due after one year. Accrued interest on long-term debt is due within one year.

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

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

14 Financial assets and liabilities continued

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

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

The notes bear interest from, and including, 22 September 2022 at a fixed rate of 6% per annum annually in arrears starting 22 September 2022 until maturity on 22 September 2027.

On 22 September 2022, the notes were admitted for trading on the Luxembourg Stock Exchange's Euro MTF. The notes were rated BBB+ by S&P as well as by Fitch.

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

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

Note 9 includes details of the interest expense for the year included in finance costs.

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

	2023 $m	2022 $m
Debt and fixed income holdings		
US Dollars	4,572.0	3,932.4
Sterling	960.9	821.5
Euro and other currencies	800.7	672.7
	6,333.6	5,426.6
Equities and investment funds		
US Dollars	84.5	188.2
Sterling	84.3	117.0
Euro and other currencies	36.6	33.9
	205.4	339.1
Total investments	6,539.0	5,765.7

15 Trade and other receivables

	2023 $m	2022 (restated) $m
Prepayments and accrued income	31.3	30.0
Trade and other receivables:		
Accrued interest	55.5	37.3
Other debtors including related party amounts	119.7	93.3
Total trade and other receivables	**206.5**	**160.6**

The amounts expected to be recovered before and after one year are estimated as follows:

Within one year	188.2	112.0
After one year	18.3	48.6

16 Derivative financial instruments

The Group entered into both exchange-traded and over-the-counter derivative contracts for a number of purposes during 2023. The Group had the right and intention to settle each contract on a net basis. The assets and liabilities of these contracts at 31 December 2023 all mature within one year of the balance sheet date and are detailed below:

31 December 2023	Gross contract notional amount $m	Fair value of assets $m	Fair value of liabilities $m	Net balance sheet position $m
Derivative financial instruments included on balance sheet				
Foreign exchange forward contracts	5.5	–	(0.1)	(0.1)
Interest rate futures contracts	16.9	–	(0.2)	(0.2)

The foreign exchange forward contracts are represented by gross fair value of assets and liabilities as detailed below:

Gross fair value of assets	–	–	4.7	4.7
Gross fair value of liabilities	–	–	(4.8)	(4.8)
	–	–	(0.1)	(0.1)

31 December 2022	Gross contract notional amount $m	Fair value of assets $m	Fair value of liabilities $m	Net balance sheet position $m
Derivative financial instruments included on balance sheet				
Foreign exchange forward contracts	8.2	–	(0.3)	(0.3)
Interest rate futures contracts	34.9	1.1	–	1.1

The foreign exchange forward contracts are represented by gross fair value of assets and liabilities as detailed below:

Gross fair value of assets	–	0.8	6.4	7.2
Gross fair value of liabilities	–	(0.8)	(6.7)	(7.5)
	–	–	(0.3)	(0.3)

Foreign exchange forward contracts

During the current and prior year, the Group entered into a series of conventional over-the-counter forward contracts in order to secure translation gains made on Euro, US Dollar and other non-Sterling denominated monetary assets. The contracts require the Group to forward sell a fixed amount of the relevant currency for Sterling at pre-agreed future exchange rates. The Group made a loss of $0.1 million on the forward contracts during the year (2022: gain of $1.3 million).

Interest rate futures contracts

To hedge the interest rate risk the Group is exposed to, it continued to sell a number of government bond futures denominated in a range of currencies. All are exchange traded and the Group made a gain on these futures contracts of $1.1 million (2022: gain of $7.2 million) as included in the investment result in note 7.

17 Fair value measurements

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

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

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

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

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

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

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

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

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

17 Fair value measurements continued

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

Level 3 contains investments in limited partnerships, unquoted equity securities and insurance-linked funds which have limited observable inputs on which to measure fair value. Unquoted equities, including equity instruments in limited partnerships, are carried at fair value. Fair value is determined to be net asset value for the limited partnerships, and for the equity holdings it is determined to be the latest available traded price. The effect of changing one or more inputs used in the measurement of fair value of these instruments to another reasonably possible assumption would not be significant. At 31 December 2023, the insurance-linked funds of $35.4 million represent the Group's investment in the unconsolidated Kiskadee funds (2022: $45.3 million) as described in note 14.

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

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

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

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

	31 December 2023 $m	31 December 2022 $m
Balance at 1 January	139.7	125.7
Fair value losses through profit or loss	(11.5)	(0.4)
Foreign exchange gains/(losses)	4.8	(4.4)
Settlements	(28.7)	(7.1)
Transfers	26.0	25.9
Closing balance	130.3	139.7
Net unrealised gains in the period on securities held at the end of the period	3.5	0.6

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

18 Cash and cash equivalents

	2023 $m	2022 $m
Cash at bank and in hand	1,411.2	1,276.0
Short-term deposits	25.8	74.9
Total	1,437.0	1,350.9

The Group holds its cash deposits with a well-diversified range of banks and financial institutions. Cash includes overnight deposits. Short-term deposits include debt securities with an original maturity date of less than three months and money market funds.

19 Share capital

	31 December 2023		31 December 2022	
Group	Share capital $m	Number of shares 000	Share capital $m	Number of shares 000
Authorised ordinary share capital of 6.5p (2022: 6.5p)	425.8	3,692,308	425.8	3,692,308
Issued ordinary share capital of 6.5p (2022: 6.5p)	38.8	355,283	38.7	354,067

The amounts presented in the equity section of the Group's consolidated balance sheet relate to Hiscox Ltd, the legal parent company.

Changes in Group share capital and contributed surplus	Ordinary share capital $000	Share premium $000	Contributed surplus $000
At 1 January 2022	38,661	516,817	183,969
Employee share option scheme – proceeds from shares issued	1	153	–
Scrip Dividends to owners of the Company	5	687	–
At 31 December 2022	38,667	517,657	183,969
Employee share option scheme – proceeds from shares issued	90	9,530	–
Scrip Dividends to owners of the Company	10	1,645	–
At 31 December 2023	38,767	528,832	183,969

Contributed surplus is a distributable reserve and arose on the reverse acquisition of Hiscox plc on 12 December 2006.

The Company relies on dividend streams from its subsidiary companies to provide the cash flow required for distributions to be made to shareholders. The ability of the subsidiaries to pay dividends is subject to regulatory restrictions within the jurisdiction from which they operate.

Share repurchase

The trustees of the Group's Employee Benefit Trust purchased nil shares (2022: nil shares) to facilitate the settlement of vesting awards under the Group's Performance Share Plan. As the Trust is consolidated into the Group financial results, these purchases are accounted for in the same way as treasury shares and are charged against retained earnings. The shares are held by the trustees for the beneficiaries of the Trust.

Equity structure of Hiscox Ltd	Note	Number of ordinary shares in issue 2023 000	Number of ordinary shares in issue 2022 000
At 1 January		354,067	353,986
Employee share option scheme – ordinary shares issued		1,094	18
Scrip Dividends to owners of the Company	26	122	63
At 31 December		355,283	354,067

All issued shares are fully paid.

19 Share capital continued

Performance Share Plan awards

Performance Share Plan awards are granted to Directors and other senior employees. Awards normally vest after a three-year period subject to the achievement of performance conditions which can be a mix of financial and non-financial measures. Awards are generally subject to continued employment, however awards may vest to leavers in certain scenarios. Awards granted under the all-employee share ownership scheme (HSX:26) vest in April 2026 subject to continued employment and satisfactory personal performance between the date of grant and vest.

In accordance with IFRS 2, the Group recognises an expense for the fair value of shares, share options and Performance Share Plan award instruments issued to employees, over their vesting period through the income statement. The amount recognised in the consolidated income statement during the year was an expense of $43.2 million (2022: expense of $27.2 million). This comprises an expense of $28.3 million (2022: expense of $15.0 million) in respect of Performance Share Plan awards, an expense of $3.3 million (2022: expense of $2.9 million) in respect of share option awards and an expense of $11.6 million (2022: expense of $9.3 million) in respect of employee share awards. The Group has applied the principles outlined in the Black-Scholes option pricing model when determining the fair value of each share option instrument. For the fair value pricing of performance share plans, the Group uses the share price on the date of grant of the options. For any options contingent on achieving targets linked to total shareholder returns, the fair value price on date of grant is adjusted to take account of the probability of achieving the performance targets.

The range of principal Group assumptions applied in determining the fair value of share-based payment instruments granted during the year under review are:

Assumptions affecting inputs to fair value models	2023	2022
Annual risk-free rates of return and discount rates (%)	**3.35-4.78**	1.36-3.00
Long-term dividend yield (%)	**1.40**	1.27
Expected life of options (years)	**3.25**	3.25
Implied volatility of share price (%)	**38.7**	49.2
Weighted average share price (p)	**1,117.4**	981.1

The weighted average fair value of each share option granted during the year was 392.1p (2022: 418.3p). The weighted average fair value of each Performance Share Plan award granted during the year was 1,140.1p (2022: 983.0p).

Movements in the number of share options and Performance Share Plan awards during the year and details of the balances outstanding at 31 December 2023 for the Executive Directors are shown in the annual report on remuneration 2023. The total number of options and Performance Share Plan awards outstanding is 10,505,901 (2022: 10,325,738) of which 706,282 are exercisable (2022: 1,287,068). The total number of SAYE options outstanding is 2,195,828 (2022: 2,650,322) and employee share awards is 4,615,061 (2022: 4,765,411).

The implied volatility assumption is based on historical data for periods of between five and ten years immediately preceding grant date.

20 Insurance liabilities and reinsurance contract

	2023 $m	2022 $m
Insurance contract liabilities	6,604.0	6,694.3
Reinsurance contract held assets	(2,098.3)	(2,517.2)
Net insurance contract liabilities	4,505.7	4,177.1

Detailed reconciliations of changes in insurance contract balances during the year are included below in note 20.1.

The analysis of changes is disclosed at a consolidated level in line with how the Group manages and monitors the balance sheet. Further details related to changes in the consolidated income statement by segmental reporting are disclosed in note 4.

20.1(a) Net insurance contract liabilities
Net insurance contracts – analysis by remaining coverage and incurred claims

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

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

20 Insurance liabilities and reinsurance contract

20.1(a) Net insurance contract liabilities

Net insurance contracts – analysis by remaining coverage and incurred claims (continued)

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

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

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

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

20 Insurance liabilities and reinsurance contract continued

20.1(b) Insurance contract liabilities

Insurance contracts – analysis by remaining coverage and incurred claims

Year to 31 December 2023	Liabilities for remaining coverage		Liabilities for incurred claims		
	LRC excluding loss component $m	Loss component $m	Estimates of present value of future cash flows $m	Risk adjustment for non-financial risk $m	Total $m
Opening assets	–	–	–	–	–
Opening liabilities	287.4	2.5	5,737.1	667.3	6,694.3
Net opening balance	287.4	2.5	5,737.1	667.3	6,694.3
Changes in the consolidated income statement					
Insurance revenue	(4,483.2)	–	–	–	(4,483.2)
Insurance service expenses					
Incurred claims and other attributable expenses	–	(8.3)	2,369.3	112.8	2,473.8
Acquisition costs	1,039.0	–	–	–	1,039.0
Adjustments to liabilities for incurred claims relating to past service	–	–	(372.9)	36.2	(336.7)
Losses and reversals of losses on onerous contracts	–	13.2	–	–	13.2
Total insurance service expenses	1,039.0	4.9	1,996.4	149.0	3,189.3
Insurance service result	(3,444.2)	4.9	1,996.4	149.0	(1,293.9)
Net finance expenses from insurance contracts	–	–	220.7	–	220.7
Foreign exchange movements	24.9	0.1	73.7	7.1	105.8
Total change in the consolidated income statement	(3,419.3)	5.0	2,290.8	156.1	(967.4)
Investment components	(1.0)	–	1.0	–	–
Transfer to other items in balance sheet	(258.0)	–	(693.1)	(1.6)	(952.7)
Cash flows					
Premium received	4,543.8	–	–	–	4,543.8
Claims and other insurance service expenses paid	–	–	(1,908.0)	–	(1,908.0)
Insurance acquisition cash flows	(806.0)	–	–	–	(806.0)
Total cash flows	3,737.8	–	(1,908.0)	–	1,829.8
Closing assets	–	–	–	–	–
Closing liabilities	346.9	7.5	5,427.8	821.8	6,604.0
Net closing balance	346.9	7.5	5,427.8	821.8	6,604.0

20 Insurance liabilities and reinsurance contract
20.1(b) Insurance contract liabilities
Insurance contracts – analysis by remaining coverage and incurred claims continued

	Liabilities for remaining coverage		Liabilities for incurred claims		
Year to 31 December 2022	LRC excluding loss component $m	Loss component $m	Estimates of present value of future cash flows $m	Risk adjustment for non-financial risk $m	Total $m
Opening assets	–	–	–	–	–
Opening liabilities	130.1	16.5	6,188.0	852.3	7,186.9
Net opening balance	130.1	16.5	6,188.0	852.3	7,186.9
Changes in the consolidated income statement					
Insurance revenue	(4,273.3)	–	–	–	(4,273.3)
Incurred claims and other attributable expenses	–	(17.7)	2,922.7	75.5	2,980.5
Acquisition costs	1,005.5	–	–	–	1,005.5
Adjustments to liabilities for incurred claims relating to past service	–	–	(266.4)	(237.5)	(503.9)
Losses and reversals of losses on onerous contracts	–	3.8	–	–	3.8
Total insurance service expenses	1,005.5	(13.9)	2,656.3	(162.0)	3,485.9
Insurance service result	(3,267.8)	(13.9)	2,656.3	(162.0)	(787.4)
Net finance income from insurance contracts	–	–	(213.7)	–	(213.7)
Foreign exchange movements	(45.2)	(0.1)	(140.9)	(23.0)	(209.2)
Total change in the consolidated income statement	(3,313.0)	(14.0)	2,301.7	(185.0)	(1,210.3)
Investment components	(2.0)	–	2.0	–	–
Transfer to other items in balance sheet	(235.9)	–	(575.4)	–	(811.3)
Cash flows					
Premium received	4,475.9		–		4,475.9
Claims and other insurance service expenses paid	–		(2,179.2)		(2,179.2)
Insurance acquisition cash flows	(767.7)		–		(767.7)
Total cash flows	3,708.2		(2,179.2)		1,529.0
Closing assets	–	–	–	–	–
Closing liabilities	287.4	2.5	5,737.1	667.3	6,694.3
Net closing balance	287.4	2.5	5,737.1	667.3	6,694.3

20 Insurance liabilities and reinsurance contract continued
20.1(c) Reinsurance contract held assets – analysis by remaining coverage and incurred claims

	Asset for remaining coverage		Asset for incurred claims		
Year to 31 December 2023	ARC excluding loss recovery component $m	Loss recovery component $m	Estimates of present value of future cash flows $m	Risk adjustment for non-financial risk $m	Total $m
Opening assets	(186.8)	0.6	2,282.4	421.0	2,517.2
Opening liabilities	–	–	–	–	–
Net opening balance	(186.8)	0.6	2,282.4	421.0	2,517.2
Changes in the consolidated income statement					
Allocation of reinsurance premiums	(1,119.4)	–	–	–	(1,119.4)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other attributable expenses	–	(0.6)	406.8	40.4	446.6
Adjustments to assets for incurred claims relating to past service	–	–	(193.4)	60.3	(133.1)
Effect of changes in non-performance risk of reinsurers	–	–	4.3	–	4.3
Total amounts recoverable from reinsurers	–	(0.6)	217.7	100.7	317.8
Net expense from reinsurance contracts held	(1,119.4)	(0.6)	217.7	100.7	(801.6)
Net finance income from reinsurance contracts	9.1	–	71.9	–	81.0
Foreign exchange movements	4.4	–	21.4	(0.3)	25.5
Total changes in the consolidated income statement	(1,105.9)	(0.6)	311.0	100.4	(695.1)
Investment components	(32.8)	–	32.8	–	–
Transfer to other items in balance sheet	0.3	–	(10.4)	(0.6)	(10.7)
Cash flows					
Premium paid	1,206.4	–	–	–	1,206.4
Amounts received	–	–	(919.5)	–	(919.5)
Total cash flows	1,206.4	–	(919.5)	–	286.9
Closing assets	(118.8)	–	1,696.3	520.8	2,098.3
Closing liabilities	–	–	–	–	–
Net closing balance	(118.8)	–	1,696.3	520.8	2,098.3

20 Insurance liabilities and reinsurance contract

20.1(c) Reinsurance contract held assets – analysis by remaining coverage and incurred claims continued

Year to 31 December 2022	Asset for remaining coverage ARC excluding loss recovery component $m	Asset for remaining coverage Loss recovery component $m	Asset for incurred claims Estimates of present value of future cash flows $m	Asset for incurred claims Risk adjustment for non-financial risk $m	Total $m
Opening assets	(266.7)	4.2	2,616.0	503.4	2,856.9
Opening liabilities	–	–	–	–	–
Net opening balance	(266.7)	4.2	2,616.0	503.4	2,856.9
Changes in the consolidated income statement					
Allocation of reinsurance premiums	(1,264.8)	–	–	–	(1,264.8)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	–	(4.9)	921.2	42.9	959.2
Adjustments to assets for incurred claims relating to past service	–	–	(8.1)	(117.3)	(125.4)
Recoveries and reversals of recoveries of losses on onerous contracts	–	1.3	–	–	1.3
Effect of changes in non-performance risk of reinsurers	–	–	3.2	–	3.2
Total amounts recoverable from reinsurers	–	(3.6)	916.3	(74.4)	838.3
Net expense from reinsurance contracts held	(1,264.8)	(3.6)	916.3	(74.4)	(426.5)
Net finance expense from reinsurance contracts	(38.2)	–	(63.9)	–	(102.1)
Foreign exchange movements	20.7	–	(66.8)	(8.0)	(54.1)
Total changes in the consolidated income statement	(1,282.3)	(3.6)	785.6	(82.4)	(582.7)
Investment components	(22.4)	–	22.4	–	–
Cash flows					
Premium paid	1,384.6	–	–	–	1,384.6
Amounts received	–	–	(1,141.6)	–	(1,141.6)
Total cash flows	1,384.6	–	(1,141.6)	–	243.0
Closing assets	(186.8)	0.6	2,282.4	421.0	2,517.2
Closing liabilities	–	–	–	–	–
Net closing balance	(186.8)	0.6	2,282.4	421.0	2,517.2

20 Insurance liabilities and reinsurance contract continued
20.2 Claims development tables

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

(a) Insurance liability for incurred claims – net of reinsurance

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

*The foreign exchange adjustment arises from the retranslation of the estimates at each date using the exchange rate ruling at 31 December 2023.
The table above excludes reinsurance recoveries related to the retroactive reinsurance contracts, for example legacy portfolio transfer arrangements where the financial effect of the underlying claims is still uncertain. These are included in the reinsurance contract asset for remaining coverage.

(b) Insurance liability for incurred claims – gross

Accident year	2019 $m	2020 $m	2021 $m	2022 $m	**2023 $m**	**Total $m**
Estimate of ultimate claims costs as adjusted for foreign exchange*						
at end of accident year:	2,807.2	3,269.0	2,550.8	2,532.2	**1,996.4**	**13,155.6**
one period later	2,555.0	3,235.6	2,439.1	2,522.4	**–**	**10,752.1**
two periods later	2,390.9	3,058.4	2,275.6	–	**–**	**7,724.9**
three periods later	2,366.1	2,986.5	–	–	**–**	**5,352.6**
four periods later	2,313.7	–	–	–	**–**	**2,313.7**
Current estimate of cumulative claims	2,313.7	2,986.5	2,275.6	2,522.4	**1,996.4**	**12,094.6**
Cumulative payments to date	(1,800.7)	(2,013.4)	(1,314.1)	(923.9)	**(346.2)**	**(6,398.3)**
Gross cumulative liability for incurred claims – accident years from 2019-2023	513.0	973.1	961.5	1,598.5	**1,650.2**	**5,696.3**
Gross cumulative liability for incurred claims in respect of accident years before 2019	–	–	–	–	**–**	**998.5**
Effect of discounting	–	–	–	–	**–**	**(445.2)**
Total Group liability for incurred claims to external parties included in balance sheet – gross						**6,249.6**

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

21 Trade and other payables

	2023 $m	2022 (restated) $m
Social security and other taxes payable	12.6	11.0
Lease liabilities	79.8	79.9
Accruals and other creditors	270.1	288.4
Total	362.5	379.3

The amounts expected to be settled before and after one year are estimated as follows:

	2023 $m	2022 $m
Within one year	284.9	282.5
After one year	77.6	96.8
Total	362.5	379.3

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

The Group acts as both lessee and lessor in relation to various offices in the UK and overseas, which are held under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal terms.

Extension and termination options were taken into account on recognition of the lease liability if the Group was reasonably certain that these options would be exercised in the future. As a general rule, the Group recognises non-lease components, such as services, separately to lease payments.

Maturity analysis – contractual undiscounted cash flows:

	2023 $m	2022 $m
Not later than one year	16.4	12.2
Later than one year and not later than five years	43.2	43.2
Later than five years	36.4	36.9
Total undiscounted lease liabilities	96.0	92.3

Income from subleasing
Hiscox acts as a lessor and sublets excess capacity of its office space to third parties.

The total future aggregate minimum lease rentals receivable by the Group as lessor under non-cancellable operating property leases are as follows:

	2023 $m	2022 $m
Not later than one year	2.2	2.0
Later than one year and no later than five years	1.0	2.8
	3.2	4.8

22 Tax (credit)/expense

The Company and its subsidiaries are subject to enacted tax laws in the jurisdictions in which they are incorporated and domiciled. The principal subsidiaries of the Company and the country in which they are incorporated are listed in note 29. The amounts charged in the consolidated income statement comprise the following:

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

The standard rate of corporation tax in Bermuda is 0% whereas the effective rate of tax for the Group is 13.8% (2022: 7.9%).

A reconciliation of the difference is provided below:

	2023 $m	2022 (restated) $m
Profit before tax	625.9	275.6
Tax calculated at the standard corporation tax rate applicable in Bermuda: 0% (2022: 0%)	–	–
Effects of Group entities subject to overseas tax at different rates	52.8	4.7
Impact of overseas tax rates on:		
Effect of rate change	(1.3)	2.4
Expenses not deductible for tax purposes	0.2	1.6
Tax losses for which no deferred tax asset is recognised	21.7	11.6
Other	(0.9)	0.1
Adjustment for share-based payments	6.6	3.1
Adjustment for Bermuda ETA	(150.0)	–
Prior-year tax adjustments	(15.2)	(1.8)
Tax charge for the year	(86.1)	21.7

Included within the current tax, a provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

The Group companies' tax filings include transactions which are subject to transfer pricing legislation and the taxation authorities may challenge the tax treatment of those transactions. The Directors are proactively engaged in discussions with the tax authorities regarding these tax positions. The Group determines, based on tax and transfer pricing advice provided by external specialist tax advisors, that: it is probable that the tax authorities will assess additional taxes in respect of these filings, for which provisions have been made; the amount recognised at the balance sheet date represents the best estimate of the amount expected to be settled, taking into account the range of potential outcomes and the current progress of discussions with tax authorities.

23 Deferred tax

Net deferred tax assets	2023 $m	2022 (restated) $m
Trading losses in overseas entities	29.0	28.4
Bermuda ETA	150.0	–
Deferred tax assets	11.3	69.1
Deferred tax liabilities	(7.5)	(59.3)
Total net deferred tax assets, before reclassification of assets held for sale	182.8	38.2
Less assets held for sale	(2.1)	–
Total net deferred tax assets	180.7	38.2

Net deferred tax liabilities		
Deferred tax assets	20.4	–
Add assets held for sale	2.1	–
Deferred tax liabilities	(79.4)	(4.1)
Total net deferred tax liabilities	(56.9)	(4.1)

Deferred tax assets and deferred tax liabilities relating to the same tax authority are presented net in the Group's balance sheet.

Net deferred tax assets

Net deferred tax assets At 31 December	2022 (restated) $m	Income statement (charge) /credit $m	Recognised in other comprehensive income/equity $m	Foreign exchange $m	2023 $m
Deferred compensation	3.2	0.7	–	–	3.9
Underwriting*	1.3	0.2	–	0.2	1.7
Financial assets	7.8	(5.4)	–	–	2.4
Tangible assets	(5.0)	(2.4)	–	–	(7.4)
Losses	28.4	1.5	–	0.1	30.0
Bermuda ETA	–	150.0	–	–	150.0
Other	2.5	1.9	–	(0.1)	4.3
Total deferred tax assets	38.2	146.5	–	0.2	184.9
Pension	0.9	(11.8)	(1.6)	(0.3)	(12.8)
Deferred compensation	11.6	–	0.3	0.7	12.6
Underwriting*	(12.7)	(33.6)	–	(1.6)	(47.9)
Intangible assets	(10.8)	(3.1)	–	(0.7)	(14.6)
Financial assets	3.5	(6.0)	–	(0.1)	(2.6)
Tangible assets	1.8	(3.4)	–	–	(1.6)
Losses	–	6.9	–	0.5	7.4
Other	1.6	(1.2)	–	0.1	0.5
Total deferred tax liabilities	(4.1)	(52.2)	(1.3)	(1.4)	(59.0)
Net total deferred tax assets	34.1	94.3	(1.3)	(1.2)	125.9
Less assets held for sale	–	(2.1)	–	–	(2.1)
Net Group deferred tax asset	34.1	92.2	(1.3)	(1.2)	123.8

*Restated for the deferred tax impact of IFRS 17 adoption.

Movements in deferred and current tax relating to tax deductions arising on employee share options are recognised in the statement of changes in equity to the extent that the movement exceeds the corresponding charge to the income statement.

Movements in deferred tax relating to the employee retirement benefit obligation are recognised in the statement of comprehensive income to the extent that the movement corresponds to actuarial gains and losses recognised in the statement of comprehensive income. The total expense recognised outside the income statement is $0.4 million (2022: expense of $6.5 million), comprising $1.3 million deferred tax income and $1.7 million current tax expense (2022: $9.4 million deferred tax expense and $2.9 million current tax income).

23 Deferred tax

Net deferred tax assets continued

Deferred tax assets of $37.4 million ($36.3 million excluding assets held for sale) (2022: 28.4 million), relating to losses arising in overseas entities, which depend on the availability of future taxable profits, have been recognised. Business projections indicate it is probable that sufficient future taxable income will be available against which to offset these recognised deferred tax assets within five years. $27.7 million (2022: $27.7 million) of the tax losses to which these assets relate will expire within ten years; a further $9.7 million (2022: $0.7 million) will expire after ten years or will be available indefinitely. The Group has not provided for deferred tax assets totalling $84.8 million (2022: $56.6 million) in relation to losses in overseas companies and unutilised tax credits of $415.5 million (2022: $279.0 million).

In accordance with IAS 12, all deferred tax assets and liabilities are classified as non-current. The amount of deferred tax asset expected to be recovered after more than 12 months is $123.8 million (2022: $53.5 million).

Factors affecting tax charges in future years

An increase to the UK corporate tax rate to 25% from 1 April 2023 was substantively enacted on 24 May 2021. This will have a consequential effect on the Company's future tax charge, and deferred tax liabilities in relation to the UK have decreased by $1.3 million. The impact of these changes in future periods will be dependent on the level of taxable profits in those periods.

One hundred and thirty countries have agreed to implement a new global minimum tax (GMT) as 'Pillar Two' of the OECD two-Pillar reform framework. The GMT uses adjusted consolidated accounting data to calculate the effective tax rate (ETR) paid on profits by a multinational in each jurisdiction in which it operates; and then applies a 'top-up tax' on any jurisdictions where the ETR is below 15%.

Multiple jurisdictions in which the Group operates have substantively enacted such legislation ('Pillar Two legislation') before the balance sheet date. The Hiscox Group expects to be within the scope of these rules, by virtue of the fact that the Group's consolidated revenue in at least two of the four years prior to 2024 exceeded €750 million.

This legislation brings into effect the Income Inclusion Rule (IIR) and Qualified Domestic Minimum Top-Up Tax (QDMTT) from 2024 (which are not expected to have a material impact on the Group), and the Undertaxed Profits Rule (UTPR) from 2025, meaning that 'top-up taxes' on profits in jurisdictions where the ETR is below 15% may be payable in other jurisdictions across the Group with effect from 2025.

Based on historic trends, the proportion of the Group's profits expected to be impacted is between $0 million to $5 million, and the average effective rate currently applicable to those profits is 5% to 7%.

Several other jurisdictions in which the Group operates have proposed Pillar Two legislation, which would implement changes similar to those identified above, but the legislation has not yet been substantively enacted at the balance sheet date. Given that Pillar Two legislation implementing both IIR and UTPR has already been substantively enacted in various jurisdictions in which the Group operates, the Group does not expect the enactment of Pillar Two legislation by these jurisdictions to have a further additional impact on the total income tax to which the Group is exposed.

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

The Bermuda CIT will apply at a rate of 15% on the profits of Hiscox's Bermudian constituent entities. This will have a consequential effect on the Group's future tax charge. A deferred tax asset of $150.0 million in relation to the economic transition adjustment (ETA) required by this legislation has been recognised at the balance sheet date. On first entering the scope of Bermuda CIT, the ETA requires each in scope entity to estimate the fair value of the assets and liabilities held by the Bermudian business at 30 September 2023 and use this in place of book value for tax purposes, creating temporary differences. The principal driver of this temporary difference is the customer relationships intangible asset which is subject to significant judgement and estimates, including forecast cashflows, the discount rate and capital allocation charges. The impact of these changes on the Group's ETR in future periods will be dependent on the level of taxable profits in those periods for the Group's Bermuda constituent entities.

24 Employee retirement benefit obligations

The Company's subsidiary Hiscox plc operates a defined benefit pension scheme based on final pensionable salary. The scheme closed to future accruals with effect from 31 December 2006 and active members were offered membership of a defined contribution scheme from 1 January 2007. The funds of the defined benefit scheme are controlled by the trustee and are held separately from those of the Group. 61% of any scheme surplus or deficit is recharged to Syndicate 33. The full pension obligation of the Hiscox defined benefit pension scheme is recorded and the recovery from the third-party Names for their share of the Syndicate 33 recharge is shown as a separate asset.

The gross amount recognised in the Group balance sheet in respect of the defined benefit scheme is determined as follows:

	2023 $m	2022 $m
Present value of scheme obligations	236.2	213.9
Fair value of scheme assets	(280.6)	(234.8)
Net amount recognised as a defined benefit surplus	(44.4)	(20.9)

As the fair value of the scheme assets exceeds the present value of scheme obligations, the scheme reports a surplus (2022: reports a surplus).

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit actuarial cost method. A formal full actuarial valuation is performed on a triennial basis, most recently at 31 December 2020, and updated at each intervening balance sheet date by the actuaries. The year-end present value of the defined benefit obligation under IAS 19 is determined by discounting the estimated future cash flows, using interest rates of AA-rated corporate bonds that have terms to maturity that approximate to the terms of the related pension liability, and is not impacted directly by the triennial valuation.

The scheme assets are invested as follows:

At 31 December	2023 $m	2022 $m
Investment assets		
Pooled investment vehicles	55.4	81.4
Equities	–	26.1
Bonds	201.3	122.2
Assets held by insurance company	2.8	2.5
Cash	21.1	2.6
	280.6	234.8

The amounts recognised in total comprehensive income are as follows:

For the year ended 31 December	2023 $m	2022 $m
Past service cost	–	–
Interest cost on defined benefit obligation	10.9	6.4
Interest income on plan assets	(12.6)	(6.0)
Net interest (income)/cost	(1.7)	0.4
Administrative expenses and taxes	–	–
Total (income)/expense recognised in operational expenses in the income statement	(1.7)	0.4
Remeasurements		
Effect of changes in actuarial assumptions	6.3	(146.6)
Return on plan assets (excluding interest income)	(1.3)	104.7
Remeasurement of third-party Names' share of defined benefit obligation	(0.9)	7.0
Total remeasurement included in other comprehensive income	4.1	(34.9)
Total defined benefit charge/(credit) recognised in comprehensive income	2.4	(34.5)

24 Employee retirement benefit obligations continued

The movement in the (surplus)/liability recognised in the Group's balance sheet is as follows:

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

A reconciliation of the fair value of scheme assets is as follows:

	2023 $m	2022 $m
Opening fair value of scheme assets	234.8	369.0
Interest income	12.6	6.0
Cash flows		
Contribution by the employer	24.8	13.5
Benefit payments	(7.8)	(12.1)
Assets held by insurance company	–	2.6
Remeasurements		
Return on plan assets (excluding interest income)	1.3	(104.7)
Foreign exchange movements	14.9	(39.5)
Closing fair value of scheme assets	280.6	234.8

A reconciliation of the present value of obligations of the scheme is as follows:

	2023 $m	2022 $m
Opening present value of scheme obligations	213.9	404.1
Past service cost	–	–
Interest expense	10.9	6.4
Cash flows		
Benefit payments	(7.8)	(12.1)
Assets held by insurance company	–	2.6
Remeasurements		
Changes in actuarial assumptions	6.3	(146.6)
Foreign exchange movements	12.9	(40.5)
Closing present value of scheme obligations	236.2	213.9

Assumptions regarding future mortality experience are set based on the S3PA (2022: S3PA) light tables. Reductions in future mortality rates are allowed for by using the CMI 2019 (2022: 2019) projections (core model) with 1.25% p.a. long-term trend for improvements.

The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is as follows:

	2023	2022
Male	29.0	28.9
Female	30.8	30.8

The average life expectancy in years of a pensioner retiring at 60, 15 years after the balance sheet date, is as follows:

	2023	2022
Male	29.4	29.3
Female	31.0	30.9

The weighted average duration of the defined benefit obligation at 31 December 2023 was 16.0 years (2022: 15.0 years).

24 Employee retirement benefit obligations continued

Other principal actuarial assumptions are as follows:

	2023 %	2022 %
Discount rate	4.77	4.95
Inflation assumption (RPI)	2.99	3.09
Inflation assumption (CPI)	2.39	2.54
Pension increases	2.82	2.89

The scheme operates under UK Trust law and the Trust is a separate legal entity from the Group. The scheme is governed by a board of trustees, comprised of member-nominated and employer-appointed trustees. The trustees are required by law to act in the best interests of scheme members and are responsible for setting certain policies together with the principal employer. The scheme is funded by the Group when required. Funding of the scheme is based on a separate actuarial valuation for funding purposes for which assumptions may differ from the assumptions above. Funding requirements are formally set out in the statement of funding principles, schedule of contributions and recovery plan agreed between the trustees and the Group.

A triennial valuation was carried out as at 31 December 2020 and resulted in a deficit position of £78.0 million ($106.6 million) on a funding basis. On 21 January 2022, the Group and the scheme's trustees agreed a recovery plan to reduce the deficit and to eliminate the deficit by 2027. Under the recovery plan, and taking into account the material improvement in the funding position since the valuation date, there are six payments of £10.0 million ($13.5 million), which commenced in January 2022 and are paid annually thereafter. The funding plan will be reviewed again following the next triennial funding valuation which will have an effective date of 31 December 2023, for which the formal actuarial valuation is ongoing at the date of this report.

While management believes that the actuarial assumptions are appropriate, any significant changes to those could affect the balance sheet and income statement. For example, an additional one year of life expectancy for all scheme members would increase the scheme obligations by £5.4 million ($6.9 million) at 31 December 2023 (2022: £5.1 million ($6.1 million)), and would increase/reduce the recorded net deficit/surplus on the balance sheet by the same amounts.

The most sensitive and judgemental financial assumptions are the discount rate and inflation. These are considered further below. CPI revaluation in deferment is used for contracted-out members. Contracted-in members are linked to RPI, as well as for all pension in payment increases.

The Group has estimated the sensitivity of the present value of unfunded obligations to isolated changes in these assumptions at 31 December 2023 as follows:

	Present value of unfunded obligations before change in assumption $m	Present value of unfunded obligations after change $m	(Increase) /decrease in obligation recognised on balance sheet $m
Effect of a change in discount rate			
Use of discount rate of 5.02%	236.2	227.8	8.40
Use of discount rate of 4.52%	236.2	245.1	(8.90)
Effect of a change in inflation			
Use of RPI inflation assumption of 3.24%	236.2	238.6	(2.40)
Use of RPI inflation assumption of 2.74%	236.2	233.9	2.30

25 Earnings per share

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

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

Diluted

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

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

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

26 Dividends paid to owners of the Company

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

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

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

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

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

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

27 Contingencies and guarantees

The Group's parent company and subsidiaries may become involved in legal proceedings, claims and litigation in the normal course of business. The Group reviews and, in the opinion of the Directors, maintains sufficient provision, capital and reserves in respect of such claims.

The following guarantees have also been issued:

(a) Hiscox Dedicated Corporate Member Limited (HDCM) and Hiscox Insurance Company (Bermuda) Limited (Hiscox Bermuda) provide assets under a Security and Trust Deed charged to Lloyd's of London, to meet any liabilities that occur from their interest in Syndicates 33 and 3624. At 31 December 2023, HDCM held $69.6 million of investments (2022: $170.8 million), $12.9 million of cash (2022: $17.1 million) and a $241.0 million LOC (2022: $241.0 million) in favour of Lloyd's of London under this arrangement. At 31 December 2023, Hiscox Bermuda held $384.6 million of investments (2022: $528.1 million), $95.2 million of cash (2022: $72.2 million) and a $25.0 million LOC (2022: $25.0 million) in favour of Lloyd's of London under this arrangement.

(b) In 2020, HDCM entered into a $65.0 million Funds at Lloyd's agreement under which the lending bank provides assets on HDCM's behalf under a security and trust deed charged to Lloyd's of London as part of the Company's Fund's at Lloyd's provision. At 31 December 2021 and 2022 the full $65.0 million was utilised.

(c) Hiscox plc renewed during 2022 its LOC and revolving credit facility with Lloyds Banking Group, as agent for a syndicate of banks. The facility may be drawn in cash up to $600.0 million (2022: £600.0 million) under a revolving credit facility or LOC up to $266.0 million (2022: $266.0 million). The terms also provide that the facility may be drawn in USD, GBP or EUR, or another currency with the agreement of the banks. At 31 December 2023, $266.0 million (2022: $266.0 million) was utilised by way of LOC to support the Funds at Lloyd's requirement and $nil cash drawings were outstanding (2022: $nil).

(d) The Council of Lloyd's has the discretion to call for a contribution of up to 5% of capacity if required from the managed syndicates.

(e) As Hiscox Bermuda is not an admitted insurer or reinsurer in the USA, the terms of certain US insurance and reinsurance contracts require Hiscox Bermuda to provide LOCs or other terms of collateral to clients. Hiscox Bermuda has in place an LOC reimbursement and pledge agreement with Citibank for the provision of a committed LOC facility in favour of US ceding companies and other jurisdictions, and also committed LOC facility agreements with National Australia Bank and Commerzbank AG. The agreements combined allow Hiscox Bermuda to request the issuance of up to $470.0 million in committed LOCs (2022: $470.0 million). LOCs issued under these facilities are collateralised by cash, US government and corporate securities of Hiscox Bermuda. LOCs under these facilities totalling $207.0 million were issued with an effective date of 31 December 2023 (2022: $189.4 million) and these were collateralised by US government and corporate securities with a fair value of $233.7 million (2022: $214.2 million). In addition, Hiscox Bermuda maintained assets in trust accounts to collateralise obligations under various reinsurance agreements. At 31 December 2023, total cash and marketable securities with a carrying value of approximately $36.2 million (2022: $23.2 million) were held in external trusts. Cash and marketable securities with an approximate market value of $535.2 million (2022: $495.5 million) were held in trust in respect of internal quota share arrangements.

(f) Hiscox Société Anonyme has arranged bank guarantees with respect to its various office deposits for a total of €0.3 million (2022: €0.3 million).

(g) See note 22 for tax-related contingent liabilities.

28 Capital commitments and income from subleasing

Capital commitments

Refer to note 21 for lease commitments, income from leasing and note 24 for the Group's funding contributions to the defined benefit scheme. The Group's capital commitment contracted for at the balance sheet date but not yet incurred for property, plant, equipment and software development was $1.6 million (2022: $0.7 million).

29 Principal subsidiary companies of Hiscox Ltd at 31 December 2023

Company	Nature of business	Country
Hiscox plc*	Holding company	Great Britain
Hiscox Insurance Company Limited	General insurance	Great Britain
Hiscox Insurance Company (Guernsey) Limited*	General insurance	Guernsey
Hiscox Holdings Inc.	Holding company	USA (Delaware)
ALTOHA, Inc.	Insurance holding company	USA (Delaware)
Hiscox Insurance Company Inc.	General insurance	USA (Illinois)
Hiscox Inc.	Insurance intermediary	USA (Delaware)
Hiscox Special Risks Agency (Americas) Inc.	Underwriting agency	USA (Delaware)
Hiscox Insurance Services Inc.	Insurance intermediary	USA (Delaware)
Hiscox Specialty Insurance Company Inc.	General insurance	USA (Illinois)
Hiscox Insurance Company (Bermuda) Limited*	General insurance and reinsurance	Bermuda
Hiscox Dedicated Corporate Member Limited	Lloyd's corporate Name	Great Britain
Hiscox Re Insurance Linked Strategies Limited*	Investment manager	Bermuda
Hiscox Agency Limited*	Lloyd's service company	Bermuda
Hiscox Holdings Limited	Insurance holding company	Great Britain
Hiscox Syndicates Limited	Lloyd's managing agent	Great Britain
Hiscox ASM Ltd.	Insurance intermediary	Great Britain
Hiscox Underwriting Group Services Limited	Service company	Great Britain
Hiscox Underwriting Ltd	Underwriting agent	Great Britain
Hiscox Société Anonyme*	General insurance	Luxembourg
Hiscox Insurance Services (Guernsey) Limited	Underwriting agency	Guernsey
Hiscox MGA Limited	Insurance intermediary	Great Britain
Hiscox Insurance Holdings Limited	Holding company	Great Britain
Hiscox Connect Limited	Service company	Great Britain
Hiscox Assure SAS	Insurance intermediary	France
Direct Asia Insurance (Holdings) Pte Ltd	Holding company	Singapore
Direct Asia Insurance (Singapore) Pte Limited	General Insurance	Singapore
Direct Asia Management Services Pte Ltd	Service company	Singapore

*Held directly by Hiscox Ltd.

All principal subsidiaries are wholly owned. The proportion of voting rights of subsidiaries held is the same as the proportion of equity shares held.

30 Related-party transactions

Details of the remuneration of the Group's key personnel, presented in Sterling, are shown in the annual report on remuneration 2023 on pages 112 to 122. A number of the Group's key personnel hold insurance contracts with the Group, all of which are on normal commercial terms and are not material in nature.

The following transactions were conducted with related parties during the year.

(a) Syndicate 33 at Lloyd's

Related-party balances between Group companies and Syndicate 33 reflect the 27.4% interest (2022: 27.4%) that the Group does not own, and are as follows:

	Transactions in the income statement for the year ended		Balances outstanding receivable/(payable) at	
	31 December 2023 $m	31 December 2022 (restated) $m	31 December 2023 $m	31 December 2022 (restated) $m
Hiscox Syndicates Limited	24.2	6.5	23.3	5.9
Hiscox Group insurance carriers	20.7	11.5	(75.1)	(83.5)
Hiscox Group insurance intermediaries	7.4	5.1	(4.2)	(4.6)
Other Hiscox Group companies	47.6	44.5	(0.3)	(1.6)
	99.9	67.6	(56.3)	(83.8)

(b) Transactions with associates

Certain companies within the Group conduct insurance and other business with associates. These transactions arise in the normal course of obtaining insurance business through brokerages, and are based on arm's length arrangements.

	2023 $m	2022 $m
Insurance revenue achieved through associates	10.9	14.0
Commission expense charged by associates	2.9	3.5

There were no material outstanding balance sheet amounts with associates.

Details of the Group's associates are given in note 13.

(c) Internal reinsurance arrangements

During the current and prior year, there were a number of reinsurance arrangements entered into in the normal course of trade between various Group companies. The related results of these transactions have been eliminated on consolidation.

31 Post balance sheet event

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

Additional performance measures (APMs)

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

Combined, claims and expense ratios

The combined, claims and expense ratios are common measures enabling comparability across the insurance industry, that measure the relevant underwriting profitability of the business by reference to its costs as a proportion of the insurance revenue net of allocation of reinsurance premiums. Claims are discounted under IFRS 17 which can introduce volatility to the ratios if interest rates move significantly during a period, therefore ratios are also presented on an undiscounted basis. The calculation is discussed further in note 4, operating segments. The combined ratio is calculated as the sum of the claims ratio and the expense ratio.

Return on equity (ROE)

Use of return on equity is common within the financial services industry, and the Group uses ROE as one of its key performance metrics. While the measure enables the Group to compare itself against other peer companies in the immediate industry, it is also a key measure internally where it is used to compare the profitability of business segments, and underpins the performance-related pay and pre-2018 share-based payment structures. The ROE is shown in note 6, along with an explanation of the calculation.

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

The Group uses NAV per share as one of its key performance metrics, including using the movement of NAV per share in the calculation of the options vesting of awards granted under Performance Share Plans (PSP) from 2018 onwards. This is a widely used key measure for management and also for users of the financial statements to provide comparability across peers in the market. Net tangible asset value comprises total equity excluding intangible assets. NAV per share and net tangible asset value per share are shown in note 5, along with an explanation of the calculation.

Insurance contract written premium and net insurance contract written premium

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

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

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

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

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

Prior-year developments

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

The prior-year development is calculated as the positive or negative movement in ultimate losses on prior accident years between the current and prior-year balance sheet date on an undiscounted basis adjusted for LPT premium and is disclosed in note 20. The LPT premium reclassification captures the LPT reinsurance recoveries due to changes in ultimate losses related to the covered business which is recognised in the reinsurance asset held for remaining coverage.

Five-year summary

	2023 $m	2022 $m	2021 $m	2020 $m	2019 $m
Results					
Profit/(loss) before tax	**4,483.2**	275.6	190.8*	(268.5)*	53.1*
Insurance revenue	**625.9**	4,273.3	–	–	–
Profit/(loss) for the year after tax	**712.0**	253.9	189.5*	(293.7)*	48.9*
Assets employed					
Goodwill and intangible assets	**323.9**	320.4	313.1	298.9	278.0
Financial assets carried at fair value	**6,574.4**	5,812.1	6,041.3	6,116.8	5,539.0
Cash and cash equivalents	**1,437.0**	1,350.9	1,300.7	1,577.2	1,115.9
Insurance liabilities and reinsurance assets	**(4,505.7)**	(4,177.1)	(4,690.4)*	(5,468.8)*	(4,707.6)*
Other net assets	**(532.9)**	(671.3)	(155.4)	(170.2)	(35.6)
Net assets	**3,296.7**	2,635.0	2,539.3	2,353.9	2,189.7
Net asset value per share (¢)	**951.5**	764.5	739.8	689.0	768.2
Key statistics					
Basic earnings/(loss) per share (¢)	**206.1**	73.8	55.3*	(91.6)*	17.2*
Diluted earnings/(loss) per share (¢)	**201.5**	72.7	54.7*	(90.6)*	16.9*
Combined ratio (%)	**85.5‡**	88.7‡	93.2*	114.5*	106.8*
Return on equity (%)	**27.6**	10.1	8.1*	(11.8)*	2.2*
Dividends per share (¢)	**37.5**	36.0	34.5	–	13.8
Share price – high† (p)	**1,193.0**	1,106.5	1,004.0	1,431.0	1,777.0
Share price – low† (p)	**938.0**	827.2	770.0	666.4	1,213.0

*Represent balances reported under IFRS 4 and IAS 39.
†Closing mid-market prices.
‡Represents combined ratio on a discounted basis.

The five-year summary is unaudited.

Glossary of terms

ABI stands for Association of British Insurers.

ABIR stands for Association of Bermuda Insurers and Reinsurers.

ACA stands for Associate Chartered Accountant.

AGM stands for Annual General Meeting.

BIBA stands for British Insurance Brokers' Association.

BMA stands for Bermuda Monetary Authority.

BSCR stands for Bermuda Solvency Capital Requirement.

CBES stands for Climate Biennial Exploratory Scenario.

CGU stands for cash-generating unit.

CIAB stands for Council of Insurance Agents and Brokers.

COR stands for combined ratio.

CSRD stands for Corporate Sustainability Reporting Directive.

CVaR stands for Climate Value-at-Risk.

DEI stands for diversity, equity and inclusion.

D&O stands for directors and officers' insurance.

DPD stands for direct and partnership division.

DTA stands for deferred tax asset.

EAD stands for exposure at default.

ECL stands for expected credit loss.

EPS stands for earnings per share.

ESG stands for environmental, social and governance.

ETR stands for effective tax rate.

FCA stands for Financial Conduct Authority.

FRC stands for Financial Reporting Council.

FVOCI stands for fair value through other comprehensive income.

FVPL stands for fair value through profit or loss.

GBP stands for Great British Pounds (Sterling).

GEC stands for Group Executive Committee.

GHG stands for greenhouse gas.

GIST stands for general insurance stress test.

GMM stands for General Measurement Model.

GRCC stands for Group Risk and Capital Committee.

GRI stands for Global Reporting Initiative.

GUR stands for Group Underwriting Review.

H1 stands for first half of the year.

H2 stands for second half of the year.

IAS stands for International Accounting Standards.

IBNR stands for incurred but not reported.

ICWP stands for insurance contract written premium.

IFRS stands for the International Financial Reporting Standards.

ILS stands for insurance-linked securities.

IPCC stands for Intergovernmental Panel on Climate Change.

ISSB stands for International Sustainability Standards Board.

KPI stands for key performance indicator.

LGD stands for loss given default.

LIC stands for liability for incurred claims.

LOC stands for Letter of Credit.

LMA stands for Lloyd's Market Association.

LPT stands for legacy portfolio transaction.

LRC stands for liability for remaining coverage.

LTIP stands for long-term incentive plan.

MSCI stands for Morgan Stanley Capital International.

NAV stands for net asset value.

NAVPS stands for net asset value per share.

NICWP stands for net insurance contract written premium.

OCI stands for other comprehensive income.

OECD stands for Organisation for Economic Co-operation and Development.

ORSA stands for own risk and solvency assessment.

PAA stands for premium allocation approach.

PBT stands for profit before tax.

PD stands for probability of default.

PRA stands for Prudential Regulation Authority.

PSP stands for performance share plan.

Re stands for reinsurance.

ROE stands for return on equity.

RIMS stands for Risk and Insurance Management Society.

SME stands for small- and medium-sized enterprises.

SPPI stands for solely payments of principal and interest.

USD stands for United States Dollars.

WACC stands for weighted average cost of capital.

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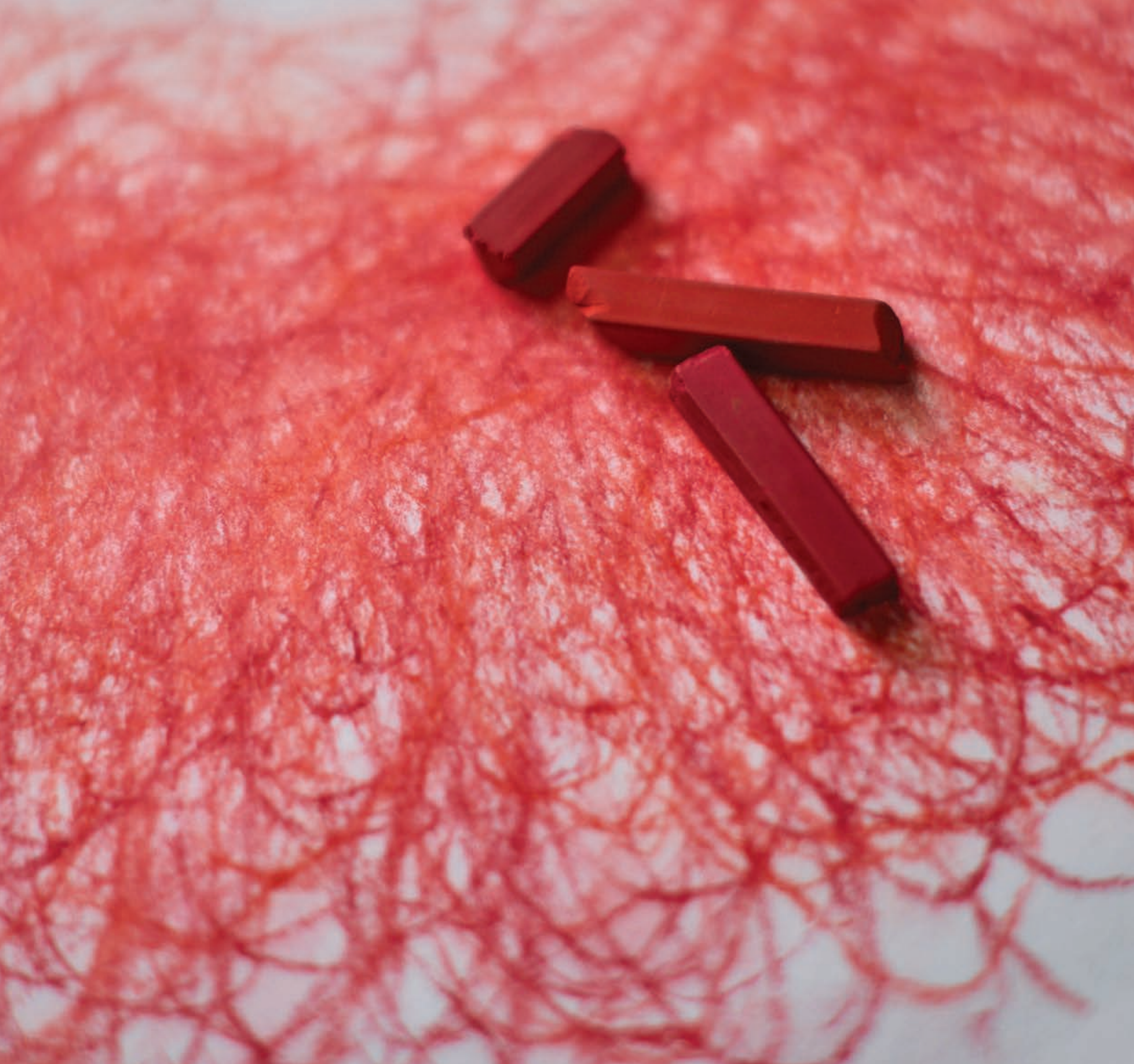

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