**Appendix 8**

## Accounts disclaimer

The disclaimer on the following page is to be included at the front of each set of pdf accounts submitted to Lloyd's.

**Important information about Syndicate Reports and Accounts**
Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

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HISCOX

# Hiscox Syndicates 33 and 6104 Report and Accounts 2019

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# Directors and administration
## Hiscox Syndicates 33 and 6104

### Managing agent:

**Managing agent**
Hiscox Syndicates Limited (HSL) is the managing agent of composite Syndicate 33, aligned Syndicate 3624 and Special Purpose Syndicate 6104. HSL is an indirectly wholly owned subsidiary of Hiscox Ltd.

**Directors**
R S Childs – Non Executive Chairman
C J Foulger – Non Executive
H A Hussain
H Kam
H C V Keeling – Non Executive
P A Lawrence
K J M Markham
B E Masojada
J R Musselle
R C Watson
A C Winther – Non Executive

**Managing agent's registered office**
1 Great St Helen's
London
EC3A 6HX

**Managing agent's company number**
02590623

### Syndicates 33 and 6104:

**Active underwriter**
Syndicate 33 – P A Lawrence
Syndicate 6104 – A Dolphin

**Bankers (Syndicate 33)**
Lloyds Bank PLC
Citibank
Royal Bank of Canada
Northern Trust

**Investment managers (Syndicate 33)**
AllianceBernstein Limited
Wellington Management Company LLP
Fiera Capital Corporation

**Registered auditors**
PricewaterhouseCoopers LLP

# Hiscox Syndicate 33 annual accounts


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# Report of the Directors of the managing agent
## Hiscox Syndicate 33 annual accounts

The Directors of the managing agent present their report for Syndicate 33 for the year ended 31 December 2019.

This Annual Report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. The Syndicate continues to adopt the going concern basis in preparing the syndicate annual accounts.

Separate underwriting year accounts for the closed 2017 account of Syndicate 33 are included following these annual accounts.

### Results

The result for Syndicate 33 in calendar year 2019 is a loss of $24.9 million (2018: profit of $132.0 million). The Syndicate's key financial performance indicators during the year were as follows:

| | 2019 $m | 2018 $m | % change |
|---|---|---|---|
| Gross premiums written | 2,044.2 | 1,849.4 | 10.5 |
| Gross premiums earned | 1,958.0 | 1,693.0 | 15.7 |
| Net premiums earned | 968.0 | 899.3 | 7.6 |
| (Loss)/profit for the financial year | (24.9) | 132.0 | (118.9) |
| Claims ratio (%) | 68 | 46 | 22 |
| Commission ratio (%) | 24 | 23 | 1 |
| Expense ratio (%) | 17 | 19 | (2) |
| Combined ratio (%) | 109 | 88 | 21 |

### Principal activity

The principal activity of Syndicate 33 remains the transaction of general insurance and reinsurance business in the United Kingdom at Lloyd's of London. Syndicate 33 is one of the largest composite Syndicates at Lloyd's, and has an A.M. Best syndicate rating of A (Excellent). Syndicate 33 underwrites a mixture of reinsurance, property, casualty and marine and energy business, as well as a range of specialty lines including contingency and terrorism risks. Syndicate 33 trades through the Lloyd's worldwide licences and rating. It also benefits from the Lloyd's brand. Lloyd's has an A (Excellent) rating from A.M. Best, A+ (Strong) rating from S&P and AA- (Very strong) rating from Fitch.

The geographical and currency split of its business is shown below:

| Geographical split of gross premiums written (%) | 2019 | 2018 |
|---|---|---|
| UK | 5 | 5 |
| Europe | 6 | 6 |
| North America | 65 | 64 |
| Asia | 3 | 4 |
| Rest of the world | 21 | 21 |

| Gross premiums written settlement currency (%) | 2019 | 2018 |
|---|---|---|
| Sterling | 11 | 14 |
| Euro | 1 | 7 |
| US Dollar | 83 | 75 |
| Canadian Dollar | 5 | 4 |

### Review of the business

The result for the year was a loss of $24.9 million (2018: profit of $132.0 million). A breakdown of divisional performance is shown below:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Division | Gross premiums written $m | Profit/ (loss) $m | Gross premiums written $m | Profit/ (loss) $m |
| Reinsurance | 509.7 | (43.5) | 473.8 | (12.7) |
| Property | 569.5 | (39.0) | 536.8 | 33.8 |
| Aerospace and specialty | 342.6 | 20.5 | 300.6 | 45.8 |
| Marine and energy | 229.3 | 38.7 | 197.9 | 48.8 |
| Casualty | 320.3 | (20.4) | 246.2 | 1.7 |
| Art and private client | 72.8 | 18.8 | 94.1 | 14.6 |
| **Total** | 2,044.2 | (24.9) | 1,849.4 | 132.0 |

# Report of the Directors of the managing agent continued
## Hiscox Syndicate 33 annual accounts

### Review of the business continued

#### Property
The division comprises property binding authorities principally focused on the USA, insuring household and small commercial risks, a product covering flood risk (FloodPlus), the big-ticket property and power and mining accounts (both USA and international). Whilst there has been some rate hardening off the back of successive years of catastrophe activity from Harvey, Irma, Maria, Michael, Florence and Dorian, attritional losses have risen. Key drivers of attritional loss has been a move away from the coastal areas and also the rise of assignment of benefit claims inflation primarily in Florida. This meant that for 2019 despite a mean catastrophe year, the property division has struggled to generate any meaningful returns.

US flood remains a significant opportunity and our FloodPlus products use proprietary technology and advanced analytics to provide better cover at a fairer price for customers, backed by capacity from the flood consortium we lead. FloodPlus continues to generate substantial and growing quote volumes for retail and commercial customers.

#### Reinsurance
This division includes the Syndicate's non-marine property reinsurance business (catastrophe including retro, risk excess and pro-rata reinsurance), marine and aviation reinsurance, together with the specialty and casualty accounts. The Syndicate underwrites business for its own account and for third-party capital providers whether they are insurance companies, other syndicates (in particular Syndicate 6104) and capital market investors. This strategy is working well and generates significant amounts of fee income for the Syndicate. The division experienced modest premium growth in the year. Net premium shrank as a greater proportion of gross premium was ceded to reinsurance partners. A number of natural catastrophes and large claims lead to a loss of $43.5 million for the year.

#### Marine and energy
This division includes upstream (exploration and production) and mid-stream (storage and transportation) energy business including energy liability, marine hull, marine cargo and marine liability business. Improving conditions in the marine hull and cargo markets gave rise to strong premium growth. Upstream energy and marine liability remain competitive markets reflecting the good returns that have been generated in these lines. Hiscox's joint lead status on the International Group relationship together with other new business wins have helped propel forward marine liability premium.

#### Specialty
This division brings together a number of specialist lines such as terrorism, product recall, personal accident (PA) and alternative risk. The terrorism market remains very competitive reflecting its previous profitable trading, however, the combination of sustained rate deterioration over a number of years and an increase in political violence claims has eroded some of its historically profitable returns. Following an initial large loss suffered by the product recall line in its first year in operation, the class has settled down and through a combination of excellent underwriting and premium growth finds itself in a strong position from both a reserves and profitability perspective. The PA market in Lloyd's has seen a combination of high commissions and attritional losses not resulting in any significant rate hardening. To that end, Hiscox London Market has been seeking to reduce premiums by exiting businesses that are uneconomic. The alternative risk market is comprised of a number of risks that do not fall into any of the other lines we write.

#### Casualty
The division focuses on larger company cyber, directors and officers' (D&O) and general liability. The general liability book continues to grow well and trends look positive. We continued to grow general liability both organically and through consortia with other Lloyd's syndicates.

The D&O market has been challenging and we undertook a wholesale review of the business towards the end of 2018 and the start of 2019. At the same time the market began to turn and, following substantial rate increases, we have been able to exit those parts of the business that proved unprofitable, halve our exposures and grow premium. 2019 remained a challenging year with large loss activity from the 2017 year of account in particular generating underwriting losses.

Cyber remains a key target class for Hiscox London Market and we were able to grow both the account and experience in the cyber team through a number of hires. The class claims performance remains well within expectation and it remains an attractive class to write.

#### Art and private client
This division includes the fine art account written in Lloyd's together with a small number of binding authorities specialising in the insurance of high-value houses, including stately homes, in the UK. Some of the business is sourced through the Hiscox regional offices in the UK and Europe. The division had another profitable year.

#### 2020 and the future
We see opportunity for growth in 2020 in classes where the strong stance taken by Lloyd's during the market's 2019 business planning process has positively and materially impacted pricing, terms and conditions. Cargo, hull and D&O should see growth in 2020 on the back of substantial rate change in 2019. In addition we expect to see modest growth in most of the other insurance classes where rates are holding up or showing increases. Some modest growth in reinsurance classes is planned although this will be dependent on pricing and availability of retro cover.

# Report of the Directors of the managing agent continued
Hiscox Syndicate 33 annual accounts

## Review of the business continued
The Syndicate is well reserved, has a strong reinsurance programme with good security and a conservative investment portfolio.

Syndicate 33 stamp capacity will increase by 19% for the 2020 year of account, from $1,853 million to $2,251 million to allow for growth opportunities particularly in London Market.

Syndicate 33 was able to benefit from a light touch pilot scheme for the 2020 Lloyd's planning cycle where the business plans were approved as submitted. There was no requirement to identify Decile 10 classes nor develop specific remediation plans for Lloyd's reporting. This should be seen as an acknowledgement by Lloyd's of the effective delivery of the Decile 10 remediation plans for the 2019 year of account, underwriting performance in the top quartile of Lloyd's Syndicates and the success of an ongoing plan of engagement between the Syndicate underwriters and their Lloyd's counterparts.

## Capital
One of the main advantages of trading through Lloyd's is the considerably lower capital ratios that are available due to the diversification of business written in Syndicate 33 and in Lloyd's as a whole. The size of the Syndicate is increased or reduced according to the strength of the insurance environment in its main classes. At present, Hiscox participated on 72.6% of the Syndicate, with the remainder being owned by non-aligned Names. Hiscox receives a fee, profit-related remuneration and a profit commission on the element it does not own.

Solvency II became effective from 1 January 2016 and the Hiscox Syndicates Limited (HSL) internal capital model is used to set the Syndicate's capital. Syndicate capital is determined through the submission and agreement by Lloyd's of an ultimate solvency capital requirement (SCR) which is subject to an uplift determined by the Franchise Board to calibrate the capital required by Lloyd's. Lloyd's unique capital structure provides excellent financial security to policyholders and capital efficiency for members. This chain of security provides the financial strength that ultimately backs insurance policies written at Lloyd's and has three links:

1. all premiums received by syndicates are held in trust as the first resource for paying policyholders' claims;
2. every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities. They are set with reference to the SCR together with the Lloyd's uplift. Since FAL is not under the control of the managing agent, no amount has been shown in the financial statements. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses;
3. the central assets are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met from the resources of any member further up the chain.

Lloyd's also retains the right to request a callable contribution equal to 3% of capacity from the Syndicate.

Lloyd's works in co-operation with insurance regulators in the USA and other parts of the world to further strengthen the security of a Lloyd's policy. This has resulted in significant amounts of the Syndicate's funds being held in various trust funds where they cannot be used as 'working capital' to pay claims, reinsurance premiums or expenses. This can place a strain on the Syndicate's working capital.

We have determined that the Syndicate has sufficient levels of liquidity to meet its funding requirements in all likely scenarios. However, we put Names on notice that we may need to make a cash call, at some time in the future, to improve the Syndicate's working capital position.

## Investment report
Investment income for Syndicate 33 was $45.8 million (2018: $23.8 million) equating to a return of 3.1% (2018: 1.5%). These returns were broadly in line with expectations for the year. The Syndicate's invested assets totalled $1,493.0 million at 31 December 2019 (2018: $1,504.0 million).

In addition to our sensible, tactical asset allocation position, our selection of asset managers benefited our return; each manager either outperformed or equalled its respective index. 2019 has demonstrated the value of active management in volatile markets.

| Years of account | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | **2020** |
|---|---|---|---|---|---|---|---|
| Capacity (£m) | 999 | 999 | 999 | 1,147 | 1,598 | 1,399 | **1,700** |
| Capacity ($m)* | 1,323 | 1,323 | 1,323 | 1,519 | 2,116 | 1,853 | **2,251** |
| Hiscox ownership ($m) | 725 | 725 | 725 | 834 | 1,161 | 1,015 | **1,233** |
| Hiscox ownership (%) | 72.6 | 72.6 | 72.6 | 72.7 | 72.6 | 72.6 | **72.5** |

*Converted at the closing rate at 31 December 2019.

# Report of the Directors of the managing agent continued
## Hiscox Syndicate 33 annual accounts

### Principal risks and uncertainties
A description of the principal risks and uncertainties facing the Syndicate is set out in note 4. In response to the UK's decision to leave the EU, HSL and Lloyd's made some necessary changes to its business. These will ensure continuity of cover to all its customers with European risks. Syndicate 33 will use the Lloyd's Brussels platform to transact European Union risks. Lloyd's Brussels benefits from the market's financial strength through the Central Fund and has the same financial ratings as Lloyd's, A.M. Best A (Excellent), S&P A+ (Strong) and Fitch AA- (Very strong). The company is authorised and regulated by the National Bank of Belgium and capitalised under Solvency II rules.

### Directors' interests
None of the Directors of the managing agent who served during the year ended 31 December 2019 were underwriting Names at Lloyd's for the 2017, 2018, 2019 or 2020 years of account.

R S Childs – Non Executive Chairman
C J Foulger – Non Executive
H A Hussain
H Kam
H C V Keeling – Non Executive
P A Lawrence
K J M Markham
B E Masojada
M H McConnell (resigned 1 October 2019)
I J Martin (resigned 31 December 2019)
J R Musselle
J Pinchin (resigned 28 February 2019)
R C Watson
A C Winther – Non Executive

### Disclosure of information to the auditors
The Directors of the managing agent who held office at the date of approval of this managing agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

### Annual General Meeting
Usually the only formal business conducted at the Syndicate Annual General Meeting (AGM) is the appointment of the Syndicate auditors for the following year, and usually the attendance at the AGM, when it is held, is minimal.

In accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) (the 2008 Regulations) a Syndicate AGM was held in 2016 to appoint PricewaterhouseCoopers LLP (PwC) as the Syndicate's registered auditor. The 2008 Regulations contain provisions for the re-appointment of the Syndicate's registered auditor. Lloyd's requirements allow managing agents to dispense with the requirement to hold a Syndicate AGM, providing certain criteria are met. This year, we therefore give notice that:

- Hiscox Syndicates Limited does not propose to hold an AGM of the members of Syndicates 33 and 6104 in 2020;
- PwC will be deemed to be re-appointed as the Syndicate's registered auditor pursuant to the 2008 Regulations;
- members may object to the matters set out above within 21 days of this notice.

If no objections to this are received from any members within the specified period, we shall notify Lloyd's to that effect.

If any objections are received, depending on the level or nature of such objections, we shall then consider whether to:

1. apply for Lloyd's consent not to hold an AGM. Lloyd's may give its consent subject to any such conditions and requirements as it may determine; or
2. convene an AGM.

By order of the Board

B E Masojada
Chief Executive
5 March 2020

# Statement of managing agent's responsibilities
## Hiscox Syndicate 33 annual accounts

The managing agent is responsible for preparing the Syndicate Annual Report and Accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice). The syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate at that date and of its profit or loss for that year.

In preparing those syndicate annual accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate annual accounts; and
- prepare the syndicate annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume the Syndicate will do so.

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Syndicate and enable it to ensure that the syndicate annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of the syndicate annual accounts may differ from legislation in other jurisdictions.

# Independent auditors' report
## To the members of Syndicate 33

### Report on the syndicate annual accounts

#### Opinion

In our opinion, Syndicate 33's syndicate annual accounts (the 'syndicate annual accounts'):

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Hiscox Syndicates 33 and 6104 Report and Accounts 2019 (the 'Annual Report'), which comprise: the balance sheet – assets and the balance sheet – liabilities as at 31 December 2019, the profit and loss account: technical account – general business, the profit and loss account: non-technical account – general business, the statement of changes in members' balance, and the statement of cash flows for the year then ended, and the notes to the syndicate annual accounts, which include a description of the significant accounting policies and other explanatory information.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the *auditors' responsibilities for the audit of the syndicate annual accounts* 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 remained independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the Syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the syndicate annual accounts are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Syndicate's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Syndicate's business and the wider economy.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the report of the Directors of the managing agent, we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Report of the Directors of the managing agent*

In our opinion, based on the work undertaken in the course of the audit, the information given in the report of the Directors of the managing agent for the year ended 31 December 2019 is consistent with the syndicate annual accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

# Independent auditors' report continued
## To the members of Syndicate 33

In light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the report of the Directors of the managing agent.

### Responsibilities for the syndicate annual accounts and the audit

*Responsibilities of the managing agent for the syndicate annual accounts*

As explained more fully in the statement of managing agent's responsibilities set out on page 7, the managing agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the Syndicate'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 it is intended for the Syndicate to cease operations, or it has no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the syndicate annual accounts*

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (UK) 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 syndicate annual accounts.

A further description of our responsibilities for the audit of the syndicate annual accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

*Use of this report*

This report, including the opinions, has been prepared for and only for the Syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the managing agent in respect of the Syndicate; or
- certain disclosures of managing agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 March 2020

# Profit and loss account: technical account – general business
## Year ended 31 December 2019
## Hiscox Syndicate 33 annual accounts

| | Notes | 2019 $000 | 2018 $000 |
|---|---|---|---|
| **Earned premiums, net of reinsurance** | | | |
| Gross premiums written | 5 | 2,044,180 | 1,849,368 |
| Outward reinsurance premiums | | (1,054,386) | (868,227) |
| Net premiums written | | 989,794 | 981,141 |
| Change in the provision for unearned premiums: | | | |
| Gross amount | | (86,176) | (156,400) |
| Reinsurers' share | | 64,362 | 74,543 |
| Change in the net provision for unearned premiums | | (21,814) | (81,857) |
| Earned premiums, net of reinsurance | | 967,980 | 899,284 |
| Allocated investment return transferred from the non-technical account | | 45,827 | 23,814 |
| **Claims incurred, net of reinsurance** | | | |
| Claims paid: | | | |
| Gross amount | | (1,033,227) | (820,564) |
| Reinsurers' share | | 526,314 | 363,091 |
| Net claims paid | | (506,913) | (457,473) |
| Change in the provision for claims: | | | |
| Gross amount | | (749,550) | (235,232) |
| Reinsurers' share | | 602,434 | 277,891 |
| Change in the net provision for claims | | (147,116) | 42,659 |
| Claims incurred, net of reinsurance | | (654,029) | (414,814) |
| Net operating expenses | 7 | (390,293) | (372,696) |
| **Balance on the technical account for general business** | | (30,515) | 135,588 |

The notes on pages 16 to 36 form an integral part of these annual accounts.

# Profit and loss account: non-technical account – general business
## Year ended 31 December 2019
## Hiscox Syndicate 33 annual accounts

| | Notes | 2019 $000 | 2018 $000 |
|---|---|---|---|
| Balance on the technical account for general business | | (30,515) | 135,588 |
| Investment income | 6 | 40,585 | 33,737 |
| Unrealised gains on investments | | 14,104 | – |
| Investment expenses and charges | 6 | (8,862) | (9,702) |
| Unrealised losses on investments | | – | (221) |
| Allocated investment return transferred to the general business technical account | | (45,827) | (23,814) |
| Foreign exchange gains/(losses) | | 5,655 | (3,629) |
| (Loss)/profit for the financial year | | (24,860) | 131,959 |

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts, therefore no statement of other comprehensive income has been presented.

The notes on pages 16 to 36 form an integral part of these annual accounts.

# Balance sheet – assets
## At 31 December 2019
## Hiscox Syndicate 33 annual accounts

| | Notes | 2019 $000 | 2018 $000 |
|---|---|---|---|
| **Investments** | | | |
| Financial investments | 9 | 1,492,975 | 1,504,009 |
| **Reinsurers' share of technical provisions** | | | |
| Provision for unearned premium | 10 | 376,155 | 307,404 |
| Claims outstanding | 10, 13 | 2,025,106 | 1,417,810 |
| | | 2,401,261 | 1,725,214 |
| **Debtors** | | | |
| Debtors arising out of direct insurance operations | 11 | 397,782 | 312,695 |
| Debtors arising out of reinsurance operations | 12 | 426,590 | 309,892 |
| Other debtors | | 432 | 1,524 |
| | | 824,804 | 624,111 |
| **Other assets** | | | |
| Cash at bank and in hand | | 113,786 | 133,099 |
| **Prepayments and accrued income** | | | |
| Accrued interest | | 8,197 | 8,079 |
| Deferred acquisition costs | 10 | 226,454 | 220,809 |
| Other prepayments and accrued income | | 158 | 2,164 |
| **Total assets** | | 5,067,635 | 4,217,485 |

The notes on pages 16 to 36 form an integral part of these annual accounts.

# Balance sheet – liabilities
## At 31 December 2019
## Hiscox Syndicate 33 annual accounts

| | Notes | 2019 $000 | 2018 $000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Members' balances | | (211,933) | (91,654) |
| **Technical provisions** | | | |
| Provision for unearned premium | 10 | 898,655 | 800,354 |
| Claims outstanding | 10, 13 | 3,493,143 | 2,734,141 |
| | | 4,391,798 | 3,534,495 |
| **Creditors** | | | |
| Creditors arising out of direct insurance operations | | 17,233 | 7,065 |
| Creditors arising out of reinsurance operations | 14 | 734,371 | 596,685 |
| Other creditors | | 35,070 | 68,147 |
| | | 786,674 | 671,897 |
| Accruals and deferred income | 15 | 101,096 | 102,747 |
| **Total liabilities** | | 5,067,635 | 4,217,485 |

The notes on pages 16 to 36 form an integral part of these annual accounts.

The syndicate annual accounts on pages 3 to 15 were approved by the Board of Hiscox Syndicates Limited on 5 March 2020 and were signed on its behalf by

B E Masojada
Chief Executive

# Statement of changes in members' balances
## Year ended 31 December 2019
## Hiscox Syndicate 33 annual accounts

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Members' balances brought forward at 1 January | (91,654) | 17,059 |
| Total recognised (losses) and gains for the year | (24,860) | 131,959 |
| Payments of profit to members' personal reserve funds | (92,291) | (237,323) |
| Members' agent fees | (3,128) | (3,349) |
| Members' balances carried forward at 31 December | (211,933) | (91,654) |

Members participate on Syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

# Statement of cash flows
## Year ended 31 December 2019
## Hiscox Syndicate 33 annual accounts

| | 2019 $000 | 2018 $000 |
|---|---|---|
| **Net cash flows from operating activities** | | |
| Result for the year | (24,860) | 131,959 |
| Increase in gross technical provisions | 857,303 | 356,752 |
| Increase in reinsurers' share of gross technical provisions | (676,047) | (340,499) |
| Increase in debtors | (201,785) | (107,409) |
| Increase in creditors | 147,854 | 191,355 |
| Movement in other assets/liabilities | (37,393) | (56,552) |
| Investment return | (45,827) | (23,813) |
| **Net cash inflows from operating activities** | 19,245 | 151,793 |
| **Net cash flows from investing activities** | | |
| Purchase of equity and debt instruments | (1,829,825) | (913,762) |
| Sale of equity and debt instruments | 1,869,138 | 982,829 |
| Settlement of derivatives | (350) | 518 |
| Investment income received | 31,699 | 27,950 |
| Foreign exchange | (13,073) | 20,594 |
| **Net cash flows from financing activities** | | |
| Distribution of profits | (95,419) | (240,672) |
| **Net increase in cash and cash equivalents** | (18,585) | 29,250 |
| Effect of exchange rates on cash and cash equivalents | (728) | 1,515 |
| Cash and cash equivalents at the beginning of the year | 133,099 | 102,334 |
| **Cash and cash equivalents at the end of the year** | 113,786 | 133,099 |

# Notes to the accounts
## Year ended 31 December 2019
Hiscox Syndicate 33
annual accounts

### 1 Basis of preparation
These annual accounts have been prepared in accordance with regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable accounting standards in the United Kingdom, Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102), Financial Reporting Standard 103 and Insurance Contracts (FRS 103) where applicable.

These annual accounts are presented in US Dollars, which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. Some disclosure items, for example, Syndicate capacity are presented in Sterling as it is denominated in this currency, US Dollar amounts are converted at the closing rate at 31 December 2019. The Directors of the managing agent have prepared the annual accounts on the basis that the Syndicate will continue to write future business.

The ability of the Syndicate to meet its obligations as they fall due is underpinned by the support provided by Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities.

### 2 Accounting policies
The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's annual accounts.

#### 2(a) Premiums
Written gross and outwards reinsurance premiums comprise premiums on contracts incepting during the financial year. Written premiums are disclosed gross of commission payable to intermediaries and exclude taxes and duties levied on premiums.

Premiums written include an estimate of gross premiums written during the year that have not yet been notified by the financial year-end (pipeline premiums).

Outwards reinsurance premiums are also disclosed gross of commissions and profit participations recoverable from reinsurers.

#### 2(b) Unearned premiums
The provision for unearned premium comprises the proportion of gross and outwards reinsurance premiums written, which is estimated to be earned in the following or subsequent financial years, computed using the daily pro-rata method.

#### 2(c) Acquisition costs
Acquisition costs comprise all direct and indirect costs arising from the acquisition of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written which is unearned at the balance sheet date.

#### 2(d) Claims
Claims incurred in respect of general business are charged to profit or loss as incurred, based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Syndicate. The Syndicate does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Syndicate and statistical analysis for the claims incurred but not reported, and an estimate of the expected ultimate cost of more complex claims that may be affected by external factors, for example, court decisions.

Claims paid are transactions in the period which have been signed through Lloyd's Central Accounting or Lloyd's Direct Reporting. The timing difference between cash paid and claims signed is held on the balance sheet as a debtor.

Reinsurers' share of claims paid are all transactions in the period which have been signed through the London Outwards Reinsurance System adjusted to include an accrual for the balances which have been billed, but remain unsettled at the balance sheet date.

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

The benefits to which the Syndicate is entitled under outwards reinsurance contracts are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within assets) as well as longer-term receivables (classified within assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

#### 2(e) Unexpired risk
Provision is made for unexpired risks arising from general business where the expected value of the claims and expenses attributable to the unexpired periods of policies in force at the balance sheet

2 Accounting policies continued

date exceeds the unearned premiums provision in relation to such policies after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated separately by classes of business which are managed together, after taking into account the relevant investment return.

### 2(f) Financial assets and liabilities including loans and receivables

Investments are stated at fair value at the balance sheet date. For this purpose, listed investments are stated at their bid price market value.

i. **Financial assets at fair value through profit and loss**
   A financial asset is classified into this category at inception if it is managed and evaluated on a fair value basis in accordance with a documented strategy, if acquired principally for the purpose of selling in the short term, or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking.

ii. **Loans and receivables**
   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Receivables arising from insurance contracts are included in this category and are reviewed for impairment as part of the impairment review of loans and receivables. Loans and receivables are carried at amortised cost less any provision for impairment in value.

   Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Syndicate reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in the profit or loss account.

### 2(g) Investment return

All investment return is initially recognised in the non-technical account. It is then transferred to the technical account as it all relates to funds supporting underwriting business.

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

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

### 2(h) Foreign currencies

The functional currency of the Syndicate is US Dollars. Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transactions. At the balance sheet date, monetary assets and liabilities are translated at the year-end rates of exchange. For the purpose of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts relating to insurance operations of the Syndicate are included in profit/(loss) on foreign exchange in the non-technical account.

### 2(i) Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any US federal income tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'other debtors'.

No provision has been made for any overseas tax payable by members on underwriting results.

### 2(j) Pension costs

The Hiscox Group operates a defined benefit pension scheme and a defined contribution pension scheme. The accrual of benefits for active members of the defined benefit scheme ceased on 31 December 2006. Movements in surpluses or deficits on the defined benefit pension scheme, that relate to Syndicate 33 are allocated equally between all constituted years of account. Pension contributions relating to Group recharges are charged to Syndicate 33 and included within net operating expenses.

### 2(k) Impairment of assets

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 and 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). For financial assets, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

## 2 Accounting policies continued

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(l) Bad debts

Bad debts are provided for only where specific information is available to suggest a debtor may be unable or unwilling to settle its debt to the Syndicate. The provision is calculated on a case-by-case basis.

### 2(m) Reinsurers' commissions and profit participations

Reinsurers' commissions and profit participations, which include reinsurance profit commission and overriding commission, are treated as a contribution to expenses.

### 2(n) Derivative financial instruments

Derivative financial instruments are measured at cost for initial recognition, and subsequently at fair value, with changes recognised in profit and loss. Transaction costs incurred in buying and selling derivative financial instruments are recognised in profit or loss when incurred. When derivatives are liabilities, they are reported with other creditors in the balance sheet.

### 2(o) Cash at bank and in hand

This consists of cash at bank and in hand and deposits held at call with banks.

### 2(p) Functional currency

The functional currency of the Syndicate is US Dollars. This is as a result of the managing agent, Hiscox Syndicates Limited, having a functional currency of US Dollars.

## 3 Judgements and key sources of estimation uncertainty

In the application of the accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. The following judgements, estimations and assumptions have had the most significant effect on amounts recognised in the annual accounts.

### 3(a) Valuation of general insurance contract liabilities

The estimation of the ultimate liability arising from claims made under insurance contracts is the Syndicate's most critical accounting estimate. The carrying amount of the liability is disclosed in the technical provisions note 13. For general insurance contracts estimates are made for the expected ultimate cost of claims notified at the balance sheet date and the cost of claims incurred but not yet reported. It can take a significant period of time before the ultimate cost of claims can be established with certainty, and the final outcome may be better or worse than that provided. The estimation of these claims is based on historical experience projected forward. The Syndicate's estimate of claims and expenses is mainly achieved through the application of a number of commonly accepted actuarial projection methodologies based on the following:

- the development of previously paid claims, where payments to date are extrapolated for each prior year;
- the development of claims based on seasonally adjusted exposure curves;
- incurred claims development, where incurred claims to date for each year are extrapolated based upon observed development of earlier years; and
- expected loss ratios.

The claims provisions are initially calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts recoverable from the Syndicate's reinsurance arrangements including excess of loss and quota share contracts, having due regard for collectability.

Claims provisions are subject to regular review, both within the Syndicate and externally. Management discuss and challenge the actuarial best estimate and booked claims provisions at the quarterly Reserving Committee, whose membership includes Directors with significant insurance experience and actuarial specialism. External actuaries are also engaged to calculate an independent best estimate of the ultimate cost of claims at 31 December annually and present a statement of actuarial opinion (SAO) against which the Syndicate's best estimate is assessed.

### 3(b) Premium recognition

The gross written premium is initially based on estimated premium income (EPI) of each contract. EPI estimates are based on information provided by the brokers, policyholders, coverholders, past underwriting experience and the contractual terms of the policy. The EPI estimates are reviewed on a regular basis. As the year of account closes premiums are adjusted to match the actual signed premium. Premiums in respect of insurance contracts underwritten under binding authorities are booked as the underlying contracts incept, a straight-line basis is selected for this inception pattern. Premiums are earned on a straight-line basis over the life of each contract. At a portfolio level this is considered to provide a reasonable estimate for the full year of the pattern of risk over the coverage period.

## 3 Judgements and key sources of estimation uncertainty continued

Gross written premium includes an estimation for reinstatement premiums which is determined based on incurred losses held in the technical provisions.

### 3(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. HSL uses judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. See note 4 for discussion of the related risks.

### 3(d) Pension costs

In light of the recharge for the defined benefit scheme, obligations are calculated and valued with reference to actuarial assumptions including mortality, inflation rates and discount rate, many of which can be subject to specific volatility.

## 4 Management of risk

The Syndicate's overall appetite for accepting and managing varying classes of risk is defined by the HSL Board. The HSL Board has developed a governance framework and has set 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 Syndicate's members, policyholders and other stakeholders from negative events that could hinder the Syndicate's delivery of its contractual obligations and its achievement of sustainable profitable economic and social performance.

The HSL Board exercises oversight of the development and operational implementation of its risk management policies and procedures through the HSL Risk Committee. Ongoing compliance is monitored through an internal audit function, shared with other Hiscox Ltd subsidiaries, which has operational independence, a charter and clear upwards reporting structures back into the HSL Audit Committee and HSL Board.

The Syndicate, in common with the non-life insurance industry generally, is fundamentally driven by a desire to originate, retain and service insurance contracts to maturity. The Syndicate'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 non-correlated to financial markets, and not by the inclination or will of policyholders.

The principal sources of risk relevant to the Syndicate's operations and its annual accounts fall into four broad categories: insurance risk, financial risk, regulatory risk and operational risk.

### Insurance risk

The predominant risk to which the Syndicate is exposed is insurance risk which is assumed through the underwriting process. Insurance risk can be subcategorised into: (i) underwriting risk including the risk of catastrophe and systemic insurance losses and the insurance cycle and competition; and (ii) reserving risk.

### (i) Underwriting risk

Underwriting risk is defined as the risk that insurance premiums will not be sufficient to cover future insurance losses and associated expenses. Underwriting risk also encompasses people, process and system risks directly related to underwriting.

The HSL Board sets the Syndicate's underwriting strategy and risk appetite, seeking to benefit from identified opportunities in light of other relevant anticipated market conditions.

Specific underwriting objectives such as aggregation limits, reinsurance protection thresholds, geographical disaster event risk exposures and line of business diversification parameters are prepared and reviewed by the HSL management team in order to translate the HSL Board's summarised underwriting strategy into specific measurable actions and targets. These actions and targets are reviewed and approved in advance of each underwriting year. The HSL Board continually reviews its underwriting strategy throughout each underwriting year in light of evolving market pricing, loss conditions and as opportunities present themselves.

The Syndicate's underwriters and HSL 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 Syndicate routinely performs a wide range of activities including the following:
- regularly updating the Syndicate's risk models;
- documenting, monitoring and reporting against the Syndicate'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;
- regular monitoring of 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.

## 4 Management of risk continued

The delegation of underwriting authority to specific individuals, both internally and externally, is subject to regular reviews. All underwriting staff and binding agencies are set 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 maximum sums insured per insurance contract, maximum gross premiums written and maximum aggregated exposures per geographical zone and risk class. All delegations are strictly controlled through these underwriting guidelines and limits and extensive monitoring, review and auditing of the agencies. The Syndicate compiles estimates of losses arising from realistic disaster events using statistical models alongside input from its underwriters. They also reflect the areas that represent significant exposures for the Syndicate. The events are extreme and as yet untested, and as such estimates may prove inadequate as a result of incorrect assumptions, model deficiencies, or losses from unmodelled risks. This means that should a realistic disaster actually occur, the Syndicate's final ultimate losses could materially differ from those estimates modelled by management.

The Syndicate'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 Syndicate's exposure to repeated catastrophic events, relevant policies frequently contain payment limits to cap the maximum amount payable from these insured events over the contract period.

The Syndicate also manages underwriting risk by purchasing reinsurance. Reinsurance protection, such as excess of loss cover, is purchased to mitigate the effect of catastrophes and unexpected concentrations of risk. The scope and type of reinsurance protection purchased may change depending on the extent and competitiveness of cover available in the market.

The specific insurance risks accepted by the Syndicate fall broadly into the following main categories: reinsurance inwards, property and casualty. These specific categories are defined for risk review purposes only, as each contains risks specific to the nature of the cover provided. The following describes the policies and procedures used to identify and measure the risks associated with each individual category of business.

### Reinsurance inwards

The Syndicate's reinsurance inwards acceptances are primarily focused on large property portfolios 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 Syndicate. 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, and other events including fires and explosions. The occurrence and impact of these events are very difficult to model over the short term which complicates attempts to anticipate loss frequencies on an annual basis. In those years where there is a low incidence of severe catastrophes, loss frequencies on the reinsurance inwards book can be relatively low.

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 Syndicate would have no liability under such contracts. Maximum gross line sizes and aggregate exposures are set for each type of programme.

The Syndicate 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.

### Property risks

The Syndicate directly underwrites a diverse range of property risks.

Property contracts cover fixed and moveable assets such as ships and other vessels, cargo in transit, energy platforms and installations, pipelines, satellites, commercial buildings, industrial plants and machinery, artwork, antiques, classic cars and jewellery. These assets are typically exposed to natural catastrophe, large loss events or attritional claims arising from conventional hazards such as collision, flooding, fire and theft.

For this reason the Syndicate 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. 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.

### Casualty 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. 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.

4 Management of risk continued

The Syndicate's pricing strategy for casualty insurance policies is typically based upon historical claim frequencies and severities, adjusted for inflation and extrapolated forwards to incorporate projected changes in claims patterns.

(ii) Reserving risk

Reserving risk is defined as the risk that reserves are set in respect of insurance claim losses are ultimately insufficient to fully settle these claims and associated expenses. This definition also applies to reserves which have been set previously. The Syndicate's procedures for estimating the outstanding costs of settling insured losses at the balance sheet date, including claims incurred but not yet reported, are detailed in note 3(a).

The Syndicate's provision estimates are subject to regular and rigorous review by senior management from all areas of the business including independent actuaries. The final provision is approved by the HSL Board.

The provisions we made are set above the actuarial mid-point to reduce the risk that actual claims exceed the amount that has been set aside.

For the inwards reinsurance lines, there is often a time lag between the establishment and re-estimation of case reserves and reporting to the Syndicate. The Syndicate works closely with the reinsured to ensure timely reporting and also centrally analyses industry loss data to verify the reported reserves.

Property insurance, 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. Casualty insurance claims may not be established for a number of years after the event where legal complexities occasionally develop regarding the insured's alleged omission or negligence. The length of time required to obtain definitive legal judgements and make eventual settlements exposes the Syndicate to a degree of reserving risk in an inflationary environment.

Financial risk

The Syndicate is exposed to financial risk through its ownership of financial instruments including financial liabilities. The Syndicate invests in financial assets in order to fund obligations arising from its insurance contracts and other liabilities.

The key financial risk for the Syndicate is that the proceeds from its financial assets and investment result generated thereon are not sufficient to fund the obligations. The most important variables that could result in such an outcome relate to the interest rate risk, credit risk, liquidity risk and currency risk. The Syndicate's policies and procedures for managing exposure to these specific categories of risk are detailed below.

(a) Reliability of fair values

The Syndicate has elected to carry 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. All of the financial investments held by the Syndicate are available to trade in markets and the Syndicate 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 bid-market prices at the balance sheet date. The ability to obtain quoted bid-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 Syndicate. 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.

At 31 December 2019 and 2018, the Syndicate held asset backed and mortgage backed fixed income instruments in its investment portfolio. Together with the Syndicate's investment managers, management continues to monitor the potential for any adverse development associated with this investment exposure through the analysis of relevant factors such as credit ratings, collateral, subordination levels and default rates in relation to the securities held.

The Syndicate did not experience any material defaults on debt securities during the year.

Valuation of these securities will continue to be impacted by external market factors including default rates, rating agency actions and liquidity. The Syndicate 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 Syndicate's future results may be impacted, both positively and negatively, by the valuation adjustments applied to these securities.

(b) Interest rate risk

Fixed income investments represent a significant

## 4 Management of risk continued

proportion of the Syndicate's assets and the HSL Board continually monitor investment strategy to minimise the risk of a fall in the portfolio's market value which could affect the amount of business that the Syndicate is able to underwrite or its ability to settle claims as they fall due.

The fair value of the Syndicate's investment portfolio of debt and fixed income securities is normally inversely correlated to movements in market interest rates. If market interest rates rise, the fair value of the Syndicate's debt and fixed income investments would tend to fall and vice versa if credit spreads remained constant.

The Syndicate may also, from time to time, enter into interest rate future contracts in order to minimise the interest rate risk.

The fair value of debt and fixed income assets in the Syndicate's balance sheet at 31 December is analysed below:

| Table a) | 31 December 2019 % weighting | 31 December 2018 % weighting |
|---|---|---|
| Government issued bonds and instruments | 41 | 41 |
| Government supported* | 2 | 4 |
| Asset backed securities | – | – |
| Mortgage backed instruments – agency | 9 | 3 |
| Mortgage backed securities – non agency | 2 | 3 |
| Corporate bonds | 46 | 49 |

*Includes supranational debt, agency debt and federal deposit insurance corporation bank bonds.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. An increase /decrease of 50 basis points in interest yields would result in a charge/credit to members' balances of $10.2 million (2018: $10.1 million).

Insurance contract liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing.

### (c) Credit risk

The Syndicate has exposure to credit risk, which is the risk that a counterparty will suffer a deterioration in solvency or be unable to pay amounts in full when due.

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 Syndicate 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 Syndicate's agreed contractual terms and conditions.

## 4 Management of risk continued

Key areas of exposure to credit risk include:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- counterparty risk with respect to cash and cash equivalents, and investments and other deposits including deposits and derivative transactions.

The Syndicate's maximum exposure to credit risk is represented by the carrying values of monetary assets and reinsurance assets included in the balance sheet at any given point in time. The Syndicate 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 Syndicate structures the levels of credit risk accepted by placing limits on their 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 loans and receivables, as the Syndicate has a large number of internationally dispersed debtors with unrelated operations. Reinsurance is used to contain insurance risk. This does not, however, discharge the Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is therefore continually reviewed throughout the year.

The HSL Board 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 a dedicated in-house security consultant. The financial analysis of reinsurers produces an assessment categorised by 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.

The HSL Board considers the reputation of its reinsurance partners and also receives details of recent payment history and the status of any ongoing negotiations between other Hiscox entities and these third parties. 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 Syndicate, and obtaining collateral from unrated counterparties. Management information reports detail provisions for impairment on loans and 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 Syndicate also mitigates counterparty credit risk by concentrating debt and fixed income investments in high-quality instruments, including a particular emphasis on government bonds.

## 4 Management of risk continued

An analysis of the Syndicate's major exposures to counterparty credit risk excluding direct policyholder debtors, based on S&P or equivalent rating at 31 December, is presented in the table below:

| Table b)<br>At 31 December 2019 | AAA<br>$000 | AA<br>$000 | A<br>$000 | BBB<br>and below<br>$000 | Total<br>$000 |
|---|---|---|---|---|---|
| Financial investments | 163,850 | 710,818 | 309,662 | 308,645 | 1,492,975 |
| Reinsurers' share of technical provisions: | | | | | |
| claims outstanding | 305,900 | 235,237 | 1,449,470 | 34,499 | 2,025,106 |
| Debtors: reinsurance recoverable | 2,426 | 32,037 | 134,469 | 8,639 | 177,571 |
| Cash at bank and in hand | – | 3,382 | 110,396 | 8 | 113,786 |
| Total | 472,176 | 981,474 | 2,003,997 | 351,791 | 3,809,438 |
| At 31 December 2018 | | | | | |
| Financial investments | 156,912 | 622,772 | 336,370 | 387,955 | 1,504,009 |
| Reinsurers' share of technical provisions: | | | | | |
| claims outstanding | 357,497 | 109,945 | 949,677 | 691 | 1,417,810 |
| Debtors: reinsurance recoverable | 5,525 | 15,014 | 73,212 | 40 | 93,791 |
| Cash at bank and in hand | 3,442 | 2,431 | 118,393 | 8,833 | 133,099 |
| Total | 523,376 | 750,162 | 1,477,652 | 397,519 | 3,148,709 |

Within the financial investments, which include debt securities, deposits with credit institutions and cash equivalent assets, there are exposures to a range of government borrowers, on either a direct or guaranteed basis, and banking institutions. The Syndicate, together with its investment managers, closely manages its geographical exposures across government issued and supported debt.

At 31 December 2019 and 2018 the Syndicate held no material debt or fixed income assets that were past due or impaired beyond their reported fair values. For the current period and prior period, the Syndicate did not experience any material defaults on debt securities.

### (d) Liquidity risk

The Syndicate 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. Limits on the minimum level of cash and maturing funds available to meet such calls are set to cover unexpected levels of claims and other cash demands.
A significant proportion of the Syndicate's investments is in highly liquid assets which could be converted to cash in a prompt fashion and at minimal expense. The deposits with credit institutions largely comprise short-dated certificates for which an active market exists and which the Syndicate can easily access.

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.

## 4 Management of risk continued

Notwithstanding the regular interest receipts and also the Syndicate'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 financial assets and financial liabilities at 31 December was as follows:

| Table c) At 31 December 2019 | Less than one year $000 | Between one and three years $000 | Between three and five years $000 | Over five years $000 | Total $000 |
|---|---|---|---|---|---|
| Investments | 443,293 | 795,506 | 102,997 | 151,179 | 1,492,975 |
| Reinsurers' share of technical provisions | 738,409 | 590,863 | 560,887 | 134,947 | 2,025,106 |
| Debtors | 745,516 | 63,926 | 15,362 | – | 824,804 |
| Cash at bank and in hand | 113,786 | – | – | | 113,786 |
| Prepayments and accrued income | 8,355 | – | – | – | 8,355 |
| Technical provisions | (1,474,587) | (836,890) | (897,074) | (284,592) | (3,493,143) |
| Creditors | (628,247) | (117,818) | (40,609) | – | (786,674) |
| Accruals and deferred income | (3,243) | – | – | – | (3,243) |
| **Total** | (56,718) | 495,587 | (258,437) | 1,534 | 181,966 |
| **At 31 December 2018** | | | | | |
| Investments | 506,953 | 830,811 | 72,920 | 93,325 | 1,504,009 |
| Reinsurers' share of technical provisions | 622,965 | 520,348 | 159,497 | 115,000 | 1,417,810 |
| Debtors | 514,414 | 109,697 | – | – | 624,111 |
| Cash at bank and in hand | 133,099 | – | – | – | 133,099 |
| Prepayments and accrued income | 10,243 | – | – | – | 10,243 |
| Technical provisions | (1,201,340) | (1,003,453) | (307,579) | (221,769) | (2,734,141) |
| Creditors | (544,086) | (127,811) | – | – | (671,897) |
| Accruals and deferred income | (23,891) | – | – | – | (23,891) |
| **Total** | 18,357 | 329,592 | (75,162) | (13,444) | 259,343 |

The available headroom of working capital is monitored through the use of a detailed Syndicate cash flow forecast which is reviewed by management monthly or more frequently as required.

Average contractual maturity analysed by denominated currency of investments was as follows:

| Table d) | 2019 years | 2018 years |
|---|---|---|
| Sterling | 2.1 | 1.3 |
| US Dollar | 3.7 | 2.2 |
| Euro | 2.1 | 1.8 |
| Canadian Dollar | 1.9 | 1.8 |

## 4 Management of risk continued

### (e) Currency risk

The majority of the Syndicate's gross written premium is in US Dollars, consequently movements in the Sterling against US Dollar exchange rate may have a material effect on its financial performance and position. The Syndicate's financial assets are denominated in the same currencies as its insurance liabilities, in order to reduce currency exchange volatility from the balance sheet. This profit and loss is distributed in accordance with Lloyd's rules using a combination of Sterling and US Dollars.

The currency profile of the Syndicate's financial assets and financial liabilities is as follows:

| Table e)<br>At 31 December 2019 | US Dollar<br>$000 | Sterling<br>$000 | Euro<br>$000 | Canadian Dollar<br>$000 | Total<br>$000 |
|---|---|---|---|---|---|
| Financial investments | 1,035,983 | 302,461 | 26,031 | 128,500 | 1,492,975 |
| Reinsurers' share of technical provisions | 2,141,343 | 157,533 | 48,512 | 53,873 | 2,401,261 |
| Debtors | 622,031 | 197,846 | (21,058) | 25,985 | 824,804 |
| Cash in hand and at bank | 77,107 | 16,502 | 16,203 | 3,974 | 113,786 |
| Other assets | 170,757 | 45,832 | 4,819 | 13,401 | 234,809 |
| **Total assets** | 4,047,221 | 720,174 | 74,507 | 225,733 | 5,067,635 |
| Technical provisions | (3,776,241) | (351,775) | (139,084) | (124,698) | (4,391,798) |
| Creditors | (589,658) | (149,263) | (18,750) | (29,003) | (786,674) |
| Accruals and deferred income | (48,960) | (44,486) | (55) | (7,595) | (101,096) |
| **Total liabilities** | (4,414,859) | (545,524) | (157,889) | (161,296) | (5,279,568) |
| **Members' balances by currency** | (367,638) | 174,650 | (83,382) | 64,437 | (211,933) |

| At 31 December 2018 | US Dollar<br>$000 | Sterling<br>$000 | Euro<br>$000 | Canadian Dollar<br>$000 | Total<br>$000 |
|---|---|---|---|---|---|
| Financial investments | 1,148,933 | 168,432 | 88,489 | 98,155 | 1,504,009 |
| Reinsurers' share of technical provisions | 1,529,422 | 106,772 | 53,977 | 35,043 | 1,725,214 |
| Debtors | 437,471 | 141,230 | 29,468 | 15,942 | 624,111 |
| Cash in hand and at bank | 56,510 | 26,917 | 46,260 | 3,412 | 133,099 |
| Other assets | 172,040 | 34,361 | 16,307 | 8,344 | 231,052 |
| **Total assets** | 3,344,376 | 477,712 | 234,501 | 160,896 | 4,217,485 |
| Technical provisions | (2,990,248) | (264,992) | (191,161) | (88,094) | (3,534,495) |
| Creditors | (545,599) | (74,981) | (33,599) | (17,718) | (671,897) |
| Accruals and deferred income | (24,150) | (72,430) | (3,189) | (2,978) | (102,747) |
| **Total liabilities** | (3,559,997) | (412,403) | (227,949) | (108,790) | (4,309,139) |
| **Members' balances by currency** | (215,621) | 65,309 | 6,552 | 52,106 | (91,654) |

### Sensitivity analysis

The Syndicate performs sensitivity analysis based on a 10% strengthening or weakening of the US Dollar against Sterling, Euro and the Canadian Dollar. 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. During the year, the Syndicate transacted in a number of over-the-counter forward currency derivative contracts. The impact of these contracts on the sensitivity analysis is negligible. A 10% strengthening of the US Dollar against the following currencies at 31 December would have increased/(decreased) members' balances for the financial year by the amounts shown below:

| Table f) | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| Sterling | (17,465) | (6,531) |
| Euro | 8,338 | (655) |
| Canadian Dollar | (6,444) | (5,211) |

The impact on members' balances is symmetrical on a 10% weakening of the US Dollar.

## 4 Management of risk continued

### Regulatory risk

The Syndicate is required to comply with the requirements of the Prudential Regulation Authority, Financial Conduct Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. HSL devotes considerable resources to meet its regulatory obligations, including compliance, risk management and internal audit functions.

### Operational risk

Operational risk is the risk of loss from people, processes or systems or external events with origins outside the scope of other risk categories. HSL actively monitors and controls its operational risks. Examples of key operational risks for the Syndicate include IT performance and stability, staff exit rate and the delivery of major projects.

HSL recognise that the ability to continue operations in the event of a business interruption, whether from a major disaster or minor incident, is a fundamental factor in meeting the expectations of our customers and internal and external stakeholders. Both the Syndicate and Lloyd's have a formal disaster recovery plan which, in the event of an incident, will support alternative accommodation strategies. All IT systems are assessed for recovery time objectives and investment has been made into remote working technology providing access to corporate systems away from the office and ensuring that this technology is well used and familiar to staff.

## 5 Segmental analysis

An analysis of the underwriting result before investment return is set out below:

| 2019 | Gross premiums written $000 | Gross premiums earned $000 | Gross claims incurred $000 | Net operating expenses $000 | Reinsurance balance $000 | Underwriting profit/(loss) $000 |
|---|---|---|---|---|---|---|
| Direct insurance | | | | | | |
| Accident and health | 44,762 | 48,997 | (30,832) | (20,380) | (3,472) | (5,687) |
| Motor – third-party liability | 3,274 | 2,804 | (2,087) | (808) | (71) | (162) |
| Motor – other classes | 14,066 | 12,823 | (8,338) | (3,501) | (548) | 436 |
| Marine aviation and transport | 215,287 | 202,997 | (108,142) | (60,430) | (12,873) | 21,552 |
| Fire and other damage to property | 825,014 | 797,344 | (544,576) | (169,010) | (81,926) | 1,832 |
| Third-party liability | 295,900 | 272,079 | (246,927) | (60,110) | 8,787 | (26,171) |
| Credit and suretyship | 125,846 | 111,014 | (68,564) | (39,212) | 3,819 | 7,057 |
| | 1,524,149 | 1,448,058 | (1,009,466) | (353,451) | (86,284) | (1,143) |
| Reinsurance | 520,031 | 509,946 | (773,311) | (36,842) | 225,008 | (75,199) |
| Total | 2,044,180 | 1,958,004 | (1,782,777) | (390,293) | 138,724 | (76,342) |

| 2018 | Gross premiums written $000 | Gross premiums earned $000 | Gross claims incurred $000 | Net operating expenses $000 | Reinsurance balance $000 | Underwriting profit/(loss) $000 |
|---|---|---|---|---|---|---|
| Direct insurance | | | | | | |
| Accident and health | 63,242 | 63,191 | (27,376) | (26,217) | 322 | 9,920 |
| Motor – third-party liability | 2,341 | 1,455 | (1,175) | (451) | 9 | (162) |
| Motor – other classes | 11,021 | 6,092 | (6,091) | (2,175) | 1,569 | (605) |
| Marine aviation and transport | 179,903 | 164,090 | (64,755) | (59,502) | (16,660) | 23,173 |
| Fire and other damage to property | 788,140 | 696,985 | (317,351) | (154,529) | (147,703) | 77,402 |
| Third-party liability | 233,510 | 206,676 | (171,915) | (51,972) | 15,173 | (2,038) |
| Credit and suretyship | 97,022 | 86,188 | (36,139) | (37,891) | 7,422 | 19,580 |
| | 1,375,179 | 1,224,677 | (624,802) | (332,737) | (139,868) | 127,270 |
| Reinsurance | 474,189 | 468,291 | (430,994) | (39,959) | (12,834) | (15,496) |
| Total | 1,849,368 | 1,692,968 | (1,055,796) | (372,696) | (152,702) | 111,774 |

All premiums were concluded in the UK.

## 5 Segmental analysis continued

The geographical analysis of gross premiums earned by destination as a proxy for risk location, is as follows:

| | 2019 $000 | 2018 $000 |
|---|---|---|
| United Kingdom | 95,186 | 84,649 |
| Other European Union member states | 111,866 | 101,578 |
| United States | 1,179,248 | 898,684 |
| Rest of the world | 571,704 | 608,057 |
| Total | 1,958,004 | 1,692,968 |

## 6 Investment return

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Investment income | | |
| Interest income on financial assets | 34,962 | 30,994 |
| Gains on realisation of investments | 5,623 | 2,743 |
| Total investment income | 40,585 | 33,737 |
| | | |
| Investment expenses and charges | | |
| Investment management expenses | (2,592) | (1,544) |
| Losses on realisation of investments | (6,270) | (8,158) |
| Total investment expenses and charges | (8,862) | (9,702) |

The tables below present the average amounts of funds in the year per currency and the average investment return yields in the year.

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Average amount of Syndicate funds available for investment during the year | | |
| Sterling | 263,645 | 106,631 |
| Euro | 67,941 | 124,583 |
| US Dollar | 1,125,472 | 1,360,554 |
| Canadian Dollar | 113,439 | 93,747 |
| Total Syndicate funds available for investment | 1,570,497 | 1,685,515 |

| | 2019 % | 2018 % |
|---|---|---|
| Annual investment yield | | |
| Sterling | 1.8 | 1.2 |
| Euro | 0.5 | (0.4) |
| US Dollar | 3.6 | 1.7 |
| Canadian Dollar | 2.3 | 1.8 |
| Total annual investment yield percentage | 3.1 | 1.5 |

Syndicate funds include investments and cash.

## 7 Net operating expenses

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Brokerage and commissions | 440,816 | 427,818 |
| Other acquisition costs | 40,742 | 31,008 |
| Change in deferred acquisition costs | (1,691) | (39,149) |
| Administrative expenses | 94,188 | 92,450 |
| Members' standard personal expenses | 25,615 | 43,035 |
| Reinsurers' commissions and profit participations | (209,377) | (182,466) |
| Total | 390,293 | 372,696 |

Brokerage and commissions on direct business written was $374.0 million (2018: $363.0 million).

Profit commission is charged by the managing agent at a standard rate of 12.5%. This calculation is subject to the operation of a two-year deficit clause. An additional 2.5% profit commission is charged if target levels of profit are achieved over a rolling seven-year period. Profit commission is disclosed within members' standard personal expenses.

Profit-related remuneration is charged at 5% on the profit of six major business areas. It is disclosed within administrative expenses.

Also included in administrative expenses is the charge for the Syndicate's share of the movement in the Group pension defined benefit deficit $6.3 million (2018: $11.0 million credit) calculated by the scheme actuary.

Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT).

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Auditors' remuneration | | |
| Fees payable to the Syndicate's auditor for the audit of the syndicate annual accounts | 333 | 362 |
| Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation | 100 | 101 |
| Total | 433 | 463 |

## 8 Staff costs

The Syndicate and its managing agent have no employees. Staff are employed by Hiscox Underwriting Group Services Limited (HUGS).

The Syndicate did not directly incur staff costs during the year (2018: nil). The following salary and related costs were recharged during the year:

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Wages and salaries | 43,344 | 61,594 |
| Social security costs and pension costs (excluding provision for pension deficit) | 6,735 | 9,041 |
| Total | 50,079 | 70,635 |

The Directors of Hiscox Syndicates Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Directors' emoluments | 1,928 | 2,308 |

## 8 Staff costs continued

The active underwriters received the following remuneration charged as a Syndicate expense:

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Underwriters' emoluments | 665 | 742 |

## 9 Financial investments

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Fair value $000 | Cost $000 | Fair value $000 | Cost $000 |
| Debt securities and other fixed income securities | 1,486,860 | 1,464,990 | 1,504,000 | 1,516,172 |
| Loans with credit institutions | 6,114 | 6,114 | – | – |
| Derivative financial assets | 1 | – | 9 | – |
| Derivative financial liabilities | (1) | – | (359) | – |

All financial investments in the current and prior financial year were carried at fair value through profit or loss. No financial assets in the current or prior financial year were classified as 'held for trading' under FRS 102.

Other financial assets under FRS 102 are cash at bank and in hand, direct insurance and reinsurance debtors, other debtors and accrued income, which are classified as loans and receivables.

### Fair value hierarchy

The Syndicate has classified its financial investments using the fair value hierarchy in accordance with the FRS 102.

The levels within the fair value hierarchy are defined as follows:

- level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;
- level 2 – inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly;
- level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

| 2019 | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
|---|---|---|---|---|
| Debt securities and other fixed income securities | 565,875 | 920,985 | – | 1,486,860 |
| Derivative financial assets | – | 1 | – | 1 |
| Derivative financial liabilities | – | (1) | – | (1) |

| 2018 | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
|---|---|---|---|---|
| Debt securities and other fixed income securities | 497,645 | 1,006,355 | – | 1,504,000 |
| Derivative financial assets | – | 9 | – | 9 |
| Derivative financial liabilities | – | (359) | – | (359) |

The Syndicate measures the fair value of its financial assets based on prices provided by custodians who obtain market data from numerous independent pricing services. The pricing services used by the custodian obtain actual transaction prices for securities that have quoted prices in active markets.

## 9 Financial investments continued

For those securities which are not actively traded, the pricing service uses 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.

| 2019 | Gross contract notional amount $000 | Fair value of assets $000 | Fair value of liabilities $000 | Net balance sheet position asset/(liability) $000 |
|---|---|---|---|---|
| Interest rate future contracts | 5,700 | 1 | (1) | – |

| 2018 | Gross contract notional amount $000 | Fair value of assets $000 | Fair value of liabilities $000 | Net balance sheet position (liability)/asset $000 |
|---|---|---|---|---|
| Foreign exchange forward contracts | 6,580 | 9 | (30) | (21) |
| Interest rate future contracts | 49,066 | – | (329) | (329) |
| Total | 55,646 | 9 | (359) | (350) |

### Foreign exchange forwards

During 2019 and 2018, the Syndicate entered into a series of conventional forward contracts in order to avoid exchange volatility on Sterling and Euro denominated monetary assets. The contracts required the Syndicate to forward sell a fixed amount of Sterling and Euros for US Dollars at pre-agreed exchange rates.

### Interest rate future contracts

During 2019 and 2018, the Syndicate used Sterling, Euro and US Dollar government bond futures to informally hedge the interest rate risk on specific corporate bonds.

The investment return in 2019 on these foreign exchange forwards is disclosed in note 6.

## 10 Technical provisions

| 2019 | Gross provisions $000 | Reinsurance assets $000 | Net $000 |
|---|---|---|---|
| Claims incurred: | | | |
| Balance at 1 January | 2,734,141 | (1,417,810) | 1,316,331 |
| Over/under-provision in respect of prior claims and claim adjustment expenses | 156,605 | (191,452) | (34,847) |
| Expected cost of current year claims | 1,626,172 | (937,296) | 688,876 |
| Claims paid for claims settled in year | (1,033,227) | 526,314 | (506,913) |
| Effect of movements in exchange rates | 9,452 | (4,862) | 4,590 |
| Balance at 31 December | 3,493,143 | (2,025,106) | 1,468,037 |
| Unearned premiums: | | | |
| Balance at 1 January | 800,354 | (307,404) | 492,950 |
| Premium written during the year | 2,044,180 | (1,054,386) | 989,794 |
| Premium earned during the year | (1,958,004) | 990,024 | (967,980) |
| Effect of movements in exchange rates | 12,125 | (4,389) | 7,736 |
| Balance at 31 December | 898,655 | (376,155) | 522,500 |
| Deferred acquisition costs: | | | |
| Balance at 1 January | 220,809 | (78,856) | 141,953 |
| Acquisition costs written | 440,816 | (227,835) | 212,981 |
| Acquisition costs earned | (439,125) | 209,377 | (229,748) |
| Effect of movements in exchange rates | 3,954 | (911) | 3,043 |
| Balance at 31 December | 226,454 | (98,225) | 128,229 |

## 10 Technical provisions continued

| 2018 | Gross provisions $000 | Reinsurance assets $000 | Net $000 |
|---|---|---|---|
| **Claims incurred:** | | | |
| Balance at 1 January | 2,519,918 | (1,147,293) | 1,372,625 |
| Over-provision in respect of prior claims and claim adjustment expenses | (390,991) | 149,422 | (241,569) |
| Expected cost of current year claims | 1,446,787 | (790,404) | 656,383 |
| Claims paid for claims settled in year | (820,564) | 363,091 | (457,473) |
| Effect of movements in exchange rates | (21,009) | 7,374 | (13,635) |
| Balance at 31 December | 2,734,141 | (1,417,810) | 1,316,331 |
| **Unearned premiums:** | | | |
| Balance at 1 January | 657,825 | (237,422) | 420,403 |
| Premium written during the year | 1,849,368 | (868,227) | 981,141 |
| Premium earned during the year | (1,692,968) | 793,684 | (899,284) |
| Effect of movements in exchange rates | (13,871) | 4,561 | (9,310) |
| Balance at 31 December | 800,354 | (307,404) | 492,950 |
| **Deferred acquisition costs:** | | | |
| Balance at 1 January | 186,404 | (62,865) | 123,539 |
| Acquisition costs written | 427,818 | (199,299) | 228,519 |
| Acquisition costs earned | (387,459) | 182,466 | (204,993) |
| Effect of movements in exchange rates | (5,954) | 842 | (5,112) |
| Balance at 31 December | 220,809 | (78,856) | 141,953 |

## 11 Debtors arising out of direct insurance operations

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Amounts due from intermediaries | | |
| Due within one year | **362,609** | 256,451 |
| Due after one year | **35,173** | 56,244 |
| | **397,782** | 312,695 |

## 12 Debtors arising out of reinsurance operations

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Amounts due from intermediaries | | |
| Reinsurance recoverable (due within one year) | **177,571** | 93,791 |
| Ceding insurers under reinsurance business (due within one year) | **227,008** | 162,648 |
| Ceding insurers under reinsurance business (due after one year) | **22,011** | 53,453 |
| | **426,590** | 309,892 |

## 13 Claims development tables

The claims development tables below have been calculated by converting estimated claims and cumulative payments in Canadian Dollars, Sterling and Euros to US Dollars at the closing rate of exchange at 31 December 2019. The table is produced on a year of account basis. Some business is not off risk after the first 12 months, therefore we would anticipate cumulative claims to increase in the second year as this business is earned.

| Pure underwriting year Gross of reinsurance | 2011 $000 | 2012 $000 | 2013 $000 | 2014 $000 | 2015 $000 | 2016 $000 | 2017 $000 | 2018 $000 | **2019 $000** |
|---|---|---|---|---|---|---|---|---|---|
| Estimate of cumulative claims: | | | | | | | | | |
| At end of underwriting year one | 581,039 | 544,537 | 363,820 | 394,213 | 401,486 | 502,133 | 1,131,437 | 981,281 | **1,084,526** |
| One year later | 753,199 | 636,826 | 520,527 | 536,536 | 599,810 | 920,801 | 1,396,717 | 1,662,220 | |
| Two years later | 738,698 | 573,478 | 434,719 | 522,851 | 597,099 | 851,056 | 1,467,980 | | |
| Three years later | 754,315 | 546,672 | 386,849 | 483,535 | 593,849 | 876,403 | | | |
| Four years later | 739,583 | 531,896 | 376,726 | 476,633 | 574,617 | | | | |
| Five years later | 725,052 | 521,869 | 361,129 | 480,799 | | | | | |
| Six years later | 694,308 | 513,356 | 354,394 | | | | | | |
| Seven years later | 680,711 | 508,822 | | | | | | | |
| Eight years later | 671,474 | | | | | | | | |
| Cumulative payments | (630,963) | (454,417) | (326,862) | (401,320) | (450,371) | (627,099) | (774,154) | (612,462) | **(61,769)** |
| Estimated balance to pay | 40,511 | 54,405 | 27,532 | 79,479 | 124,246 | 249,304 | 693,826 | 1,049,758 | **1,022,757** |
| Provision in respect of prior years | | | | | | | | | **151,325** |
| Total gross provision included in the balance sheet | | | | | | | | | **3,493,143** |

| Pure underwriting year Net of reinsurance | 2011 $000 | 2012 $000 | 2013 $000 | 2014 $000 | 2015 $000 | 2016 $000 | 2017 $000 | 2018 $000 | **2019 $000** |
|---|---|---|---|---|---|---|---|---|---|
| Estimate of cumulative claims: | | | | | | | | | |
| At end of underwriting year one | 412,778 | 330,488 | 277,887 | 288,557 | 287,573 | 294,705 | 349,781 | 372,557 | **390,836** |
| One year later | 508,496 | 433,387 | 424,062 | 416,899 | 456,709 | 592,602 | 498,129 | 667,295 | |
| Two years later | 488,902 | 398,478 | 356,762 | 406,152 | 470,796 | 552,778 | 526,409 | | |
| Three years later | 492,050 | 363,264 | 322,637 | 365,670 | 473,937 | 562,117 | | | |
| Four years later | 489,061 | 352,213 | 308,209 | 366,930 | 455,962 | | | | |
| Five years later | 482,783 | 349,370 | 298,381 | 375,826 | | | | | |
| Six years later | 465,204 | 350,886 | 291,981 | | | | | | |
| Seven years later | 454,611 | 346,682 | | | | | | | |
| Eight years later | 436,692 | | | | | | | | |
| Cumulative payments | (412,265) | (301,794) | (266,327) | (302,325) | (344,612) | (404,258) | (324,456) | (301,270) | **(41,093)** |
| Estimated balance to pay | 24,427 | 44,888 | 25,654 | 73,501 | 111,350 | 157,859 | 201,953 | 366,025 | **349,743** |
| Provision in respect of prior years | | | | | | | | | **112,637** |
| Total net provision included in the balance sheet | | | | | | | | | **1,468,037** |

## 14 Creditors arising out of reinsurance operations

| | **2019 $000** | 2018 $000 |
|---|---|---|
| Amounts due to intermediaries | | |
| Due within one year | **604,787** | 468,874 |
| Due after one year | **129,584** | 127,811 |
| | **734,371** | 596,685 |

## 15 Accruals and deferred income

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Profit commission | 2,809 | 23,217 |
| Deferred reinsurance commission | 98,225 | 78,856 |
| Accrued expenses | 62 | 674 |
| | 101,096 | 102,747 |

## 16 Related parties

### Related companies

Hiscox Syndicates Limited (HSL) manages Syndicate 33 as well as Syndicate 3624 which purchases some reinsurance from Syndicate 33 on an arm's-length basis. Syndicate 3624 also provides some reinsurance to Syndicate 33 on an arm's-length basis.

Syndicate 6104, also managed by HSL, is a limited tenancy capacity, Special Purpose Syndicate, that supports the underwriting of Syndicate 33 by providing reinsurance on an arm's-length basis for certain classes of catastrophe exposed reinsurance risks. Syndicate 33 receives an overriding commission and profit commission on the business ceded to Syndicate 6104.

HSL is a wholly owned indirect subsidiary of Hiscox Ltd which is incorporated in Bermuda and listed on the London Stock Exchange. HSL receives a fixed fee for each pure underwriting year. HSL also receives profit commission and profit related remuneration as detailed in note 7.

Hiscox Dedicated Corporate Member Limited, a wholly owned indirect subsidiary of Hiscox Ltd, is a corporate member which owns capacity in all pure underwriting years of Syndicate 33.

Hiscox Underwriting Group Services Limited, a wholly owned indirect subsidiary of Hiscox Ltd, is an employment service company which employs all UK-based staff engaged in Syndicate 33 activities including underwriters, claims handlers, reinsurance staff and administrative staff. Hiscox Underwriting Group Services Limited charges a fee for the provision of these staff to Syndicate 33 on a no profit/no loss basis.

Hiscox Insurance Company (Bermuda) Limited, a wholly owned direct subsidiary of Hiscox Ltd, is a Class 4 insurer in Bermuda authorised by the Bermuda Monetary Authority. It supplies some risk modelling services to HSL. Syndicate 33 purchases a significant amount of reinsurance from Hiscox Insurance Company (Bermuda) Limited; such reinsurances are on an arm's-length basis and are in the interests of all the Names on the Syndicate.

Hiscox Insurance Company (Guernsey) Limited, a wholly owned direct subsidiary of Hiscox Ltd, is a non-life insurance company authorised by the Guernsey Financial Services Commission which predominantly underwrites specialist personal lines business worldwide. It purchases some reinsurance from Syndicate 33; such reinsurances are on an arm's-length basis and are in the interests of all the Names on the Syndicate.

Hiscox Underwriting Ltd, a wholly owned indirect subsidiary of Hiscox Ltd, is an FCA authorised non-life insurance intermediary and Lloyd's Service Company. It places business with Syndicate 33. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox Underwriting Ltd.

Hiscox Agencies Limited, a wholly owned indirect subsidiary of Hiscox Ltd, is authorised non-life insurance intermediary and Lloyd's Service Company. It places business with Syndicate 33. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox Agencies Limited.

Hiscox Inc., a wholly owned indirect subsidiary of Hiscox Ltd incorporated in USA (Delaware), is a US authorised non-life insurance intermediary and Lloyd's Service Company. It places business with Syndicate 33. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox Inc..

## 16 Related parties continued

Hiscox Insurance Services Inc., a wholly owned indirect subsidiary of Hiscox Ltd, is a US authorised non-life insurance intermediary and Lloyd's Service Company. It places business with Syndicate 33. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox Insurance Services Inc..

Hiscox Assure SAS is a regulated French insurance intermediary subject to the supervision of the French Prudential Supervisory Authority ACPR (Autorité de contrôle prudentiel et de résolution) and Lloyd's Coverholder. Hiscox Assure SAS is duly authorised to conduct insurance intermediation activities in other Member States of the European Union and the European Economic Area. It places business with Syndicate 33. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox Assure SAS.

Hiscox MGA Ltd, a wholly owned indirect subsidiary of Hiscox Ltd, is an FCA authorised non-life insurance intermediary and Lloyd's Coverholder. It places business with Syndicate 33. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox MGA Ltd.

### Underwriting divisions

Hiscox Ltd and its subsidiaries organises its core underwriting activities into a number of underwriting divisions. Some of these divisions underwrite for multiple entities which are partly or wholly owned by Hiscox Ltd including Syndicate 33, and some also underwrite for entities not partly nor wholly owned by Hiscox Ltd. This integrated approach is aimed at maximising business opportunities by using combined knowledge to develop new products and markets. There are certain predetermined mechanisms for allocating certain types of insurance risks to these carriers which take into account the licences, business plans and reinsurance programmes of each carrier. These arrangements are structured to take full and proper account of the duties owed to the members of Syndicate 33 and to manage appropriately any potential conflicts of interest.

The following balance sheet amounts were outstanding at year-end with related parties:

| Balance sheet net assets and (liabilities) outstanding | 2019 $000 | 2018 $000 |
|---|---|---|
| Hiscox Syndicates Limited | (1,821) | (23,217) |
| Other HSL managed Syndicates | 131,193 | 26,941 |
| Hiscox Ltd subsidiaries (intermediary services) | 24,216 | 24,933 |
| Hiscox Ltd subsidiaries (insurance) | 343,846 | 218,166 |
| Hiscox Ltd subsidiaries (other) | (1,544) | (38,255) |

The following amounts reflected in the profit and loss were transacted with related parties:

| Net income and (expenses) reflected in the profit and loss | 2019 $000 | 2018 $000 |
|---|---|---|
| Hiscox Syndicates Limited | (12,145) | (34,846) |
| Other HSL managed Syndicates | 64,500 | 10,474 |
| Hiscox Ltd subsidiaries (intermediary services) | (21,091) | (12,781) |
| Hiscox Ltd subsidiaries (insurance) | 61,279 | 41,657 |
| Hiscox Ltd subsidiaries (other) | (113,235) | (114,782) |

Hiscox Syndicates Limited charged managing agent fees and profit commission to Syndicate 33 of $10.3 million (2018: $12.9 million) and nil (2018: $22.0 million) respectively.

Hiscox Underwriting Group Services Limited charges administrative services to the Syndicate on a no profit/no loss basis.

## 17 Syndicate structure

The managing agent of the Syndicate is Hiscox Syndicates Limited whose immediate parent undertaking is Hiscox Holdings Limited, a company registered in England and Wales. The ultimate parent undertaking of the largest and smallest group of companies for which Group accounts are drawn up is Hiscox Ltd, Bermuda. Copies of Hiscox Ltd financial statements can be obtained from Chesney House, 96 Pitts Bay Road, Pembroke HM 08, Bermuda.

## 18 Post balance sheet event

The United Kingdom ceased to be a member of the European Union on 31 January 2020 and a period of transition begins. The transition is a period agreed in the UK-EU Withdrawal Agreement in which the UK will no longer be a member of the EU but will continue to be subject to EU rules and remain a member of the single market and customs union. The transition period will apply until the end of December 2020 at least. We have not seen any material changes to the operational or regulatory environment since 31 January 2020.

Hiscox have implemented the Lloyd's Market solution of writing all new and renewal EEA business through Lloyd's Brussels since January 2019. Hiscox are currently implementing the Lloyd's Market solution for all legacy EEA business which is a Part VII of all legacy EEA business from Hiscox Syndicates to Lloyd's Brussels with an effective date of 29 October 2020. We expect to implement a solution that enables us to continue to write new EEA business and service our legacy EEA business.

# Hiscox Syndicate 33 underwriting year accounts

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43 Profit and loss account: non-technical account – general business
44 Balance sheet
45 Notes to the accounts
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# Report of the Directors of the managing agent
## Hiscox Syndicate 33 underwriting accounts

The Directors of the managing agent present their report at 31 December 2019.

This report comprises the cumulative result to 31 December 2019 for the closed 2017 account of Syndicate 33.

The syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, in accordance with the Lloyd's Syndicate Accounting Bylaw (No. 8 of 2005) and applicable accounting standards in the United Kingdom. The Syndicate continues to adopt the going concern basis in preparing the syndicate underwriting year accounts.

### Principal activity and review of the business

#### 2017 account

The 2017 account has closed with a result of 0.0% after all personal expenses (except members' agent's fees).

There was a release of $23.1 million from the closed years of 2016 and prior representing approximately 3.1% of RITC brought forward at constant exchange rates.

The 2017 account picked up almost all of the reinsurance loss from the 2017 hurricanes (Harvey, Irma, Maria) together with a share of direct property loss.

The Syndicate's capacity is £1,147.3 million ($1,537.4 million) and capacity utilisation was 74.9% when measured using the premium income monitoring rate of £1 = $1.34.

The 2017 account earned $35.9 million of investment income. The key driver of the investment return for the 2017 account is the performance of the investment portfolio in 2019 calendar year. The calendar year return was 3.1%.

#### 2018 account

In anticipation of improved market conditions and a desire to have sufficient capacity to participate in a widespread market turn, the Syndicate's capacity was increased 39%. In addition the aviation and portfolios accounts were transferred from Syndicate 3624 for the 2018 year of account. Premium income is forecast to increase by approximately 25% on 2017 when measured at constant foreign exchange rates. Growth was broad based, driven by property, casualty, reinsurance and the transfer of the portfolios account. The growth was lower than planned due to the fact the market did not harden as much as anticipated.

The 2018 account will pick up almost all of the reinsurance loss from the 2018 hurricanes (Florence, Michael), typhoons (Jebi, Trami) and Californian wildfire losses together with a share of the direct property loss from these events.

The Syndicate's capacity is £1,598.3 million ($2,077.7 million) and capacity utilisation was 69.3% when measured using the premium income monitoring rate of £1 = $1.30.

We are forecasting a result in the range -10% to 0%. There remains uncertainty around the ultimate loss the Syndicate will suffer from the 2018 catastrophe events.

#### 2019 account

The market did not harden as much or quickly as we anticipated in 2018 so we decided to reduce capacity by 12.5% from £1.6 billion to £1.4 billion in 2019. The product recall account was transferred from Syndicate 3624 for the 2019 year of account and the US property account was transferred from Syndicate 3624 to Hiscox MGA Limited which writes business on behalf of Syndicate 33. These changes better align capital base and management responsibility whilst simplifying the Syndicate's structure. Premium income is forecast to increase by approximately 9.0% on 2018 when measured at constant foreign exchange rates. Capacity utilisation is forecast to be 84.8% when measured using the premium income monitoring rate of £1 = $1.23. Growth in gross premium was driven across many classes with the largest increases in casualty insurance together with the addition of the product recall account.

The 2019 account will pick up almost all of the reinsurance loss from the 2019 hurricane (Dorian) and typhoons (Faxai and Hagibis) together with a share of the direct property loss on Hurricane Dorian.

We are forecasting a result in the range -7.5% to 2.5%. There remains uncertainty around the ultimate loss the Syndicate will suffer from the 2019 catastrophe events.

#### 2020 account and the future

For insurance classes in particular the rate rises we were expecting in 2018 post Harvey, Irma and Maria started to be achieved in 2019. In order to take advantage of these and to reflect the fact that premium volumes achieved in 2019 were more than those envisaged in the Syndicate business forecast, we increased the capacity for 2020 from £1.4 billion to £1.7 billion. These rate improvements are necessary after the extended soft market, however in some areas rates are still not reflective of the risk, and we will continue to grow selectively.

### Syndicate capacity and ownership

Syndicate capacity and ownership is disclosed in Syndicate 33 annual accounts.

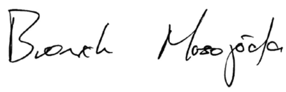
### Directors' interests

The Directors of the managing agent and their interests are disclosed in Syndicate 33 annual accounts.

### Disclosure of information to the auditors

The Directors who held office at the date of approval of this managing agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

By order of the Board



B E Masojada
Chief Executive
5 March 2020

# Statement of managing agent's responsibilities
## Hiscox Syndicate 33 underwriting accounts

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In preparing the syndicate underwriting year accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the Syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same Syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Syndicate and enable it to ensure that the syndicate underwriting year accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of syndicate underwriting year accounts may differ from legislation in other jurisdictions.

# Independent auditors' report
## To the members of Syndicate 33
## 2017 closed year of account

### Report on the audit of the syndicate underwriting year accounts

#### Opinion
In our opinion, Syndicate 33's syndicate underwriting year accounts for the 2017 year of account for the three years ended 31 December 2019 (the 'syndicate underwriting year accounts'):
- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2019 and of its loss for the 2017 closed year of account;
- have been properly prepared in accordance with United Kingdom Accounting Standards comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the syndicate underwriting year accounts included within the Hiscox Syndicates 33 and 6104 Report and Accounts 2019 (the 'Annual Report'), which comprise: the balance sheet at 31 December 2019, the profit and loss account: technical account – general business, the profit and loss account: non-technical account – general business for the three years then ended, and the notes to the syndicate annual accounts, which include a summary of the significant accounting policies other explanatory information.

#### Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the *auditors' responsibilities for the audit of the syndicate underwriting year accounts* 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 remained independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Emphasis of matter – basis of preparation
In forming our opinion on the syndicate underwriting year accounts, which is not modified, we draw attention to note 1 of the syndicate underwriting year accounts, which describes the basis of preparation. In particular, as these financial statements relate to a closed underwriting year of account, matters relating to going concern are not relevant to these financial statements. The syndicate underwriting year accounts are prepared in accordance with a special purpose framework for the specific purpose as described in the Use of this report paragraph below. As a result, the syndicate underwriting year accounts may not be suitable for another purpose.

#### Reporting on other information
The other information comprises all of the information in the Annual Report other than the syndicate underwriting year accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate underwriting year accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate underwriting year accounts or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the report of the Directors of the managing agent, we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Report of the Directors of the managing agent*
In our opinion, based on the work undertaken in the course of the audit, the information given in the report of the Directors of the managing agent for the year ended 31 December 2019 is consistent with the syndicate underwriting year accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the report of the Directors of the managing agent.

# Independent auditors' report continued

## To the members of Syndicate 33 2017 closed year of account

### Responsibilities for the syndicate underwriting year accounts and the audit

*Responsibilities of the managing agent for the syndicate underwriting year accounts*
As explained more fully in the statement of managing agent's responsibilities set out on page 39, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2017 closed year of account. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibilities for the audit of the syndicate underwriting year accounts*
Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (UK) 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 syndicate underwriting year accounts.

A further description of our responsibilities for the audit of the syndicate underwriting year accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.
This description forms part of our auditors' report.

*Use of this report*
This report, including the opinion, has been prepared for and only for the Syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the managing agent in respect of the Syndicate; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 March 2020

# Profit and loss account: technical account – general business
## For the 36 months ended 31 December 2019
## Hiscox Syndicate 33 underwriting accounts

| | Notes | $000 |
|---|---|---|
| Syndicate allocated capacity | | 1,519,389 |
| **Earned premiums, net of reinsurance** | | |
| Gross premiums written | | 1,497,384 |
| Outward reinsurance premiums | | (744,595) |
| **Earned premiums, net of reinsurance** | | 752,789 |
| **Reinsurance to close premium received, net of reinsurance** | 3 | 757,184 |
| | | 1,509,973 |
| **Allocated investment return transferred from the non-technical account** | | 34,870 |
| **Claims incurred, net of reinsurance** | | |
| Claims paid: | | |
| Gross amount | | (992,699) |
| Reinsurers' share | | 515,433 |
| Net claims paid | | (477,266) |
| Change in provision for claims: | | |
| Gross amount | | (1,419,593) |
| Reinsurers' share | | 669,108 |
| Change in the net provision for claims | | (750,485) |
| Claims incurred, net of reinsurance | | (1,227,751) |
| **Net operating expenses** | 7 | (321,223) |
| **Balance on the technical account for general business** | | (4,131) |

The notes on pages 45 to 47 form an integral part of these underwriting year accounts.

# Profit and loss account: non-technical account – general business
## For the 36 months ended 31 December 2019
## Hiscox Syndicate 33 underwriting accounts

| | Notes | $000 |
|---|---|---|
| Balance on the technical account for general business | | (4,131) |
| Investment income | 6 | 35,605 |
| Unrealised gains on investments | | 7,498 |
| Investment expenses and charges | 6 | (8,233) |
| Allocated investment return transferred to the general business technical account | | (34,870) |
| Foreign exchange gains | | 4,190 |
| Profit for the 2017 closed year of account | | 59 |
| Members' agents' fees advances | | (2,636) |
| Amounts due from members as at 31 December 2019 | | (2,577) |

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts, therefore no statement of other comprehensive income has been presented.

The notes on pages 45 to 47 form an integral part of these underwriting year accounts.

# Balance sheet
## 2017 account at 31 December 2019
## Hiscox Syndicate 33 underwriting accounts

| Assets | Notes | 2017 year of account $000 |
|---|---|---|
| **Investments** | | |
| Financial investments | 8 | 749,546 |
| | | |
| Reinsurance recoveries anticipated on gross reinsurance to close premium payable | 3 | 668,358 |
| | | |
| **Debtors** | | |
| Debtors arising out of direct insurance operations | 9 | 1,022 |
| Debtors arising out of reinsurance operations | 10 | 157,381 |
| Other debtors | | 5,342 |
| | | |
| **Other assets** | | |
| Cash at bank and in hand | | 63,420 |
| | | |
| **Prepayments and accrued income** | | |
| Accrued income | | 3,941 |
| **Total assets** | | 1,649,010 |
| **Liabilities** | | |
| **Capital and reserves** | | |
| Member's balances | | 2,577 |
| | | |
| Reinsurance to close premium payable – gross amount | 3 | (1,420,627) |
| | | |
| **Creditors** | | |
| Creditors arising out of direct insurance operations | | (15,202) |
| Creditors arising out of reinsurance operations | 11 | (173,954) |
| Other creditors | 12 | (39,010) |
| | | (228,166) |
| Accruals and deferred income | | (2,794) |
| **Total liabilities** | | (1,649,010) |

The notes on pages 45 to 47 form an integral part of these underwriting year accounts.

The underwriting year accounts were approved by the Board of Hiscox Syndicates Limited on 5 March 2020 and were signed on its behalf by

B E Masojada
Chief Executive

# Notes to the accounts
## At 31 December 2019
## Hiscox Syndicate 33 underwriting year accounts

### 1 Basis of preparation
These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102 'The Financial Reporting Standard' applicable in the United Kingdom and the Republic of Ireland (FRS 102) as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2017 year of account which has been closed by reinsurance to close at 31 December 2019. Consequently the balance sheet represents the assets and liabilities of the 2017 year of account at the date of closure. The underwriting account reflects the transactions for that year of account during the three-year period until closure. These accounts cover the three years from the date of inception of the 2017 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

### 2 Accounting policies
The following accounting policies have been applied consistently from 1 January 2016 in dealing with items which are considered material in relation to the syndicate underwriting year accounts.

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three-year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

The accounting policies adopted are the same as those disclosed in Syndicate 33 annual accounts with the exception of:

#### 2(d) Claims
Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all prior years of account reinsured therein.

The reinsurance to close contract transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year and prior years to the Names on the next open year in so far as they have not been provided for in these accounts. It gives the Names on the next open year the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

#### 2(g) Investment income
The returns on financial investments arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

#### 2(h) Foreign currencies
The functional currency of the Syndicate is US Dollars at the closure of the year of account. For calendar years which had a functional currency of Sterling, non-Sterling revenues and costs have been converted to the functional currency at rates of exchange ruling at the date of the transaction, the conversion into US Dollars is performed at the average rate for the calendar year. For calendar years which had a functional currency of US Dollars, non-US Dollar revenues and costs have been converted to the functional currency at rates of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at the year-end rates of exchange. For the purpose of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

All differences arising on translation of foreign currency amounts into the functional currency and all translation of functional currency to presentational currency is included in foreign exchange gains or losses in the non-technical profit and loss account.

#### 2(q) Operating expenses
Syndicate operating expenses are allocated to the year of account for which they are incurred. Where expenses are incurred on behalf of the Syndicate, by an agency company, these expenses are apportioned to the Syndicate using varying methods depending on the amount of work performed, resources used and the volume of business transacted, for that type of expense.

#### 2(s) Functional currency
The functional currency of the Syndicate changed from Sterling to US Dollars on 1 January 2018. The change in functional currency has been accounted for prospectively and all foreign currency gains and losses on translation have presented in the non-technical account.

## 3 Reinsurance premium to close the 2017 and prior years of account

| | Reported $000 | IBNR $000 | Total $000 |
|---|---|---|---|
| **Reinsurance to close premium received** | | | |
| Gross reinsurance to close premium received | 529,596 | 457,211 | 986,807 |
| Reinsurance recoveries anticipated | (114,576) | (115,047) | (229,623) |
| Reinsurance to close premium receivable, net of reinsurance | 415,020 | 342,164 | 757,184 |
| **Reinsurance to close premium payable** | | | |
| Gross reinsurance to close premium payable | 682,093 | 738,534 | 1,420,627 |
| Reinsurance recoveries anticipated | (248,593) | (419,765) | (668,358) |
| Reinsurance to close premium payable, net of reinsurance | 433,500 | 318,769 | 752,269 |

The reinsurance to close has been assumed by the following year of account of the Syndicate.

## 4 Analysis of underwriting result

| | 2016 and prior $000 | 2017 $000 | Total $000 |
|---|---|---|---|
| Technical account balance before allocated investment return and net operating expenses | 26,765 | 255,457 | 282,222 |
| Brokerage and commission on gross premium | 970 | (342,480) | (341,510) |
| Total | 27,735 | (87,023) | (59,288) |

## 5 Segmental analysis

| | Gross premiums written $000 | Gross premiums earned $000 | Gross claims incurred $000 | Net operating expenses $000 | Reinsurance balance $000 | Underwriting profit/(loss) $000 |
|---|---|---|---|---|---|---|
| Accident and health | 48,711 | 48,711 | (33,210) | (19,915) | (593) | (5,007) |
| Motor – third-party liability | 829 | 829 | (818) | (268) | (5) | (262) |
| Motor – other classes | 1,915 | 1,915 | (2,076) | (721) | 726 | (156) |
| Marine aviation and transport | 153,609 | 153,609 | (60,936) | (51,526) | (12,984) | 28,163 |
| Fire and other damage to property | 590,463 | 590,463 | (494,429) | (122,026) | 30,354 | 4,362 |
| Third-party liability | 196,360 | 196,360 | (229,399) | (52,724) | 36,081 | (49,682) |
| Credit and suretyship | 63,226 | 63,226 | (33,540) | (32,245) | 15,462 | 12,903 |
| Reinsurance | 442,271 | 442,271 | (571,077) | (41,798) | 141,282 | (29,322) |
| Reinsurance to close | 986,807 | 986,807 | (986,807) | – | – | – |
| Total | 2,484,191 | 2,484,191 | (2,412,292) | (321,223) | 210,323 | (39,001) |

## 6 Investment return

| | 2017 year of account $000 |
|---|---|
| **Investment income** | |
| Interest income on financial assets | 30,800 |
| Gains on realisation of investments | 4,805 |
| Total investment income | 35,605 |
| **Investment expenses and charges** | |
| Investment management expenses | (2,104) |
| Losses on realisation of investments | (6,129) |
| Total investment expenses and charges | (8,233) |

Investment return for the 2017 year of account is recognised in the 2017, 2018 and 2019 calendar years. The investment income and yield for these calendar years is disclosed in the investment return notes in each of the respective syndicate annual accounts.

## 7 Net operating expenses

The cumulative Syndicate expenses charged in the 2017 underwriting account were made up as follows:

| | 2017 year of account $000 |
|---|---|
| Brokerage and commissions | 341,510 |
| Other acquisition costs | 35,825 |
| Members' standard personal expenses | 20,065 |
| Administrative expenses | 85,918 |
| Auditors' remuneration | 438 |
| Reinsurers' commissions and profit participations | (162,533) |
| Total | 321,223 |

Profit commission is charged by the managing agent at a standard rate of 12.5%. This calculation is subject to the operation of a two-year deficit clause. An additional 2.5% profit commission has been charged as the target level of profit has been achieved over a rolling seven-year period. Where profit commission is charged, it is included within members' standard personal expenses within net operating expenses.

Profit related remuneration, which comprises a 5% charge on the profit of six major business areas, is included within administrative expenses.

## 8 Financial investments

| | Fair value $000 | Cost $000 |
|---|---|---|
| Debt securities and other fixed income securities | 749,545 | 764,346 |
| Derivative financial assets | 1 | – |
| Derivative financial liabilities | (1) | – |

All financial investments were carried at fair value through profit or loss. No financial assets were classified as 'held for trading' under FRS 102.

Other financial assets under FRS 102 are cash at bank and in hand, direct insurance and reinsurance debtors, other debtors and accrued income, which are classified as loans and receivables.

## 9 Debtors arising out of direct insurance operations

| | $000 |
|---|---|
| Amounts due from intermediaries | 1,022 |

## 10 Debtors arising out of reinsurance operations

| | $000 |
|---|---|
| Amounts due from intermediaries | 157,381 |

## 11 Creditors arising out of reinsurance operations

| | $000 |
|---|---|
| Amounts due to intermediaries | (173,954) |

## 12 Other creditors

| | $000 |
|---|---|
| Amounts owed to fellow subsidiary of managing agent | 35,501 |
| Derivative financial liability | 1 |
| Other | 3,508 |
| Total | 39,010 |

# Seven-year summary
## Hiscox Syndicate 33 underwriting accounts

| Year of account | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|
| Syndicate allocated capacity in £000 | 899,365 | 948,840 | 949,491 | 999,841 | 999,359 | 998,840 | **1,147,315** |
| Syndicate allocated capacity in $000 | 1,145,521 | 1,208,538 | 1,209,367 | 1,273,497 | 1,272,884 | 1,272,223 | **1,519,389** |
| Number of underwriting members | 1,440 | 1,505 | 1,523 | 1,532 | 1,525 | 1,562 | **1,546** |
| Net premiums net of brokerage in $000 | 462,608 | 537,599 | 492,642 | 465,182 | 494,464 | 558,825 | **411,279** |
| Capacity utilised (%) | 59 | 72 | 69 | 64 | 69 | 90 | **76** |
| Net capacity utilised (%) | 40 | 44 | 41 | 37 | 39 | 44 | **27** |

| Results for an illustrative share of £10,000 | 2011 $000 | 2012 $000 | 2013 $000 | 2014 $000 | 2015 $000 | 2016 $000 | 2017 $000 |
|---|---|---|---|---|---|---|---|
| Gross premiums | 10,950 | 11,496 | 11,082 | 10,390 | 11,365 | 14,867 | **13,051** |
| Net premiums | 7,358 | 7,956 | 7,491 | 6,868 | 7,557 | 8,978 | **6,561** |
| Reinsurance to close from an earlier account | 8,955 | 7,733 | 7,901 | 7,194 | 8,334 | 7,695 | **6,600** |
| Net claims paid | (4,528) | (2,908) | (3,115) | (2,936) | (3,629) | (4,894) | **(4,160)** |
| Reinsurance to close | (8,208) | (7,692) | (7,284) | (6,705) | (7,398) | (7,649) | **(6,541)** |
| (Loss)/profit on exchange | (108) | 47 | 31 | 522 | 359 | (105) | **37** |
| Syndicate operating expenses | (2,350) | (2,694) | (2,437) | (2,470) | (2,619) | (2,930) | **(2,625)** |
| Names personal expenses | (343) | (521) | (549) | (543) | (563) | (368) | **(175)** |
| Balance on technical account before investment return | 776 | 1,921 | 2,038 | 1,930 | 2,041 | 727 | **(303)** |
| Investment return | 223 | 214 | 152 | 236 | 228 | 227 | **304** |
| Profit before members' agent's fees | 999 | 2,135 | 2,190 | 2,166 | 2,269 | 954 | **1** |
| Profit before members' agent's fees £000 | 785 | 1,676 | 1,718 | 1,701 | 1,782 | 749 | **1** |

Notes to the seven-year summary
1. The seven-year summary has been prepared from the audited accounts of the Syndicate.
2. Personal expenses have been stated at the amount which would be incurred pro-rata by Names writing the illustrative premium income in the Syndicate, irrespective of any minimum charge applicable. Personal expenses include managing agent fees, central fund contributions, Lloyd's subscriptions and profit commissions. These figures exclude members' agents' fees.
3. 'Capacity utilised' represents gross premiums as a percentage of the allocated capacity. 'Net capacity utilised' represents net premiums as a percentage of the allocated capacity. For these calculations, gross and net premiums are net of brokerage.
4. Profit commission has been calculated in accordance with the applicable Agency Agreements.
5. Premium figures and Syndicate operating expenses are gross of brokerage.
6. All years of account are presented using transactional rates of exchange, the functional and presentation currency of the underwriting year accounts changed from 1 January 2018, all years of account where the underwriting accounts have been presented in Sterling have been translated at the closing rate prevailing at 31 December 2018.

# Hiscox Syndicate 6104 annual accounts

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# Report of the Directors of the managing agent
## Hiscox Syndicate 6104 annual accounts

The Directors of the managing agent present their report for Syndicate 6104 for the year ended 31 December 2019.

This Annual Report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 2008 Regulations). The Syndicate continues to adopt the going concern basis in preparing the syndicate annual accounts.

Separate underwriting year accounts for the closed 2017 account of Syndicate 6104 are included following these annual accounts.

### Results

The result for Syndicate 6104 in calendar year 2019 is a loss of $64.9 million (2018: $27.6 million loss). The Syndicate's key financial performance indicators during the year were as follows:

| | 2019 $m | 2018 (restated)* $m | % change |
|---|---|---|---|
| Gross premiums written | 59.5 | 47.6 | 25.0 |
| Gross premiums earned | 57.0 | 48.8 | 16.8 |
| Net premiums earned | 56.1 | 47.9 | 17.1 |
| Profit for the financial year | (64.9) | (27.6) | 135.1 |
| Claims ratio (%) | 195 | 129 | 66 |
| Commission ratio (%) | 21 | 21 | – |
| Expense ratio (%) | 1 | 1 | – |
| Combined ratio (%) | 217 | 151 | 66 |

*See note 14.

### Principal activity

The principal activity of Syndicate 6104 is the transaction of reinsurance business in the United Kingdom at Lloyd's of London.

The Syndicate has the following underwriting capacity:

| Years of account | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| Capacity (£m) | 72.1 | 64.9 | 55.5 | 54.5 | 55.8 | 55.0 | 44.5 |
| Capacity ($m)* | 73.9 | 95.5 | 72.8 | 85.9 | 58.9 | 73.5 | 72.2 |

*Converted at the closing rate at 31 December 2019.

None of the capacity of the Syndicate is provided by the Hiscox Group.

Syndicate 6104 trades through the Lloyd's worldwide licences and rating. It also benefits from the Lloyd's brand. Lloyd's has an A (Excellent) rating from A.M. Best, A+ (Strong) rating from S&P and AA- (Very strong) from Fitch. The geographical and currency split of its business is shown below:

| Geographical split of gross premiums written (%) | 2019 | 2018 |
|---|---|---|
| UK | – | – |
| Europe | 1 | 1 |
| North America | 64 | 63 |
| Asia | – | 1 |
| Rest of the world | 35 | 35 |

| Gross premiums written settlement currency (%) | 2019 | 2018 |
|---|---|---|
| Sterling | 21 | 19 |
| Euro | 4 | 8 |
| US Dollar | 73 | 70 |
| Canadian Dollar | 2 | 3 |

# Report of the Directors of the managing agent continued
## Hiscox Syndicate 6104 annual accounts

### Review of the business
Special Purpose Syndicate 6104 (Syndicate 6104) was established for the 2008 year of account to provide quota share reinsurance to Syndicate 33's excess of loss property catastrophe reinsurance account.

Syndicate 6104 pays a fee and profit commission to Syndicate 33 for the business ceded. In addition HSL charges a fee of 0.5% of capacity to Syndicate 6104 from which it must meet all of its Syndicate expenses.

The Syndicate operates like a normal syndicate in that upon closure of the account at 36 months the assets and liabilities are transferred to the next year of account through the RITC process. There are however certain differences, the most significant of which is that the capacity, which is all provided by third-party capital providers, operates on a limited tenancy basis. Syndicate 6104 only writes one contract per year, a reinsurance of Syndicate 33. This contract operates on a funds withheld basis with Syndicate 6104 credited interest on the balance owing by Syndicate 33.

The portfolio is underwritten by the Syndicate 33 reinsurance underwriting team and includes exposures from all territories around the world. Due to the nature of the business the Syndicate is likely to produce a volatile operating performance. A small amount of very high level attachment US windstorm and US earthquake industry loss warranty retrocession protection was purchased with the intention of bringing the US windstorm and US earthquake net realistic disaster scenario (RDS) percentages in line with those of the other main exposures.

Premium income increased from $47.6 million in 2018 to $59.5 million in 2019 as a result of significant rate increases on California wildfire exposed business and additional cession of the Syndicate 33 specialty treaty cyber account. The cession from Syndicate 33 remained constant at 28% between the two years.

The Syndicate made a loss of $64.9 million as a result of catastrophe activity in the year. The impact of Hurricane Dorian and typhoons Faxai and Hagibis was $71.6 million gross and net before inwards reinstatements. The prior year result has been restated for two claims totalling $13.2 million which were not recorded at 31 December 2018 due to errors in the specific claim calculation process (note 14).

### Capital
One of the main advantages of trading through Lloyd's is the considerably lower capital ratios that are available in Lloyd's as a whole. The size of the Syndicate is increased or reduced according to the strength of the insurance environment in its main classes.

Solvency II became effective 1 January 2016 and for the 2017 year of account the HSL internal capital model has been used to set the Syndicate's capital. Syndicate capital is determined through the submission and agreement by Lloyd's of an ultimate Solvency Capital Requirement (SCR) which is subject to an uplift determined by the Franchise Board to calibrate the capital required by Lloyd's.

Lloyd's unique capital structure provides excellent financial security to policyholders and capital efficiency for members. This chain of security provides the financial strength that ultimately backs insurance policies written at Lloyd's and has three links:

1. all premiums received by syndicates are held in trust as the first resource for paying policyholders' claims;
2. every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities. They are set with reference to the SCR together with the Lloyd's uplift. Since FAL is not under the control of the managing agent, no amount has been shown in the financial statements. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses;
3. the central assets are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met from the resources of any member further up the chain.

Lloyd's also retains the right to request a callable contribution equal to 3% of capacity from the Syndicate.

Syndicate 6104 operates on a funds-withheld basis. A significant loss event could place a strain on Syndicate 33's cash flows. Consequently, we put names on notice that, in these circumstances, we may need to make a cash call, at some time in the future.

### Principal risks and uncertainties
A description of the principal risks and uncertainties facing the Syndicate is set out in the annual accounts of Syndicate 33 (note 4).

### Directors' interests
The Directors of the managing agent and their interests are disclosed in Syndicate 33 annual accounts.

### Disclosure of information to the auditors
The Directors of the managing agent who held office at the date of approval of this managing agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

# Report of the Directors of the managing agent continued
## Hiscox Syndicate 6104 annual accounts

### Annual General Meeting
Usually the only formal business conducted at the Syndicate Annual General Meeting (AGM) is the appointment of the Syndicate auditor for the following year, and usually the attendance at the AGM, when it is held, is minimal.

In accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 a Syndicate AGM was held in 2015 to appoint PricewaterhouseCoopers LLP (PwC) as the Syndicates' registered auditor. The 2008 Regulations allow managing agents to dispense with the requirement to hold a Syndicate AGM and contain provisions for the reappointment of the auditor providing certain criteria are met.

This year, we therefore give notice that:
- Hiscox Syndicates Limited does not propose to hold an AGM of the members of Syndicates 33 and 6104 in 2020;
- we propose that PwC are re-appointed as the Syndicates' registered auditor for the period of one year from the date of this Annual Report;
- members may object to the matters set out above within 21 days of this notice.

If no objections to this are received from any members within the specified period, we shall notify Lloyd's to that effect.

If any objections are received, depending on the level or nature of such objections, we shall then consider whether to:
- apply for Lloyd's consent not to hold an AGM. Lloyd's may give its consent subject to any such conditions and requirements as it may determine; or
- convene an AGM.

By order of the Board

B E Masojada
Chief Executive
5 March 2020

# Statement of managing agent's responsibilities
## Hiscox Syndicate 6104 annual accounts

The managing agent is responsible for preparing the Syndicate Annual Report and Accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice). The syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate at that date and of its profit or loss for that year.

In preparing those syndicate annual accounts, the managing agent is required to:
- select suitable accounting policies and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate annual accounts; and
- prepare the syndicate annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume the Syndicate will do so.

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Syndicate and enable it to ensure that the syndicate annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of the syndicate annual accounts may differ from legislation in other jurisdictions.

# Independent auditors' report
## To the members of Syndicate 6104

### Report on the syndicate annual accounts

#### Opinion

In our opinion, Syndicate 6104's syndicate annual accounts (the 'syndicate annual accounts'):

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Hiscox Syndicates 33 and 6104 Report and Accounts 2019 (the Annual Report), which comprise: the balance sheet – assets and the balance sheet – liabilities as at 31 December 2019, the profit and loss account: technical account – general business, the profit and loss account: non-technical account – general business, the statement of changes in members' balance, and the statement of cash flows for the year then ended, and the notes to the syndicate annual accounts, which include a description of the significant accounting policies and other explanatory information.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the *auditors' responsibilities for the audit of the syndicate annual accounts* 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 remained independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the Syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the syndicate annual accounts are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Syndicate's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the syndicate's business and the wider economy.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the report of the Directors of the managing agent, we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Report of the Directors of the managing agent*

In our opinion, based on the work undertaken in the course of the audit, the information given in the report of the Directors of the managing agent for the year ended 31 December 2019 is consistent with the syndicate annual accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

# Independent auditors' report continued
## To the members of Syndicate 6104

In light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the report of the Directors of the managing agent.

### Responsibilities for the syndicate annual accounts and the audit

*Responsibilities of the managing agent for the syndicate annual accounts*

As explained more fully in the statement of managing agent's responsibilities set out on page 53, the managing agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the Syndicate'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 it is intended for the Syndicate to cease operations, or it has no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the syndicate annual accounts*

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (UK) 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 syndicate annual accounts.

A further description of our responsibilities for the audit of the syndicate annual accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

*Use of this report*

This report, including the opinions, has been prepared for and only for the Syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

**Other matters on which we are required to report by exception**

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the managing agent in respect of the Syndicate; or
- certain disclosures of managing agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 March 2020

# Profit and loss account: technical account – general business
## Year ended 31 December 2019
## Hiscox Syndicate 6104 annual accounts

| | Notes | 2019 $000 | 2018 (restated)* $000 |
|---|---|---|---|
| **Earned premiums, net of reinsurance** | | | |
| Gross premiums written | | 59,491 | 47,597 |
| Outward reinsurance premiums | | (876) | (833) |
| Net premiums written | | 58,615 | 46,764 |
| Change in the provision for unearned premiums: | | | |
| Gross amount | | (2,515) | 1,159 |
| Reinsurers' share | | – | – |
| Change in the net provision for unearned premiums | | (2,515) | 1,159 |
| Earned premiums, net of reinsurance | | 56,100 | 47,923 |
| Allocated investment return transferred from the non-technical account | | 1,327 | 865 |
| **Claims incurred, net of reinsurance** | | | |
| Claims paid: | | | |
| Gross amount | | (8,352) | 2,540 |
| Reinsurers' share | | – | – |
| Net claims paid | | (8,352) | 2,540 |
| Change in the provision for claims: | | | |
| Gross amount | | (101,289) | (68,043) |
| Reinsurers' share | | – | – |
| Change in the net provision for claims | | (101,289) | (68,043) |
| Claims incurred, net of reinsurance | | (109,641) | (65,503) |
| Net operating expenses | 6, 7 | (12,004) | (10,303) |
| **Balance on the technical account for general business** | | (64,218) | (27,018) |

*See note 14.

The notes on pages 62 to 67 form an integral part of these annual accounts.

# Profit and loss account: non-technical account – general business
## Year ended 31 December 2019
## Hiscox Syndicate 6104 annual accounts

| | Notes | 2019 $000 | 2018 (restated)* $000 |
|---|---|---|---|
| Balance on the technical account for general business | | (64,218) | (27,018) |
| Investment income | | 1,327 | 865 |
| Allocated investment return transferred to the general business technical account | | (1,327) | (865) |
| Foreign exchange (losses) | | (635) | (534) |
| (Loss) for the financial year | | (64,853) | (27,552) |

*See note 14.

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts, therefore no statement of other comprehensive income has been presented.

The notes on pages 62 to 67 form an integral part of these annual accounts.

# Balance sheet – assets
## At 31 December 2019
## Hiscox Syndicate 6104 annual accounts

| | Notes | 2019 $000 | 2018 $000 |
|---|---|---|---|
| **Debtors** | | | |
| Debtors arising out of reinsurance operations | 9 | 125,609 | 113,814 |
| Other debtors | | – | 724 |
| | | 125,609 | 114,538 |
| **Prepayments and accrued income** | | | |
| Deferred acquisition costs | 8 | 2,788 | 2,207 |
| **Total assets** | | 128,397 | 116,745 |

The notes on pages 62 to 67 form an integral part of these annual accounts.

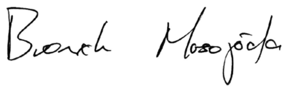
# Balance sheet – liabilities
## At 31 December 2019
## Hiscox Syndicate 6104 annual accounts

| | Notes | 2019 $000 | 2018 (restated)* $000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Members' balances | | (131,193) | (46,134) |
| **Technical provisions** | | | |
| Provision for unearned premium | 8 | 13,086 | 10,284 |
| Claims outstanding | 8, 10 | 242,327 | 139,629 |
| | | 255,413 | 149,913 |
| **Creditors** | | | |
| Creditors arising out of reinsurance operations | 11 | 3,662 | 6,088 |
| Other creditors | | 515 | 6,878 |
| | | 4,177 | 12,966 |
| **Total liabilities** | | 128,397 | 116,745 |

*See note 14.

The notes on pages 62 to 67 form an integral part of these annual accounts.

The annual accounts on pages 50 to 61 were approved by the Board of Hiscox Syndicates Limited on 5 March 2020 and were signed on its behalf by



B E Masojada
Chief Executive

# Statement of changes in members' balances
## Year ended 31 December 2019
## Hiscox Syndicate 6104 annual accounts

| | 2019 $000 | 2018 (restated)* $000 |
|---|---|---|
| Members' balances brought forward at 1 January | (46,134) | 18,325 |
| Total recognised gains and losses for the year | (64,853) | (27,552) |
| Payments of profit to members' personal reserve funds | (19,879) | (30,939) |
| Members' agent fees | (327) | (303) |
| Additional distribution in relation to 2014 and 2015 years of account | – | (5,665) |
| Members' balances carried forward at 31 December | (131,193) | (46,134) |

*See note 14.

Members participate on Syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

# Statement of cash flows
## Year ended 31 December 2019
## Hiscox Syndicate 6104 annual accounts

| | 2019 $000 | 2018 (restated)* $000 |
|---|---|---|
| **Net cash flows from operating activities** | | |
| Loss for the year | (64,853) | (27,552) |
| Increase in gross technical provisions | 105,500 | 65,426 |
| (Increase)/decrease in reinsurers' share of gross technical provisions | – | – |
| Increase in debtors | (11,795) | (5,185) |
| Decrease in creditors | (2,426) | (1,425) |
| Movement in other assets/liabilities | (6,220) | 5,643 |
| Investment return | 1,327 | 865 |
| Other | (1,327) | (865) |
| **Net cash inflows from operating activities** | 20,206 | 36,907 |
| **Net cash flows from investing activities** | | |
| Purchase of equity and debt instruments | – | – |
| Sale of equity and debt instruments | – | – |
| Investment income received | – | – |
| Foreign exchange | – | – |
| **Net cash flows from financing activities** | | |
| Distribution of profits | (20,206) | (36,907) |
| **Net increase in cash and cash equivalents** | – | – |
| Cash and cash equivalents at the beginning of the year | – | – |
| **Cash and cash equivalents at the end of the year** | – | – |

*See note 14.

# Notes to the accounts
## Year ended 31 December 2019
## Hiscox Syndicate 6104 annual accounts

### 1 Basis of preparation and critical accounting policies
The basis of preparation of these accounts is the same as disclosed for Syndicate 33.

These annual accounts are presented in US Dollars, which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. Some disclosure items, for example, Syndicate capacity are presented in Sterling as it is denominated in this currency, US Dollar amounts are converted at the closing rate at 31 December 2019. The functional currency of the Syndicate is US Dollars. This is as a result of the managing agent, Hiscox Syndicates Limited, having a functional currency of US Dollars.

### 2 Accounting policies
The principal accounting policies adopted are the same as those disclosed for Syndicate 33.

Accounting policies not applied by Syndicate 6104:

#### 2(j) Pension costs
Syndicate 6104 is not recharged for any pension costs.

Additional accounting policies applied by Syndicate 6104:

#### 2(r) Funds withheld
Underlying premiums and claims are settled by Syndicate 33 with policy holders as they fall due. Within Syndicate 6104 these are accounted for on a funds-withheld basis.

Debtors and creditors arising between Syndicate 6104 and Syndicate 33 are not settled until the year of account has closed. Up to that time the balances are shown separately. Claims outstanding are also settled when the year of account closes. Other non-technical transactions are settled when the year of account closes.

Interest is calculated on the daily paid cash fund experience balance, held by Syndicate 33 on behalf of the Syndicate. Interest on each currency balance is credited at the same yield earned by Syndicate 33 in the period for each currency.

### 3 Judgements and key sources of estimation uncertainty
The judgements and key sources of estimation uncertainty are the same as those disclosed for Syndicate 33. With the exception of:

#### 3(b) Premium recognition
The gross written premium is initially based on estimated premium income (EPI) of each contract. EPI estimates are based on information provided by the brokers, past underwriting experience and the contractual terms of the policy. The EPI estimates are reviewed on a regular basis. As the year of account closes premiums are adjusted to match the actual signed premium. Premiums are earned on a straight-line basis over the life of each contract. At a portfolio level this is considered to provide a reasonable estimate for the full year of the pattern of risk over the coverage period.

Gross written premium includes an estimation for reinstatement premiums which is determined based on incurred losses held in the technical provisions.

#### 3(c) Fair value of financial investments
The Syndicate does not hold any investments.

### 4 Management of risk
Syndicate 6104 accepts all business under a quota-share reinsurance arrangement with Syndicate 33, which is operated on a funds-withheld basis in which funds are only received by the Syndicate when Syndicate 33 makes a distribution, typically on closure of the year of account. Consequently the majority of the principal risks applying to Syndicate 6104 are managed within Syndicate 33 and are disclosed within the Syndicate 33 annual accounts management of risk, with the exception of the following disclosures:

## 4 Management of risk continued

### (a) Reliability of fair values

No assets or liabilities are held at fair value.

### (b) Interest rate risk

No assets and liabilities are subject to interest rate risk.

### (c) Credit risk

The credit risk for this Syndicate is the same as disclosed for Syndicate 33. All assets carrying credit risk are due from Syndicate 33, which is rated A+ based on S&P.

### (d) Liquidity risk

The liquidity risk for this Syndicate is the same as disclosed for Syndicate 33. It is also exposed to Syndicate 33 as all balances are settled by Syndicate 33.

### (e) Currency risk

The majority of the Syndicate's gross written premium is in US Dollars, consequently movements in the Sterling, Euro and Canadian Dollar against US Dollar exchange rate may have a material effect on its financial performance and position. The Syndicate's financial assets are denominated in the same currencies as its insurance liabilities, in order to reduce currency exchange volatility from the balance sheet. This profit and loss is distributed in accordance with Lloyd's rules using a combination of Sterling and US Dollars.

The currency profile of the Syndicate's financial assets and financial liabilities is as follows:

| Table e)<br>At 31 December 2019 | US Dollar $000 | Sterling $000 | Euro $000 | Canadian Dollar $000 | Total $000 |
|---|---|---|---|---|---|
| Debtors | 86,850 | 28,479 | 7,295 | 2,986 | 125,610 |
| Prepayments and accrued income | 2,198 | 552 | 14 | 23 | 2,787 |
| Total assets | 89,048 | 29,031 | 7,309 | 3,009 | 128,397 |
| Technical provisions | (208,724) | (41,795) | (4,260) | (634) | (255,413) |
| Creditors | (4,765) | 589 | – | – | (4,176) |
| Total liabilities | (213,489) | (41,206) | (4,260) | (634) | (259,589) |
| Members' balances by currency | (124,441) | (12,175) | 3,049 | 2,375 | (131,192) |

| At 31 December 2018 (restated)* | US Dollar $000 | Sterling $000 | Euro $000 | Canadian Dollar $000 | Total $000 |
|---|---|---|---|---|---|
| Debtors | 75,291 | 26,980 | 9,332 | 2,935 | 114,538 |
| Prepayments and accrued income | 1,616 | 442 | 106 | 43 | 2,207 |
| Total assets | 76,907 | 27,422 | 9,438 | 2,978 | 116,745 |
| Technical provisions | (126,018) | (17,661) | (4,750) | (1,484) | (149,913) |
| Creditors | (7,024) | (5,942) | – | – | (12,966) |
| Total liabilities | (133,042) | (23,603) | (4,750) | (1,484) | (162,879) |
| Members' balances by currency | (56,135) | 3,819 | 4,688 | 1,494 | (46,134) |

*See note 14.

## 4 Management of risk continued

### Sensitivity analysis

A 10% strengthening of the US Dollar against the following currencies at 31 December would have increased/(decreased) members' balances for the financial year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| Table f) | 2019 $000 | 2018 $000 |
|---|---|---|
| Sterling | 1,218 | (382) |
| Euro | (305) | (469) |
| Canadian Dollar | (238) | (149) |

## 5 Segmental analysis

All business written by the Syndicate is reinsurance. All premiums were concluded in the UK.

The geographical analysis of gross premiums earned by destination is as follows:

| | 2019 $000 | 2018 $000 |
|---|---|---|
| European Union member states, excluding United Kingdom | 799 | 467 |
| United States | 35,099 | 29,589 |
| Other | 21,079 | 18,700 |
| Total | 56,977 | 48,756 |

## 6 Net operating expenses

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Brokerage and commissions | 12,166 | 9,766 |
| Change in deferred acquisition costs | (525) | 152 |
| Members' standard personal expenses | 363 | 385 |
| Total | 12,004 | 10,303 |

All administrative expenses are charged to and borne by Syndicate 33. No brokerage or commissions were borne on direct business written in this or the prior period.

Members' standard personal expenses represent a managing agent's fee payable to Hiscox Syndicates Limited.

Syndicate 33 has been charged, on behalf of the Syndicate, fees payable to the Syndicate's auditor for the audit of the syndicate annual accounts.

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Auditors' remuneration | | |
| Fees payable to the Syndicate's auditor for the audit of the syndicate annual accounts | 32 | 44 |
| Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation | 16 | 16 |
| Total | 48 | 60 |

## 7 Staff costs

All staff are employed by a Hiscox Group service company. No recharge of salaries or Directors' remuneration is made specifically to the Syndicate. None of the Syndicate's active underwriter's remuneration has been charged to the Syndicate.

### 8 Technical provisions

| 2019 | Gross provisions $000 | Reinsurance assets $000 | Net $000 |
|---|---|---|---|
| **Claims incurred:** | | | |
| Balance at 1 January | 139,629 | – | 139,629 |
| Under/over-provision in respect of prior claims and claim adjustment expenses | 22,180 | – | 22,180 |
| Expected cost of current year claims | 87,461 | – | 87,461 |
| Claims paid for claims settled in year | (8,352) | – | (8,352) |
| Effect of movements in exchange rates | 1,409 | – | 1,409 |
| Balance at 31 December | 242,327 | – | 242,327 |
| **Unearned premiums:** | | | |
| Balance at 1 January | 10,284 | – | 10,284 |
| Premium written during the year | 59,491 | (876) | 58,615 |
| Premium earned during the year | (56,976) | 876 | (56,100) |
| Effect of movements in exchange rates | 287 | – | 287 |
| Balance at 31 December | 13,086 | – | 13,086 |
| **Deferred acquisition costs:** | | | |
| Balance at 1 January | 2,207 | – | 2,207 |
| Acquisition costs written | 12,166 | – | 12,166 |
| Acquisition costs earned | (11,641) | – | (11,641) |
| Effect of movements in exchange rates | 56 | – | 56 |
| Balance at 31 December | 2,788 | – | 2,788 |

| 2018 (restated)* | Gross provisions $000 | Reinsurance assets $000 | Net $000 |
|---|---|---|---|
| **Claims incurred:** | | | |
| Balance at 1 January | 72,606 | – | 72,606 |
| Over-provision in respect of prior claims and claim adjustment expenses | (30,805) | – | (30,805) |
| Expected cost of current year claims | 96,308 | – | 96,308 |
| Claims paid for claims settled in year | 2,540 | – | 2,540 |
| Effect of movements in exchange rates | (1,020) | – | (1,020) |
| Balance at 31 December | 139,629 | – | 139,629 |
| **Unearned premiums:** | | | |
| Balance at 1 January | 11,881 | – | 11,881 |
| Premium written during the year | 47,597 | (833) | 46,764 |
| Premium earned during the year | (48,756) | 833 | (47,923) |
| Effect of movements in exchange rates | (438) | – | (438) |
| Balance at 31 December | 10,284 | – | 10,284 |
| **Deferred acquisition costs:** | | | |
| Balance at 1 January | 2,444 | – | 2,444 |
| Acquisition costs written | 9,766 | – | 9,766 |
| Acquisition costs earned | (9,918) | – | (9,918) |
| Effect of movements in exchange rates | (85) | – | (85) |
| Balance at 31 December | 2,207 | – | 2,207 |

*See note 14.

## 9 Debtors arising out of reinsurance operations

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Amounts due from intermediaries | | |
| Due within one year | **37,330** | 36,523 |
| Due after one year | **88,279** | 77,291 |
| | **125,609** | 113,814 |

## 10 Claims development tables

The claims development tables below have been calculated by converting estimated claims and cumulative payments in Canadian Dollars, Sterling and Euros to US Dollars at the closing rate of exchange at 31 December 2019. The table is produced on a year of account basis. Some business is not off risk after the first 12 months, therefore we would anticipate cumulative claims to increase in the second year as this business is earned.

| Pure underwriting year Gross of reinsurance | 2011 $000 | 2012 $000 | 2013 $000 | 2014 $000 | 2015 $000 | 2016 $000 | 2017 $000 | 2018 $000 | 2019 $000 |
|---|---|---|---|---|---|---|---|---|---|
| Estimate of cumulative claims: | | | | | | | | | |
| At end of underwriting year one | 25,843 | 40,845 | 19,584 | 13,749 | 5,454 | 17,869 | 62,799 | 72,444 | **100,882** |
| One year later | 27,756 | 25,218 | 9,438 | 10,051 | 3,183 | 12,129 | 59,236 | 80,918 | |
| Two years later | 26,480 | 20,402 | 6,255 | 10,180 | 3,399 | 9,136 | 60,250 | | |
| Three years later | 25,990 | 20,225 | 6,422 | 9,746 | 2,794 | 8,428 | | | |
| Four years later | 24,844 | 21,084 | 6,500 | 9,782 | 2,927 | | | | |
| Five years later | 24,901 | 18,363 | 6,616 | 9,605 | | | | | |
| Six years later | 23,186 | 18,364 | 6,762 | | | | | | |
| Seven years later | 23,119 | 18,528 | | | | | | | |
| Eight years later | 23,348 | | | | | | | | |
| Cumulative payments | (23,119) | (18,364) | (6,616) | (9,782) | (2,794) | (9,136) | | | |
| Estimated balance to pay | 229 | 164 | 146 | (177) | 133 | (708) | 60,250 | 80,918 | **100,882** |
| Provision in respect of prior years | | | | | | | | | **492** |
| Total gross provision included in the balance sheet | | | | | | | | | **242,329** |

| Pure underwriting year Net of reinsurance | 2011 $000 | 2012 $000 | 2013 $000 | 2014 $000 | 2015 $000 | 2016 $000 | 2017 $000 | 2018 $000 | 2019 $000 |
|---|---|---|---|---|---|---|---|---|---|
| Estimate of cumulative claims: | | | | | | | | | |
| At end of underwriting year one | 25,843 | 40,845 | 19,584 | 13,749 | 5,454 | 17,869 | 62,799 | 72,444 | **100,882** |
| One year later | 27,756 | 25,218 | 9,438 | 10,051 | 3,183 | 12,129 | 59,236 | 80,918 | |
| Two years later | 26,480 | 20,402 | 6,255 | 10,180 | 3,399 | 9,136 | 60,250 | | |
| Three years later | 25,990 | 20,225 | 6,422 | 9,746 | 2,794 | 8,428 | | | |
| Four years later | 24,844 | 21,084 | 6,500 | 9,782 | 2,927 | | | | |
| Five years later | 24,901 | 18,363 | 6,616 | 9,605 | | | | | |
| Six years later | 23,186 | 18,364 | 6,762 | | | | | | |
| Seven years later | 23,119 | 18,528 | | | | | | | |
| Eight years later | 23,348 | | | | | | | | |
| Cumulative payments | (23,119) | (18,364) | (6,616) | (9,782) | (2,794) | (9,136) | | | |
| Estimated balance to pay | 229 | 164 | 146 | (177) | 133 | (708) | 60,250 | 80,918 | **100,882** |
| Provision in respect of prior years | | | | | | | | | **492** |
| Total net provision included in the balance sheet | | | | | | | | | **242,329** |

## 11 Creditors arising out of reinsurance operations

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Amounts due to intermediaries | | |
| Due within one year | 2,108 | 3,272 |
| Due after one year | 1,554 | 2,816 |
| | 3,662 | 6,088 |

## 12 Related parties

Hiscox Syndicates Limited (HSL) manages Syndicate 6104 as well as Syndicate 33 which purchases some reinsurance from Syndicate 6104 on an arm's-length basis. Syndicate 6104 pays an overriding commission and profit commission on the business received from Syndicate 33. Syndicate 6104 does not sell reinsurance to any other party.

HSL is a wholly owned indirect subsidiary of Hiscox Ltd which is incorporated in Bermuda and listed on the London Stock Exchange. HSL receives a fixed fee for each pure underwriting year.

The following balance sheet amounts were outstanding at year-end with related parties:

| Balance sheet net assets and (liabilities) outstanding | 2019 $000 | 2018 $000 |
|---|---|---|
| Hiscox managed Syndicates | (131,193) | (40,182) |

The following amounts reflected in the profit and loss were transacted with related parties:

| Net income and (expenses) reflected in the profit and loss | 2019 $000 | 2018 $000 |
|---|---|---|
| Hiscox Syndicates Limited | (353) | (384) |
| Hiscox managed Syndicates | (64,500) | (23,715) |

Hiscox Syndicates Limited charged managing agent fees to Syndicate 6104 of $0.4 million (2018: $0.4 million). Hiscox Syndicate 33 owes the Syndicate the cumulative result due on the quota share reinsurances Syndicate 6104 provides.

## 13 Syndicate structure

The managing agent of the Syndicate is Hiscox Syndicates Limited whose immediate parent undertaking is Hiscox Holdings Limited, a company registered in England and Wales. The ultimate parent undertaking of the largest and smallest group of companies for which group accounts are drawn up is Hiscox Ltd, Bermuda. Copies of Hiscox Ltd financial statements can be obtained from Chesney House, 96 Pitts Bay Road, Pembroke HM 08, Bermuda.

## 14 Prior year restatement

The prior year results has been restated for two claims totalling $13.2 million which were not recorded at 31 December 2018 due to errors in the specific claim calculation process. These were both on the 2018 year of account and did not affect previous distributions to members. As a result of the prior year error, the following is the impact on the prior year annual accounts.

| | 2018 (as reported) $000 | 2018 (restated) $000 |
|---|---|---|
| Change in provision for claims (gross amount) | (54,802) | (68,043) |
| Loss for the financial year | (14,311) | (27,552) |
| Capital and reserves (member's balances) | (32,893) | (46,134) |
| Technical provisions (claims outstanding) | 126,388 | 139,629 |

# Hiscox Syndicate 6104 underwriting year accounts

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# Report of the Directors of the managing agent
## Hiscox Syndicate 6104 underwriting accounts

The Directors of the managing agent present their report at 31 December 2019.

This report comprises the cumulative result to 31 December 2019 for the closed 2017 account of Syndicate 6104.

The syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, in accordance with the Lloyd's Syndicate Accounting Bylaw (No. 8 of 2005) and applicable accounting standards in the United Kingdom. The Syndicate continues to adopt the going concern basis in preparing the syndicate underwriting year accounts.

### Principal activity and review of the business

Special Purpose Syndicate 6104 (Syndicate 6104) was established for the 2008 year of account to provide quota share reinsurance to Syndicate 33's excess of loss property catastrophe reinsurance account.

Syndicate 6104 pays a fee and profit commission to Syndicate 33 for the business ceded. In addition HSL charges a fee of 0.5% of capacity to Syndicate 6104 from which it must meet all of its syndicate expenses.

The Syndicate operates like a normal syndicate in that upon closure of the account at 36 months the assets and liabilities are transferred to the next year of account through the RITC process. There are however certain differences, the most significant of which is that the capacity, which is all provided by third-party capital providers, operates on a limited tenancy basis. The Syndicate only writes one contract per year, a reinsurance of Syndicate 33. This contract operates on a funds-withheld basis, with 6104 credited interest on the balance owing by Syndicate 33.

The portfolio is underwritten by the Syndicate 33 reinsurance underwriting team and includes exposures from all territories around the world. Due to the nature of the business the Syndicate is likely to produce a volatile operating performance. A small amount of very high level attachment US windstorm and US earthquake industry loss warranty retrocession protection was purchased with the intention of bringing the US windstorm and US earthquake net realistic disaster scenario (RDS) percentages in line with those of the other main exposures.

#### 2017 account

For 2017 the capacity of the Syndicate was £54.5 million ($73.0 million). The cession from Syndicate 33 was maintained at 28%. The account has closed with a loss to capacity of 35.0% after all personal expenses (except member's agent's fees). This result reflects 2017 calendar year events of Hurricanes Harvey, Irma and Maria and Southern California wildfires combined which have been reserved at $32.6 million. These three hurricanes and wildfires were the only significant losses materially impacting the account.

#### 2018 account

For 2018 the capacity of the Syndicate was held consistent at £56.1 million ($72.6 million). The cession from Syndicate 33 was maintained at 28%. This was another active year for large loss events. Hurricanes Michael and Florence, Typhoons Jebi and Trami and Northern California wildfires combined have been reserved at $49.7 million. This reserve includes an element of margin. These three events were the only significant losses materially impacting the account.

We have set a loss forecast in the range of -50.0% to -60.0% on capacity.

#### 2019 account

For 2019 the capacity of the Syndicate was held consistent at £55.4 million ($73.1 million). The cession from Syndicate 33 was maintained at 28%, which includes cyber business ceded from Syndicate 33 specialty treaty account. This was the third year in a row for large loss events. Hurricane Dorian, Typhoons Faxai and Hagibis and California wildfires combined have been reserved at $71.6 million. This reserve includes an element of margin. These three events were the only significant losses materially impacting the account.

We have set a loss forecast in the range of -95.0% to -85.0% on capacity.

#### 2020 account and the future

The capacity has decreased to £44.5 million ($58.9 million) for the 2020 year of account. The cession from Syndicate 33 has reduced in line with this to 22.5%.

### Syndicate capacity and ownership

Syndicate capacity and ownership is disclosed in Syndicate 6104 annual accounts.

### Directors' interests

The Directors of the managing agent and their interests are disclosed in Syndicate 33 annual accounts.

### Disclosure of information to the auditors

The Directors who held office at the date of approval of this managing agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

By order of the Board

Bronek Masojada

B E Masojada
Chief Executive
5 March 2020

# Statement of managing agent's responsibilities
## Hiscox Syndicate 6104 underwriting accounts

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

In preparing the syndicate underwriting year accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the Syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same Syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Syndicate and enable it to ensure that the syndicate underwriting year accounts comply with Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of syndicate underwriting year accounts may differ from legislation in other jurisdictions.

# Independent auditors' report

## To the members of Syndicate 6104

## 2017 closed year of account

### Report on the audit of the syndicate underwriting year accounts

#### Opinion

In our opinion, Syndicate 6104's syndicate underwriting year accounts for the 2017 year of account for the three years ended 31 December 2019 (the 'syndicate underwriting year accounts'):

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2019 and of its loss for the 2017 closed year of account;
- have been properly prepared in accordance with United Kingdom Accounting Standards comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the syndicate underwriting year accounts included within the Hiscox Syndicates 33 and 6104 Report and Accounts 2019 (the 'Annual Report'), which comprise: the balance sheet at 31 December 2019, the profit and loss account: technical account – general business, the profit and loss account: non-technical account – general business for the three years then ended, and the notes to the syndicate annual accounts, which include a summary of the significant accounting policies other explanatory information.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the *auditors' responsibilities for the audit of the syndicate underwriting year accounts* 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 remained independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Emphasis of matter – basis of preparation

In forming our opinion on the syndicate underwriting year accounts, which is not modified, we draw attention to note 1 of the syndicate underwriting year accounts, which describes the basis of preparation. In particular, as these financial statements relate to a closed underwriting year of account, matters relating to going concern are not relevant to these financial statements. The syndicate underwriting year accounts are prepared in accordance with a special purpose framework for the specific purpose as described in the Use of this report paragraph below. As a result, the syndicate underwriting year accounts may not be suitable for another purpose.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate underwriting year accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate underwriting year accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate underwriting year accounts or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the report of the Directors of the managing agent, we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Report of the Directors of the managing agent*

In our opinion, based on the work undertaken in the course of the audit, the information given in the report of the Directors of the managing agent for the year ended 31 December 2019 is consistent with the syndicate underwriting year accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the report of the Directors of the managing agent.

# Independent auditors' report continued

## To the members of Syndicate 6104 2017 closed year of account

### Responsibilities for the syndicate underwriting year accounts and the audit

*Responsibilities of the managing agent for the syndicate underwriting year accounts*

As explained more fully in the statement of managing agent's responsibilities set out on page 70, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2017 closed year of account. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibilities for the audit of the syndicate underwriting year accounts*

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (UK) 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 syndicate underwriting year accounts.

A further description of our responsibilities for the audit of the syndicate underwriting year accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

*Use of this report*

This report, including the opinion, has been prepared for and only for the Syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the managing agent in respect of the Syndicate; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 March 2020

# Profit and loss account: technical account – general business
## For the 36 months ended 31 December 2019
## Hiscox Syndicate 6104 underwriting accounts

| | Notes | $000 |
|---|---|---|
| Syndicate allocated capacity | | 72,161 |
| **Earned premiums, net of reinsurance** | | |
| Gross premiums written | | 47,494 |
| Outward reinsurance premiums | | (2,120) |
| **Earned premiums, net of reinsurance** | | 45,374 |
| **Reinsurance to close premium received, net of reinsurance** | | 8,336 |
| | | 53,710 |
| **Allocated investment return transferred from the non-technical account** | 6 | 398 |
| **Claims incurred, net of reinsurance** | | |
| Claims paid: | | |
| Gross amount | | (8,352) |
| Reinsurers' share | | – |
| Net claims paid | | (8,352) |
| Change in provision for claims: | | |
| Gross amount | | (60,621) |
| Reinsurers' share | | – |
| Change in the net provision for claims | | (60,621) |
| Claims incurred, net of reinsurance | | (68,973) |
| **Net operating expenses** | 7 | (10,712) |
| **Balance on the technical account for general business** | | (25,577) |

The notes on pages 76 to 77 form an integral part of these underwriting year accounts.

# Profit and loss account: non-technical account – general business

## For the 36 months ended 31 December 2019

## Hiscox Syndicate 6104 underwriting accounts

| | Notes | $000 |
|---|---|---|
| **Balance on the technical account for general business** | | (25,577) |
| Investment income | 6 | 398 |
| Allocated investment return transferred to the general business technical account | | (398) |
| Foreign exchange gains or losses | | 303 |
| **Result before members' agents' fees** | | (25,274) |
| Members' agents' fees advances | | (374) |
| **Amounts due from members as at 31 December 2019** | | (25,648) |

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts, therefore no statement of other comprehensive income has been presented.

The notes on pages 76 to 78 form an integral part of these underwriting year accounts.

# Balance sheet
## 2017 account at 31 December 2019
## Hiscox Syndicate 6104 underwriting accounts

| Assets | Notes | at 36 months $000 |
|---|---|---|
| Reinsurance recoveries anticipated on gross reinsurance to close premium payable | 3 | – |
| **Debtors** | | |
| Debtors arising out of reinsurance operations | 8 | 37,330 |
| **Total assets** | | 37,330 |
| **Liabilities** | | |
| **Capital and reserves** | | |
| Member's balances | | 25,648 |
| Reinsurance to close premium payable – gross amount | 3 | (60,526) |
| **Creditors** | | |
| Creditors arising out of reinsurance operations | 9 | (2,108) |
| Other creditors | | (344) |
| **Total liabilities** | | (37,330) |

The notes on pages 76 to 77 form an integral part of these underwriting year accounts.

The underwriting year accounts were approved by the Board of Hiscox Syndicates Limited on 5 March 2020 and were signed on its behalf by

Bronek Masojada

B E Masojada
Chief Executive

### 1 Basis of preparation
The basis of preparation of these accounts are the same as disclosed for Syndicate 33 underwriting accounts.

### 2 Accounting policies
The principal accounting policies adopted are the same as those disclosed for Syndicate 33.

### 3 Reinsurance premium to close the 2017 and prior years of account

| | Reported $000 | IBNR $000 | Total $000 |
|---|---|---|---|
| **Reinsurance to close premium received** | | | |
| Gross reinsurance to close premium received | – | 8,336 | 8,336 |
| Reinsurance recoveries anticipated | – | – | – |
| Reinsurance to close premium receivable, net of reinsurance | – | 8,336 | 8,336 |
| **Reinsurance to close premium payable** | | | |
| Gross reinsurance to close premium payable | – | 60,526 | 60,526 |
| Reinsurance recoveries anticipated | – | – | – |
| Reinsurance to close premium payable, net of reinsurance | – | 60,526 | 60,526 |

### 4 Analysis of underwriting result

| | 2016 and prior $000 | 2017 $000 | Total $000 |
|---|---|---|---|
| Technical account balance before allocated investment return and net operating expenses | (719) | (14,544) | (15,263) |
| Brokerage and commission on gross premium | (941) | (9,410) | (10,351) |
| Total | (1,660) | (23,954) | (25,614) |

### 5 Segmental analysis
All business written by the Syndicate is reinsurance. All premiums were concluded in the UK.

### 6 Investment return

| | 2017 year of account $000 |
|---|---|
| Investment income | 398 |

Investment return for the 2017 year of account is recognised in the 2017, 2018 and 2019 calendar years. The investment income and yield for these calendar years is disclosed in the investment return notes in each of the respective syndicate annual accounts.

## 7 Net operating expenses

The cumulative Syndicate expenses charged in the 2017 underwriting account were made up as follows:

| | 2017 year of account $000 |
|---|---|
| Brokerage and commissions | 10,351 |
| Members' standard personal expenses | 361 |
| Total | 10,712 |

All administration expenses are charged to and borne by Syndicate 33. No brokerage or commissions were borne on direct business written.

Syndicate 33 has been charged on behalf of the Syndicate, fees payable to the auditors and +their associates (exclusive of VAT) of $51,000.

## 8 Debtors arising out of reinsurance operations

| | $000 |
|---|---|
| Due from intermediaries | 37,330 |

## 9 Creditors arising out of reinsurance operations

| | $000 |
|---|---|
| Amounts due to intermediaries | (2,108) |

# Seven-year summary
## Hiscox Syndicate 6104 underwriting accounts

| Year of account | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|
| Syndicate allocated capacity in £000 | 37,174 | 38,686 | 66,354 | 72,089 | 64,927 | 55,534 | **54,490** |
| Syndicate allocated capacity in $000 | 47,349 | 49,274 | 84,515 | 91,820 | 82,698 | 70,734 | **72,161** |
| Number of underwriting members | 1,042 | 1,077 | 1,336 | 1,524 | 1,435 | 1,409 | **1,389** |
| Net premiums net of brokerage in $000 | 23,718 | 33,668 | 39,029 | 33,022 | 23,020 | 28,300 | **35,023** |
| Capacity utilised (%) | 55 | 78 | 54 | 40 | 30 | 45 | **51** |
| Net capacity utilised (%) | 50 | 68 | 46 | 36 | 28 | 40 | **49** |

| Results for an illustrative share of £10,000 | 2011 $000 | 2012 $000 | 2013 $000 | 2014 $000 | 2015 $000 | 2016 $000 | 2017 $000 |
|---|---|---|---|---|---|---|---|
| Gross premiums | 9,048 | 13,362 | 10,223 | 7,758 | 6,945 | 8,450 | **8,716** |
| Net premiums | 8,447 | 12,156 | 9,250 | 7,287 | 6,670 | 7,861 | **8,327** |
| Reinsurance to close from an earlier account | 6,831 | 5,746 | 2,349 | 499 | 1,699 | (451) | **1,530** |
| Net claims paid | (7,007) | (5,727) | (2,392) | (531) | (1,662) | 458 | **(1,533)** |
| Reinsurance to close | (5,988) | (3,970) | (614) | (1,241) | 440 | (1,528) | **(11,125)** |
| (Loss)/profit on exchange | (6) | (65) | 266 | 1,079 | 430 | (50) | **56** |
| Syndicate operating expenses | (2,067) | (3,454) | (3,368) | (2,707) | (3,125) | (2,765) | **(1,900)** |
| Names personal expenses | (64) | (64) | (64) | (64) | (64) | (68) | **(66)** |
| Balance on technical account before investment return | 146 | 4,622 | 5,427 | 4,322 | 4,388 | 3,457 | **(4,711)** |
| Investment return | 280 | 340 | 62 | 273 | 214 | 230 | **73** |
| Profit before members' agent's fees | 426 | 4,962 | 5,489 | 4,595 | 4,602 | 3,687 | **(4,638)** |
| Profit before members' agent's fees £000 | 335 | 3,896 | 4,310 | 3,608 | 3,614 | 2,895 | **(3,502)** |

Notes to the seven-year summary
1. The seven-year summary has been prepared from the audited accounts of the Syndicate.
2. Personal expenses have been stated at the amount which would be incurred pro-rata by Names writing the illustrative premium income in the Syndicate, irrespective of any minimum charge applicable. Personal expenses include managing agent fees, central fund contributions, Lloyd's subscriptions and profit commissions. These figures exclude members' agents' fees.
3. 'Capacity utilised' represents gross premiums as a percentage of the allocated capacity. 'Net capacity utilised' represents net premiums as a percentage of the allocated capacity. For these calculations, gross and net premiums are net of brokerage.
4. Profit commission has been calculated in accordance with the applicable Agency Agreements.
5. Premium figures and Syndicate operating expenses are gross of brokerage.
6. All years of account are presented using transactional rates of exchange, the functional and presentation currency of the underwriting year accounts changed from 1 January 2018, all years of account where the underwriting accounts have been presented in Sterling have been translated at the closing rate prevailing at 31 December 2018.

# Notes

# Notes

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**Hiscox**

1 Great St Helen's
London EC3A 6HX
United Kingdom

T +44 (0)20 7448 6000
E enquiry@hiscox.com
www.hiscoxgroup.com



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