HISCOX

Financial condition report

Hiscox Ltd including:

Hiscox Insurance Company (Bermuda) Limited
Hiscox Capital Ltd

For the year ended
31 December 2016

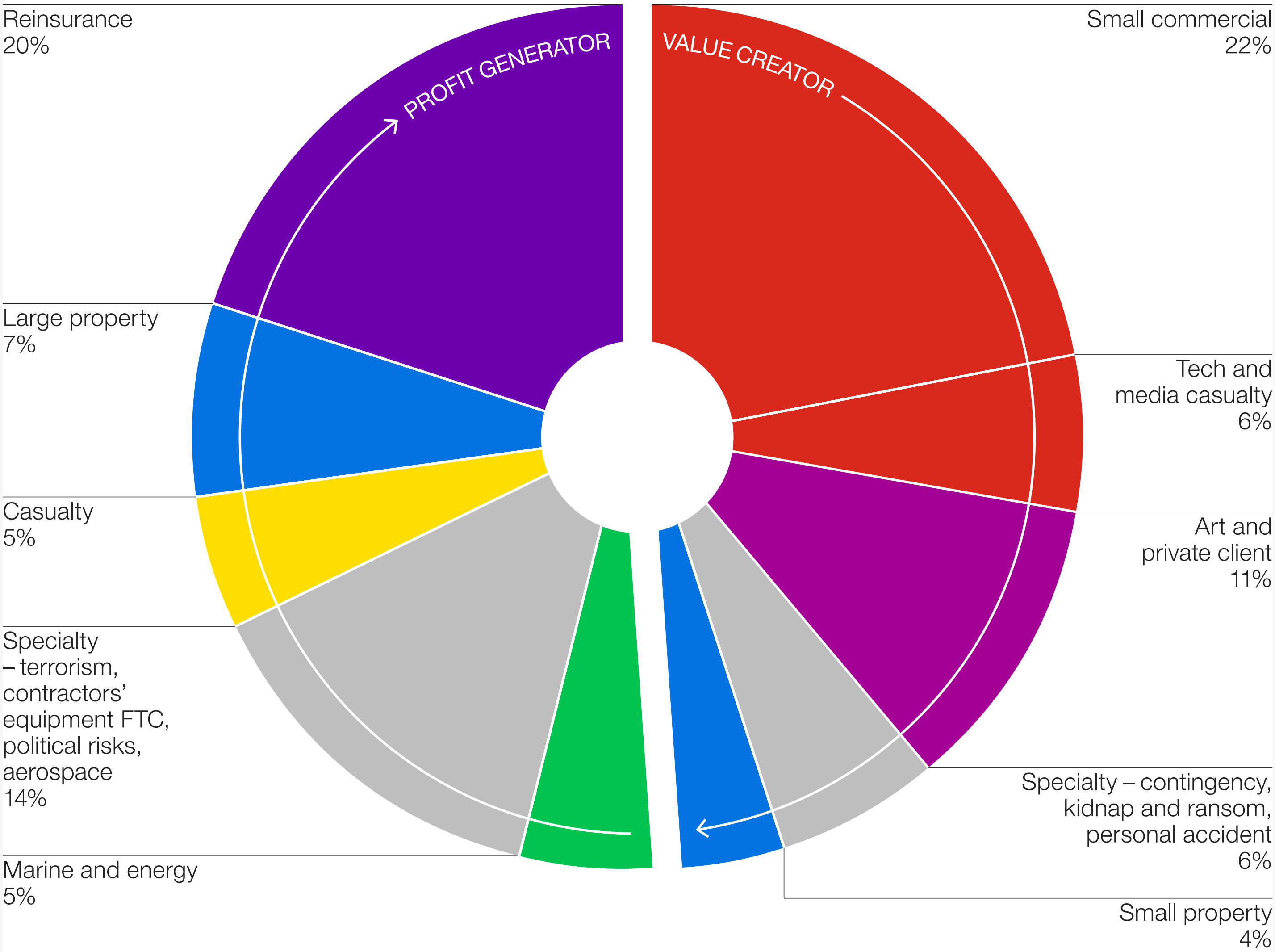
Hiscox is a uniquely balanced insurer with a clear vision for the future. Our ambition is to be a respected specialist insurer valued by our customers, business partners and shareholders, with a diverse portfolio by product and geography.

Our success is due to strong underwriting discipline, a long-held strategy of building balance within the business, and sound capital management. The Group always underwrites for profit, not market share, and we actively manage our business mix according to the conditions in each sector.

Total Group controlled income for 2016
100% = £2,673m

Big-ticket business
- Larger premium, globally-traded, catastrophe-exposed
- Shrinks and expands according to rates
- Profits can allow investment in retail development

Retail business
- Smaller premium, locally-traded, less volatile
- Growth between 5-15% per annum
- Pays dividends
- Brand builds strong market position
- Profits act as additional capital



Executive summary

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

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

Business and performance summary

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

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

Governance structure summary

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

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

Capital management summary

The Group operates with a strong solvency position. The amount of surplus capital held (after the payment of the final dividend on 20 June 2017) is approximately £1.92 billion comfortably meeting regulatory, rating agency and internal capital requirements. Our year end 2016 BSCR is $1.22 billion, with available capital of $2.66 billion and a solvency ratio of 219%.

The Group monitors its capital requirements based on both external risk measures, set by regulators and the rating agencies, and its own internal guidelines of risk appetite. We have ample capital, and have the ability to transfer this capital across the Group if required.

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

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

Geographic locations

The Hiscox Group has over 2,300 people in 13 countries. Our operations span every continent and we are not overly reliant on any one of our divisions for the Group's overall profit.

A. Business and performance

A.1. Business

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

As at 31 December 2016, Hiscox Ltd had been notified of the following interests of 5% or more of voting rights in its ordinary shares:

Invesco Limited	13.18%
Massachusetts Financial Services Company	9.71%

Insurance supervisor and group supervisor

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

The Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton
Bermuda

Lead Supervisor: Collin J Anderson
Email: cjanderson@bma.bm
Phone: +1 441 278 0317

Approved auditor

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

PricewaterhouseCoopers Ltd
Dorchester House
7 Church Street West
Hamilton HM11
Bermuda

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

A.2. Performance

Underwriting performance

Hiscox is a specialist insurer with a diverse portfolio of business by geography and product. HIB and HCL underwrite a variety of reinsurance business.

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

Subsidiary	Hiscox Ltd	HIB	HCL
Line of business	GWP (£000)	GWP ($000)	GWP (£000)
Property catastrophe	313,622	280,620	22,636
Property	610,516	51,394	99,187
Personal accident	39,830	1,710	15,274
Aviation	35,517	761	13,512
Credit/surety	23,198	16,867	2,239
Energy offshore/marine	119,262	–	45,779
US casualty	143,800	4,122	45,663
US professional	338,832	127,580	62,661
US specialty	35,408	3,481	11,617
International motor	245,488	–	42,000
International casualty non-motor	497,106	228,529	26,021
Total	2,402,579	715,064	386,589

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

Hiscox Ltd	
Geographical location	GWP (£000)
North America	1,226,390
United Kingdom	436,205
Western Europe	239,170
Worldwide*	313,143
Other**	187,671
Total	2,402,579

Subsidiary	HIB	HCL
Geographical location	GWP ($000)	GWP (£000)
Africa and Middle East	4,662	11,729
Australia and New Zealand	14,527	8,431
Asia	28,015	8,304
Central and South America, Caribbean	4,015	13,120
United Kingdom	147,672	5,226
Europe (excluding UK)	72,245	5,672
North America	349,362	257,731
Worldwide*	94,566	76,376
Total	715,064	386,589

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

Investment performance

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

Hiscox Ltd	Market value (£000)	Performance (£000)	Performance %
Debt and fixed income securities	3,414,949	55,709	1.9
Equities and units in unit trusts	305,342	17,246	6.2
Deposits with credit institutions/ cash and cash equivalents	689,408	1,881	0.3
Total	**4,409,699**	**74,836**	**1.9**

HIB	Market value ($000)	Performance ($000)	Performance %
Debt and fixed income securities	1,147,443	20,366	1.81
Equities and units in unit trusts	137,259	(3,149)	(2.25)
Deposits with credit institutions/ cash and cash equivalents	172,368	363	0.24
Total	**1,457,070**	**17,580**	**–**

HCL	Market value (£000)	Performance (£000)	Performance %
Debt and fixed income securities	326,165	4,205	1.54
Equities and units in unit trusts	35,020	2,100	6.78
Deposits with credit institutions/ cash and cash equivalents	19,064	–	*
Total	**380,249**	**6,305**	**–**

*For HCL, return on deposits with credit institutions/cash and cash equivalents is included in return on debt securities.

Material expenses

The Group's material expenses are driven by claims, acquisition costs and operational expenses. Claims activity in 2016 is higher compared to 2015, which saw a relatively benign claims environment. 2016 claims events included earthquakes in Japan and Ecuador, Hurricanes Hermine and Matthew, wildfires in Alberta and floods in Louisiana. Overall insurance claims events had a limited impact on the Group in 2016, but nevertheless drove the claims ratio higher. Hiscox Ltd's claims ratio increased to 44.2% (2015: 39.6%) as a result. The expense ratio remained constant year on year at 46.6% (2015: 46.1%).

	Hiscox Ltd (£000)	HIB ($000)	HCL (£000)
Net claims and claims adjustment expenses	739,772	233,026	245,519
Net aquisition costs	409,840	57,426	40,280
Other expenses (excluding foreign exchange)	411,358	14,964	51,357
Total	**1,560,970**	**305,416**	**337,156**

B. Governance structure

B.1. Board and executive

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

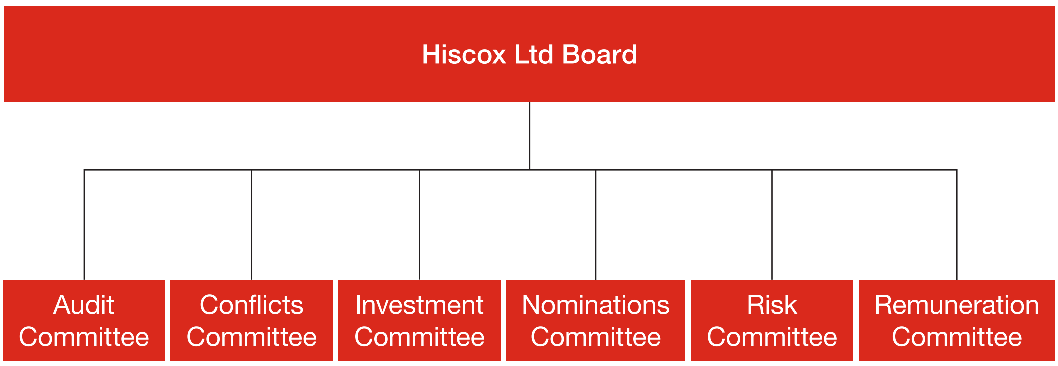
Ultimate responsibility for the sound and prudent governance of the Companies rests with the respective Boards of Directors ('Boards'). The Ltd Board consists of the Non Executive Chairman, the Group Executives and Independent Non Executive directors. Details of the Board members and their experience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

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

The Boards generally meet four times a year and operate within the established governance framework, with established Terms of Reference. The Boards are supplied with appropriate and timely information to enable them to review business strategy, trading performance, business risks and opportunities. The Boards undertake to review annually the effectiveness of the Companies' governance frameworks.

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

Structure of the committees to the Board



The Audit Committee

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

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

The Conflicts Committee

The Group's Conflicts Committee comprises of the independent Non Executive Directors and meets as and when required. Conflicts of interest may arise from time to time, for example; through our Lloyd's Syndicate business or the Group's insurance linked securities (ILS) activity. Our Lloyd's Syndicates (Syndicate 33, Syndicate 3624 and Syndicate 6104) are managed by a Hiscox owned Lloyd's Managing Agency, but not all of them are wholly owned by the business. 27.5% of the Names on Syndicate 33 are third-parties and 72.5% of Syndicate 33 is owned by a Hiscox Group company. 100% of Syndicate 3624 is owned by a Hiscox Group company, while 100% of Syndicate 6104 is owned by third parties. The Committee serves to protect the interests of the third-party Syndicate Names and external investors in the ILS funds.

The Investment Committee

The Investment Committee comprises the whole of the Hiscox Ltd Board and has oversight of the Group's investments. The Committee approves the investment strategy and overall risk appetite. It meets four times a year and makes appropriate recommendations to the Board.

The Nominations Committee

The Nominations Committee comprises of the Non Executive Directors and is chaired by Robert Childs, who is also Chairman of the Hiscox Ltd Board. The Committee meets as required determined by the Chairman, however no less than once a year. The Committee's role is to monitor the structure, size and composition of the Hiscox Ltd Board and, when Board vacancies arise, to nominate for approval by the Board, appropriate candidates to fill those roles. The Group believes that opportunity should be limited only by an individual's ability and drive. The Committee considers diversity, including gender diversity, when recommending appointments to the Board. The Committee has a policy in place to ensure that the candidate pool for each new appointment includes at least one female but does not consider it appropriate to set quotas for diversity.

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

The Risk Committee

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

The Remuneration Committee

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

B.2. Management and governance structure

The Executive Committee

The Executive Committee comprises the most senior decision makers from across the Group including; Group Chief Executive Officer, Group Chief Underwriting Officer, Group Chief Financial Officer, senior business unit leaders and Group Human Resources Director. It meets regularly and makes recommendations to the Board and approves various matters (some of which may also require Board approval).

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

Corporate governance

Hiscox Ltd is required by Listing Rules applicable to overseas entities with a premium listing on the London Stock Exchange, to make prescribed disclosures in respect of its corporate governance arrangements. This includes an annual statement confirming its compliance with the UK Corporate Governance Code ('the Code') and disclosure of its governance arrangements against a set of principles and provisions contained in the Code. The Boards have unlimited access rights to the respective company information and have the authority to seek independent counsel as required.

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

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

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

B.3. Remuneration

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

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

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

Return on equity (ROE) is a key measure of performance. A ROE performance measure is used in both the annual incentive and long-term incentive plans. The use of ROE measures ensure profitability measures also take into account the capital base utilised in the generation of profits. The structure of the incentive arrangements and the targets set and assessed are intended to be inherently risk-adjusted taking into account exposure to current and future risk.

The bonus and incentive funding mechanism is set at a level which is deemed by the Board's Remuneration Committee to be fully affordable and not produce outcomes which would compromise financial stability.

B.4. Fitness and propriety requirement

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

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

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

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

B.5. Risk management and solvency self-assessment

Hiscox has an enterprise–wide approach to managing risk that applies across the Group including Hiscox Ltd, HIB and HCL, as described in the Risk Management Framework Policy.

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

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

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

The Group Risk team is responsible for designing, facilitating the implementation of and maintaining the Risk Management Framework. The team is also responsible for disseminating expectations around enterprise risk management to the business and for reporting on risk to the respective Boards and risk committees. The Risk team is led by the Group CRO, who reports to the Group CEO and Chair of the Hiscox Ltd Risk Committee. Responsibility for the implementation of the Risk Management Framework resides in the business.

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

These include:

- using qualitative and quantitative approaches to assess risk exposure (in aggregate and by risk type) against Board-approved risk appetite and limits
- performing independent model validation on the Group's risk and capital models to assess modelling methodology, approach, limitations and output
- risk reporting focused on topical live issues with actions and mitigation plans.
- stress and scenario testing, performed to identify and measure the likelihood and impact of potential events
- specific risk reviews that provide a deeper understanding of key risks and potential exposures to the business.
- the risk and control register, which sets out the material risks for each entity, the key controls in place to mitigate them, and owners accountable for the management of each risk and operation of each control.

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

Risk Management Framework

Risk identification, including risk definition and risk owner
Risk identification is achieved by clearly defining an exposure (e.g. identifying the potential drivers and consequences of the risk) and identifying a risk owner responsible for managing the exposure.

Risk appetite and risk measurement
Risk appetite communicates the nature and degree of risk the respective boards are prepared to take to meet their strategic objectives and business plan. Risk measurement assesses actual exposures using various quantitative and qualitative methods, and facilitates the prioritisation of risk discussion and mitigating actions.

Risk mitigation
Risk mitigation involves implementing and maintaining internal controls and other mitigating techniques to manage, reduce or eliminate risk exposures as part of the overall system of internal control.

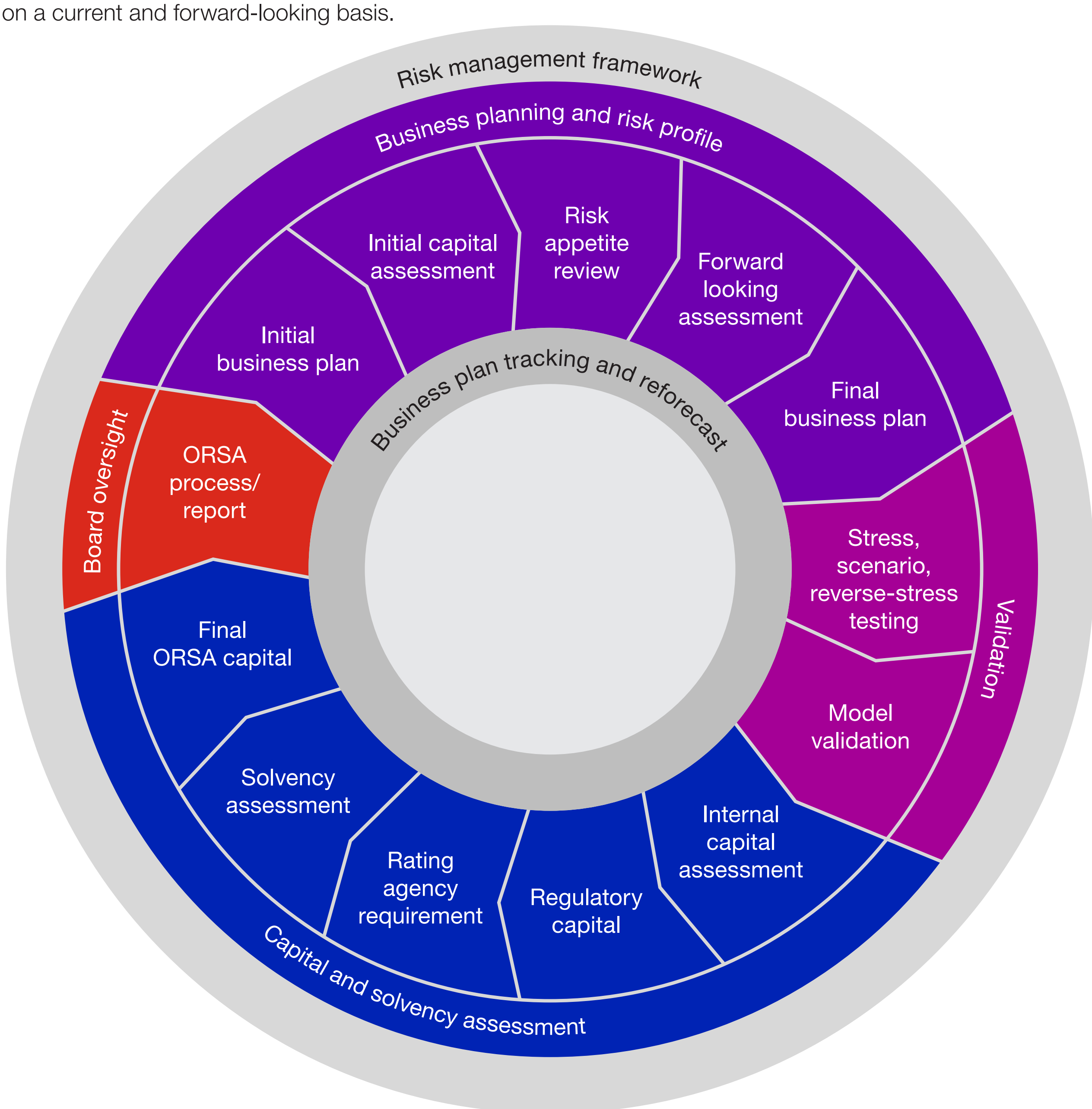
Risk monitoring
Risk monitoring uses various methods to track exposures and the effectiveness of controls (including key risk indicators, management information and analytics) and any necessary escalation of risks and action plans to the appropriate individuals or forums.

Risk reporting
Risk reporting describes the methods and forums used to discuss risk and control issues (e.g. prioritising the risk agenda, agreeing action plans and horizon scanning), and any necessary escalation of risks and action plans to the appropriate individuals or forums.

Risk management and solvency self-assessment systems implementation

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

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



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

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

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

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

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

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

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

Relationship between the solvency self-assessment, solvency needs, and capital and risk management systems

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

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

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

Three lines of defence model

1

First line of defence
Own the risk

The first line of defence is responsible for ownership and management of risks on a day-to-day basis, and consists of everyone at every level in the organisation, as all have responsibility for risk management at the individual operational level.

2

Second line of defence
Assess, challenge and advise on risk objectively

The second line of defence provides oversight, challenge and support to the first line of defence. Functions in the second line of defence include the risk team and the compliance team.

3

Third line of defence
Provide independent assurance of risk control

The third line of defence provides independent assurance to the Board that risk control is being managed appropriately, in line with approved policies, appetite, frameworks and processes. It also helps verify that the internal control framework in place is operating effectively.

B.6. Internal controls

System of internal control

Hiscox has an enterprise-wide approach to the design and operation of the system of internal controls that applies across the group including Hiscox Ltd, HIB and HCL.

Internal controls exist to increase operational effectiveness and efficiency, to promote accountability, to enable the business to actively manage its risks and to support compliance with each entity's regulatory and legal obligations. The corporate governance structure and the Group's culture are key elements of its system of internal control.

The Group's system of internal control comprises the internal control framework, administrative and accounting procedures, transparent reporting arrangements at all levels (implemented through the three lines of defence model) and the Compliance function. In addition, the Group Internal Audit function provides independent assurance to the Group Board and Group Audit Committee on the ongoing effectiveness of the internal control system and the Group Risk team provides advice and guidance on the internal controls environment, as well as independent second line oversight.

The internal control framework and the management of internal controls to mitigate risk exposures are integral components of the Hiscox Risk Management Framework. Underpinning this, the Group's policies for each material risk type include details of roles and responsibilities in relation to the ownership or performance of key controls.

There are also clear escalation and reporting procedures in place, supported by the Group's risk governance and culture. Where a matter is required to be escalated, the escalation route will depend upon the severity of the matter and whether the relevant risk is critical in nature.

Compliance function

The Group Compliance Function provides advisory, monitoring, reporting, training and compliance risk management services. It advises on the design and enhancement of internal controls to ensure regulatory compliance and operates some internal controls itself.

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

Internal audit

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

Internal Audit is independent of the activities that it audits in order to ensure unbiased judgments and impartial advice to the GAC and to management. In order to ensure this independence and objectivity, the Internal Audit team members report directly to the Head of Group Internal Audit, whose primary reporting line is to the Chair of the Group Audit Committee for matters relating to Internal Audit and to the Group CFO for other administrative matters.

Actuarial function

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

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

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

Outsourcing

The purpose of the Hiscox Group Outsourcing Policy is to set out the Group's strategy and process for selecting and managing outsourced services.

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

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

C. Risk profile

Hiscox's material risks and how these are mitigated

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

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

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

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

- Strategic risk – *the risk associated with the implementation of strategic decisions and objectives, including uncertainties and opportunities in the internal and external environments.*
  A key pillar of the Group's strategy is to balance the underwriting of typically high-margin, volatile, complex global risks by also selling stable, local specialist retail products. The business plan is aligned to the Group risk appetite set by the Board, to ensure individual and aggregate exposure remains within set parameters. The Group's emerging risk forum assesses risks and opportunities with potential to impact the business. Annual wide-ranging and detailed stress testing and scenario analysis helps identify unanticipated dependencies and correlations between risks, which could impact the Group's strategy. Stress testing and scenario analysis is described further in section C2.
- Underwriting risk – *the risk related to Hiscox's core business of providing insurance products and services to clients, and to the management of its net exposure to losses.*
  Hiscox aims to be flexible and adaptive in the lines of business it writes according to market conditions and the Group's overall risk appetite. Hiscox rejects business that is unlikely to generate underwriting profits and regularly monitors pricing levels, producing detailed monthly reports on how pricing and exposures are developing, so that it quickly identifies and controls any problems created by deteriorating market conditions. Hiscox rewards its staff for producing profit not revenue, which helps to maintain underwriting discipline in soft markets.
- Reserve risk – *the risk of managing the volatility of claim provision reserves set aside to pay for existing and future claims.*
  Hiscox makes financial provisions for unpaid claims, defence costs and related expenses to cover our ultimate liability both from reported claims and from Incurred But Not Reported (IBNR) claims. There is the possibility that it could potentially not put enough money aside for its exposures, which could affect the Group's earnings, capital and future.

  The provisions made to pay claims reflect internal own experience and the industry's view of similar business; historical trends in reserving patterns; loss payments and pending levels of unpaid claims; and awards as well as potential change in historic rates arising from market or economic conditions. Provisions are set above the actuarial mid-point to reduce the risk that actual claims may exceed the amount we have set aside.

  The provision estimates are subject to rigorous review by senior management from all areas of the business, as well as from independent actuaries. The relevant Boards approve the amount of the final provision, on the recommendation of dedicated reserving committees.
- Market risk – *the risk of financial loss resulting from adverse movements in market prices.*
  Hiscox invests the cash received from clients in premiums and the capital on the balance sheet until it might be needed to pay claims. These funds are inevitably exposed to market investment risk. Investment risk also encompasses the risk of default of counterparties, which is primarily with issuers of bonds in which Hiscox invests, and investment managers.

  The Group's investment objective is to maximise the investment result in the prevailing financial, economic and market conditions without undue risk that could affect the

Group's capacity to underwrite. In striking a balance between risk and return, the overriding philosophy is to avoid an investment loss and, hence, not to jeopardise the Group's capacity to underwrite and pay claims as they arise. Funds held for reserves are invested primarily in high-quality bonds and cash and as far as possible, are maintained in the currency of the original premiums for which they are set aside, to reduce foreign exchange risk.

Hiscox's fixed-income fund managers operate within guidelines as to the type and nature of bonds in which to invest, which reflect the rate at which we expect to pay claims, while providing them some flexibility to enhance returns.

A proportion of funds is allocated to riskier assets, principally equities. The Group takes a long-term view on these assets so that it can achieve the best risk-adjusted returns. It makes an allocation to less volatile, absolute return strategies within its risk assets so as to balance its desire to maximise returns with the need to ensure capital is available to support underwriting throughout any downturn in financial markets.

Liquidity – *the risk that the Group or the individual entities are unable to meet cash requirements from available resources to pay liabilities to customers or other creditors when they fall due. Also, the risk that Hiscox incurs excessive costs by becoming forced sellers of assets or raising money quickly to meet its obligations.* The failure of the Group's liquidity strategy could have a material adverse effect on the Group's financial condition and cashflows.

The Group's investment policy recognises the demands created by its underwriting strategy, so that some investments may need to be sold before maturity or at short notice. A high proportion of the investment portfolio is held in liquid assets, which reduces the risk that they may make losses if they had to be sold quickly. Funds held for reserves are invested primarily in high-quality, short duration bonds and cash so the Group can meet its aim of paying valid claims quickly.

The Group's cash requirements can normally be met through regular income streams (e.g. premiums, investment income, existing cash balances or by realising investments that have reached maturity) – the biggest of which is insurance premiums – while the Group's outflows largely relate to expenses and payments to policyholders through claims. The Group forecasts its cash flow for the week, month, quarter or up to two years ahead, depending on the source. It also runs tests to estimate the impact of a major catastrophe on the cash position to identify potential issues.

Hiscox maintains extensive borrowing facilities. These arrangements have been made with a range of major international banks to minimise the risk of one or more institutions being unable to honour commitments to us.

This risk is controlled in a variety of ways but, ultimately, risks are reported and monitored centrally. Verification that risks are either kept within agreed limits or temporary breaches for unique situations are appropriately escalated to the relevant Board committee and either approved or corrected.

Credit risk – *the risk of loss or adverse financial impact due to counterparty default or failure to meet obligations with agreed terms.*

Reinsurance. Hiscox buys reinsurance to protect it but if a reinsurer was unable to meet their obligations to the Group, this could put a strain on the Group's earnings and capital, and could harm its financial condition and cashflows.

Hiscox only buys reinsurance from companies that it believes to be financially strong. A dedicated Group Credit Committee must approve every reinsurer used, based on an assessment of their financial strength, trading record, payment history, outlook, organisational structure and external credit ratings.

The Group's credit exposures to these companies are closely monitored, as are the companies themselves, so that the Group can quickly identify any potential problems. Hiscox considers public information, its own experience of the companies, their behaviour in the marketplace and consultants' and rating agencies' analysis.

Brokers. Hiscox may lose money if a broker fails to pass a customer's premium to the Group, or if the broker fails to pass the claims payment to the policyholder.

Hiscox follows a careful process for selecting and monitoring the brokers that it works with, as it does for its reinsurers. It also mitigates the risk further by dealing with only the most credit-worthy brokers, taking into account market data and its own experience.

In some instances for large losses, Hiscox pays policyholders directly to reduce broker credit risk on material transactions.

Operational risk – *the risk from derivative exposures involving people, processes, systems and external events resulting from running a uniquely diversified insurance business.* The Group's operational risks are actively managed through its system of internal control, stress and scenario testing and recovery and contingency planning. Examples of notable operational risk areas in this reporting period are included below.

Regulatory change. The insurance industry is exposed to continuous regulatory change, which may impact the capital that insurers are required to hold. Hiscox is also exposed to new and emerging risks, including through legal or political decisions or legislative changes.

The Group supports sound prudential regulation as a key element in the stability and sustainability of the insurance and wider financial markets in which it operates. It continuously monitors new regulation and reviews internal processes to facilitate compliance. Hiscox's approach is to combine local expertise with a globally consistent Risk Management Framework to manage regulatory change and provide effective compliance with the varied and evolving requirements.

Information security (including cyber security)
Information security risk relates to not protecting information which could compromise the confidentiality, availability or integrity of data. Cyber security risk is the threat from globally connected networks such as the internet. It differs from the exposure posed by underwriting cyber risks, which is considered an insurance risk. Information security risk can result in loss of profit, and legal, regulatory and reputational consequences. Information security risk is managed as a business risk, not an IT responsibility.

Hiscox has dedicated IT security resources who provide advice on information security design and standards and an Information Security Group, including experts from around our business, to assess and manage these threats. Hiscox's cyber strategy combines industry standard perimeter security with data-centric protection for specific highly confidential information.

Hiscox constantly deploys and evolves systems, policies and procedures to mitigate internal and external threats to the IT infrastructure. Stress testing and scenario analysis considers the impact and likelihood of information security exposures to assess their effect on the business as well as potential management actions, including response plans.

Information technology and systems failure
The risk from major IT, systems or service failure which can significantly impact the business. Hiscox has dedicated IT resources who support its technology needs and oversee critical systems and applications. Stress testing and scenario analysis considers the impact and likelihood of an IT or systems failure, to assess the effect on the business and discuss what management actions could be taken to mitigate the risk.

A formal disaster recovery plan is in place to deal with workspace recovery and the retrieval of communications, IT systems and data should a major incident occur. These procedures would enable the Group or relevant entity to move the affected operations to alternative facilities quickly. The plan is tested regularly and includes simulation tests.

C.1. Material risk concentrations

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

C.2 Investment in assets in accordance with the prudent person principles of the code of conduct

Under the 'prudent person' principle, the Group only assumes investment risks that it can properly identify, measure, monitor and control, taking into consideration its capital needs and resources, short-term and long-term sources and uses of funding liquidity, policyholder obligations and the protection of the interests of policyholders and beneficiaries.

Stress testing and sensitivity analysis to assess material risks

Stress testing and scenario analysis is performed in conjunction with risk owners across the business for key risk types including underwriting, reserve, market, credit and operational risk. Individual and aggregate scenarios are developed, considering the dependencies between risk types, as well as reverse stress tests that assess business viability and capital resilience. Future management actions in response to testing results are also identified. Specific scenarios are developed as a tool to validate output from the Group risk and capital models.

The conclusions and recommendations are reported to the Risk Committees and represent a key component of the ORSA process. The most recent stress testing and scenario analysis supports the view that capital and liquidity levels are satisfactory to comply with the contractual obligations and internal and external capital requirements, and assessed loss impact is within tolerance.

D. Solvency valuation

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

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

The material differences between shareholder's equity as stated in the financial statements versus available statutory capital and surplus can be summarised as follows:

- the subordinated debt is treated as Tier 2-ancillary capital versus a liability in the financial statements
- current IFRS uses the unearned premium and deferred acquisition cost approach for unexpired risks and undiscounted reserves for past claims related to expired risks. For the statutory capital and surplus we use the best estimate of fulfilment cash flows.
- exclusion of goodwill, prepayments and certain intangible assets that cannot be sold separately.

D.1. Valuing assets

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

D.2. Valuing liabilities

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

The best estimate for the loss and loss expense provision is calculated by using generally accepted accounting principles reserves as the starting point and then performing a series of adjustments:

- removal of prudence margins
- incorporation of expected reinsurance counterparty defaults
- incorporation of events not in data ('ENID')
- other adjustments related to consideration for investment expenses, etc
- discounting of cash flows.

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

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

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

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

The best estimate for the premium provision is calculated by using the unearned premium reserve based on generally accepted accounting principles, adjusting for bound but not incepted business as at 31 December 2016 and applying expected future loss ratios, expense ratios and appropriate claims pay-out patterns to derive cash flows which are then discounted.

Technical provisions as at 31 December 2016	Hiscox Ltd (£000)	HIB ($000)	HCL (£000)
Best estimate loss and loss expense provision	1,878,881	574,078	672,405
Best estimate premium provision	274,935	37,345	112,861
Risk margin	159,300	46,759	46,314
Total technical provisions	**2,313,116**	**658,182**	**831,580**

E. Capital management

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

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

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

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

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

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

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

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

E.1. Eligible capital

The BMA uses a three tiered capital quality assessment system for assessing the statutory capital and surplus 'eligible capital'. The tiered capital system classifies capital instruments with different qualities into different tiers, based on their loss absorbency characteristics. Eligibility limits are then applied to each tier in determining the amounts eligible to cover regulatory capital requirement levels. The Group defines available capital as the total of shareholders' equity and subordinated debt. Tier 2 is comprised primarily of subordinated debt and is hybrid in nature. This means that while it does not count towards capital as measured by shareholders' equity, it does count towards regulatory and rating agency capital requirements.

The BMA requires that at least 80% of the Minimum Solvency Margin (MSM) and 60% of the Enhanced Capital Ratio (ECR) is met by Tier 1 capital. The Group aims to hold substantial Tier 1 Basic Capital in excess of the Authority's regulatory capital requirements. The Group also holds $340m in Tier 2 Ancillary Capital, in the form of subordinated debt issued in November 2015 and $81m of assets transferred from Tier 1, as a result of an excess of assets held against best estimate policyholder technical provisions.

The Tier 2 capital for Hiscox Ltd is currently subject to the transitional arrangements as specified under the Eligible Capital Rules 2012, allowed by the approval of the Authority to apply to previously

Regulatory capital requirements

Hiscox Ltd	Amount (£000)	Ratio %
Minimum margin of solvency	410,324	–
Enhanced capital requirement	980,095	219
HIB	**Amount ($000)**	**Ratio %**
Minimum margin of solvency	268,129	–
Enhanced capital requirement	315,344	288
HCL	**Amount (£000)**	**Ratio %**
Minimum margin of solvency	109,263	–
Enhanced capital requirement	407,141	144

HCL has been assigned a bespoke model for the calculation of its ECR by the Bermuda Monetary Authority.

approved instruments for capital purposes to be eligible to support the MSM and ECR. More specifically, Section 9(a) of the Eligible Capital Rules 2012, indicate that Tier 1 capital and Tier 2 capital may include capital instruments that do not satisfy the requirement that the coupon payment on the instrument would be cancellable or deferrable indefinitely upon breach (or if it would cause a breach) in the ECR until 1 January 2026. The current solvency provision in our prospectus for the subordinated notes allows for the deferral of the coupon payment if at the time of payment such payment would render the Issuer insolvent (i.e. liabilities exceed assets).

E.2. Fungibility of capital

We consider fungibility of capital to be the availability and transferability of capital across the Group. The Group monitors its capital requirements based on both external risk measures, set by regulators and the rating agencies, and its own internal guidelines of risk appetite. In the normal course of business, subsidiaries are often required to secure obligations by entering into collateral arrangements or provide financial guarantees. If required, the Group can source additional funding from revolving credit and Letter of Credit (LOC) facilities. Standby funding from these sources comprised $500 million at 31 December 2016 (2015: $500 million), of which $10 million was utilised at 31 December 2016 (2015: $71.9 million).

F. FCR declaration

To the best of my knowledge and belief, this financial condition report represents the financial condition of Hiscox Ltd, Hiscox Insurance Company (Bermuda) Limited and Hiscox Capital Ltd as at 31 December 2016, in all material respects.

Bronislaw (Bronek) Masojada
Chief Executive Officer
Hiscox Ltd

Hamayou Akbar (Aki) Hussain
Chief Financial Officer
Hiscox Ltd

Eligible capital	Tier 1	Tier 2	Tier 3
Hiscox Ltd (£000)	1,802,656	339,710	–
HIB ($000)	889,813	17,786	–
HCL (£000)	580,636	4,032	–

Hiscox family tree (abridged)

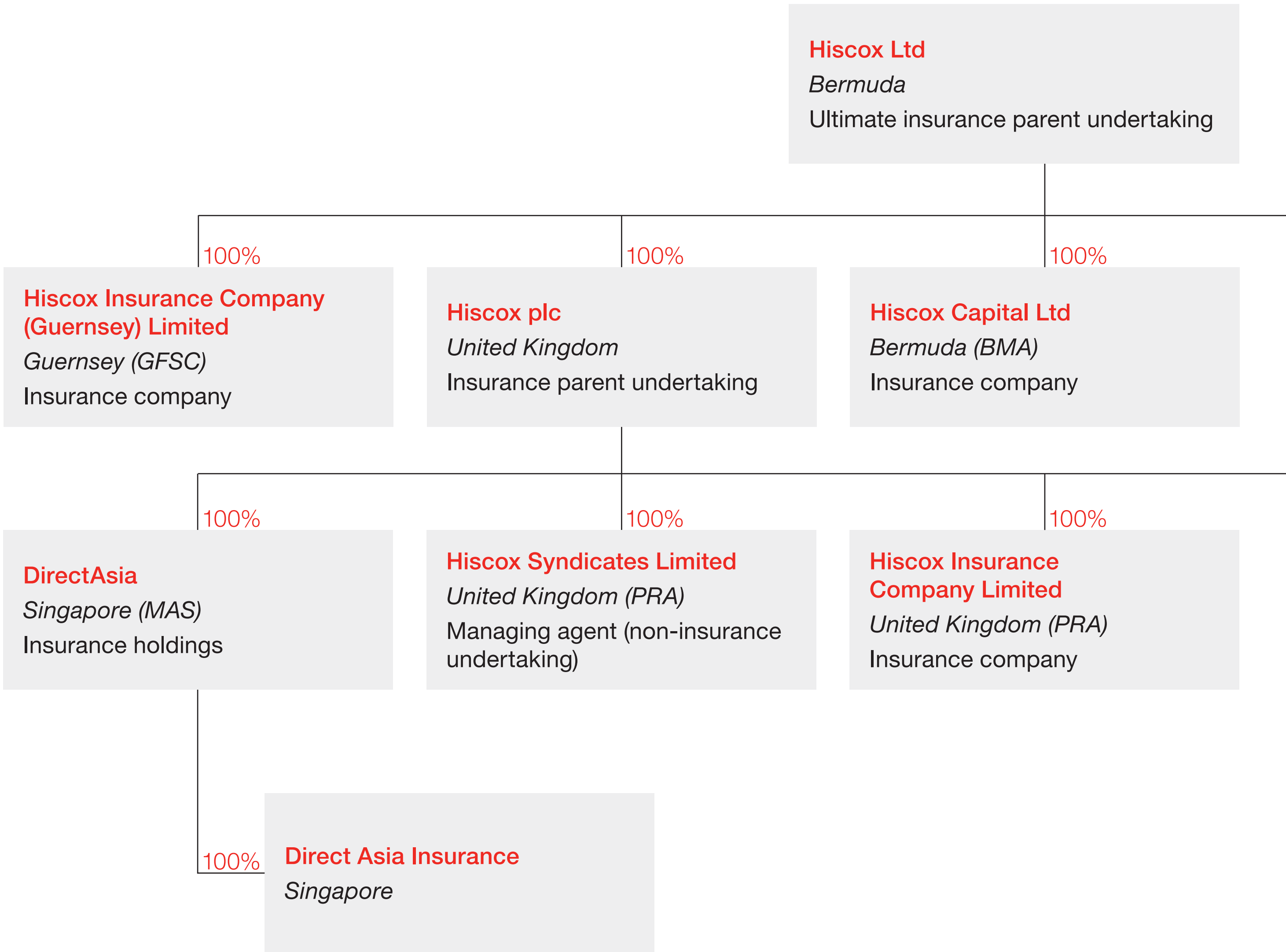
Key

% shareholding and voting rights

Name of insurance group member

Location of head office (and regulator IF APL)

Principal activity



MAS – Monetary Authority of Singapore
BMA – Bermuda Monetary Authority
GFSC – Guernsey Financial Services Commission
PRA – Prudential Regulation Authority

100%

Hiscox Insurance Company (Bermuda) Limited
Bermuda (BMA)
Insurance company

100%

Kiskadee Capital Ltd
Bermuda (BMA)
Holding company

100%

Hiscox Insurance Company Inc.
United States (US state regulator)
Insurance company

100%

Hiscox Dedicated Corporate Member Limited
United Kingdom
Lloyd's corporate name

Cardinal Re Ltd
Bermuda (BMA)
Special purpose insurer

100%

Hiscox Re Insurance Linked Strategies Ltd
Bermuda (BMA)
Investment manager

100%

Appendix II
Board members' details and experience

Ltd Board	HIB Board	HCL Board
Robert Childs (Chairman)	Robert Childs (Chairman)	Richard Watson (Chairman)
Lynn Carter *Risk Committee Chair*	Joel Aronchick *Risk Committee Chair*	Jeremy Pinchin
Caroline Foulger *Audit Committee Chair*	Phillip A Barnes	Yuval Abraham
Ernst Jansen *Conflict Committee Chair*	Caroline Foulger	
Colin Keogh *Remuneration Committee Chair*	Christopher Harris	
Anne MacDonald	Jeremy Pinchin	
Robert McMillan	Damien Bodger Smith	
Gunnar Stokholm	Benjamin Walter	
Bronek Masojada	Richard Watson	
Aki Hussain	Yuval Abraham	
Richard Watson		

Yuval Abraham
HIB and HCL Executive Director and CFO
Yuval Abraham is the Chief Financial Officer of Hiscox Re. Prior to joining Hiscox in 2015, Yuval worked at Ernst & Young serving reinsurance and asset management companies with a focus on SEC registrants. Yuval also worked closely with ILS hedge fund reinsurers. Yuval has also worked for Aviva and Deloitte. At Aviva, Yuval focused on implementing structured finance transactions including accounting and capital modelling. Yuval led legal entity restructuring projects, focusing on the optimization of group capital and liquidity, working to ready Aviva for Solvency II. At Deloitte, Yuval led the Financial Instrument Solutions group, a sub-Group of the Banking an Capital Markets Team, serving clients across the United States, Europe and Africa. Yuval is based in Bermuda and is a Chartered Accountant.

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

Philip A Barnes
HIB Non Executive Director
Philip Barnes was appointed to the HIB Board in January 2012 and has 31 years of insurance industry experience including 25 years with Aon. He is President and Director of Jardine Matheson International Services, Limited as well as certain officer and directorships of associated Jardine Matheson group companies. He has undertaken several independent consulting engagements in the insurance industry including: advising on establishment and structure of start-up Bermuda reinsurance companies in the life/long-term sector and working with a local group of professionals to form and license a specialist management company within the ILS sector. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Lynn Ann Carter
Hiscox Ltd Independent Non Executive Director
Lynn Carter joined Hiscox in May 2015. Lynn has 38 years' experience in the banking industry, most recently as President of Capital One Bank. Prior to Capital One, Lynn was President of Bank of America's Small Business Banking division, a $2.1 billion revenue business, with oversight of 110,000 business clients and 2,000 employees. Dividing her time between California and Connecticut, Lynn currently serves on the private board of

American Express Centurion Bank, Phoenix House Foundation and Bankwork$ Advisory Board.

Robert Childs
Hiscox Ltd and HIB Non Executive Chairman
Robert Childs joined Hiscox in 1986, served as the Active Underwriter of the Hiscox Lloyd's Syndicate 33 between 1993 and 2005, and was the Group's Chief Underwriting Officer until February 2013. In 2012 Robert joined the Council of Lloyd's. Robert was Chairman of the Lloyd's Market Association from January 2003 to May 2005. He is a Trustee of Enham (a charity for the disabled), former Chairman of the Advisory Board of the School f Management of Royal Holloway University of London, and Chairman of The Bermuda Society.

Caroline Foulger
Hiscox Ltd and HIB Non Executive Director
Caroline Foulger joined Hiscox Ltd. as a Non Executive Director in January 2013 after having retired from a partnership at PwC on December 31, 2012. She is Bermudian. In July 2014 she was appointed to the HIB Board. Until May 2012, she led PwC's Insurance and Reinsurance practice in Bermuda, and was also Head of the PwC Bermuda Government and Public Sector Practice. She is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Institute of Chartered Accountants of Bermuda and a member of the Institute of Directors. She is a Non Executive Director of the Bank of N.T. Butterfield & Son Limited. She is also on the Board of several other private companies in addition to Butterfield.

Christopher Harris
HIB Non Executive Director
Christopher Harris joined the HIB board in October 2016. Chris has more than 25 years of experience in the global insurance, reinsurance, and risk management consulting industries. From 2008-2015, Chris served as CEO and President of Montpelier Re Holdings Ltd, a $2 billion property and casualty reinsurer. He led initial public offerings of two companies and worked extensively with capital and investment markets. He served as Chairman of Blue Capital Reinsurance Holdings from 2013-2105. Chris is a Fellow of the Casualty Actuarial Society, a Chartered Financial Analyst, and a Chartered Property Casualty Underwriter.

Aki Hussain
Hiscox Ltd Executive Director and CFO
Aki Hussain joined Hiscox in 2016 from Prudential plc, where he spent seven years; latterly as Chief Financial Officer of Prudential UK and Europe. Prior to his time with Prudential, Aki held a number of senior roles in the financial services, telecoms and media sectors. He was Finance Director for the Consumer Bank division at Lloyds Banking Group until 2009, before which he was Finance Director for the Consumer division of ntl (now Virgin Media). Aki is a Chartered Accountant, having trained with KPMG.

Ernst Robert Jansen
Hiscox Ltd Non Executive Director
Ernst Jansen joined Hiscox in 2008. He held several Managing Director positions in the European chemical industry between 1980 and 1990. He was an Executive Director then Vice Chairman of Eureko B.V. (now Achmea BV) between 1992 and 2007 and following retirement he became an advisor to the Executive Board and is director of two investment vehicles of Achmea.

Colin Keogh
Hiscox Ltd Non Executive Director
Colin Keogh joined Hiscox in November 2015. Colin has spent his career in financial services, principally at Close Brothers Group plc, where he worked for 24 years and was CEO from 2002 until 2009. Colin currently holds directorships at London-listed Virgin Money Holdings (UK) plc and is Chairman for a specialist financial services business Premium Credit Limited.

Anne MacDonald
Hiscox Ltd Non Executive Director
Anne MacDonald joined Hiscox in May 2015. Anne has held the position of Chief Marketing Officer at four different Fortune 100 companies, marketing some of the most recognisable corporate names in the world – from Citigroup and Travelers to Macy's and PepsiCo. With an MBA from Bath University, Anne currently serves on the Board of Rentrak Corporation, the NASDAQ-listed global digital media measurement and research company serving the entertainment and advertising industries.

Bronek Masojada
Hiscox Ltd Executive Director and CEO
Bronek Masojada joined Hiscox in 1993. From 1989 to 1993 he was employed by McKinsey and Co. Bronek served as a Deputy Chairman of Lloyd's from 2001 to 2007 and was Chairman of the Lloyd's Tercentenary Research Foundation from 2008 to 2014. He is a past President of The Insurance Institute of London and immediate Past Master of The Worshipful Company of Insurers. He is currently a member of the Board of the Association of British Insurers.

Robert McMillan
Hiscox Ltd Non Executive Director
Robert McMillan joined the Hiscox Ltd. Board in December 2010. He spent 24 years with the Progressive Insurance Corporation where he served in various positions including National Director of Product Development, then claims before becoming National Director of Marketing. He led Progressive's initiatives in multi-channel distribution, financial responsibility-based rating, and immediate response claims. He has received two United States patents related to motor insurance pricing. He has lectured on business innovation at the University of Virginia's Darden School of Business and at the Harvard Business School. He has been a Non Executive Director of Hiscox Inc. since March 2007.

Jeremy Pinchin
Hiscox Ltd Secretary, HIB and HCL Director and CEO
Jeremy Pinchin is Chief Executive Officer of HIB, Hiscox Re, Hiscox Re ILS and principal representative of Hiscox Ltd in Bermuda. He also serves as Group Claims Director for Hiscox operations worldwide. He has spent his entire career in the insurance industry, having begun as a lawyer working in a worldwide insurance broking company. He served as Group General Counsel of Sedgwick Group for 11 years and also a main board director of Sedgwick Group and Chairman of its Asia Pacific operations. After the sale of Sedgwick to Marsh McLennan, he served as a director of corporate investors in Lloyd's, until he was asked by the Council of Lloyd's to lead a taskforce to manage the liabilities of the Lloyd's Market following the tragic events of 09/11. He became the first Head of Claims for the Lloyd's Market, responsible for creating the first coordinated claims strategy for the Market. He joined Hiscox in 2005 as its first Claims Director, responsible for creating and implementing its first Group-wide claims strategy. He also served as a Director of the Lloyd's Market Association, Chair of the Market's claims committee and on a number of other market bodies.

Gunnar Stokholm
Hiscox Ltd Non Executive Director
Gunnar Stokholm joined Hiscox in 2008. He worked for Zurich Financial Services between 1995 and 2004, in a number of roles including CEO for Australia and Asian markets. He spent the majority of his career at Topdanmark Insurance and held the position of Managing Director of Topdanmark Holding from 1986 to 1995.

Damien Bodger Smith
HIB Director
Damien Smith commenced his career with Hiscox in 1994 joining the Reinsurance Purchasing Team. He worked with a number of Hiscox underwriting teams until 2009 when he was promoted to Head of Non-Marine Treaty and was made a Hiscox Partner. Damien was appointed HIB Executive Vice President, Underwriting Director in 2011. He is a Director of HAL, HIB and HSL. While in London, he was a member of the Lloyds LMA Reinsurance Panel, which contains senior underwriters from several Lloyd's syndicates.

Benjamin Walter
HIB Director
Benjamin Walter is President and CEO of Hiscox USA. Benjamin joined the company in 2011 as COO before taking up his current position in 2012. Prior to joining Hiscox, Ben was a Managing Director at BlackRock, where he focused on global strategic and operations issues. He joined BlackRock via its acquisition of Barclays Global Investors, where he held a similar position. Ben's previous experience spans a wide range of industries and functions. He ran the credit and loyalty business for Gap Inc.'s Banana Republic brand, worked with leading financial services and fintech companies as a consultant with the Boston Consulting Group, and served in a number of strategy and marketing roles at Continental Airlines. Ben is a member of the New York City chapter of the Young Presidents' Organization, and he serves on the boards of the Property Casualty Insurance Association and the Parris Foundation.

Richard Colin Watson
Hiscox Ltd Executive Director and CUO, HIB Non Executive Director and HCL Director and Chairman
Richard Watson joined Hiscox Syndicates in 1986 as Divisional Underwriter and became Managing Director in November 2005 until April 2009. He relocated to the USA to fill the position of CEO of Hiscox USA from April 2009 to June 2012. In September 2012 he returned to London to work as Group CUO of Hiscox plc a role he still maintains today. Richard serves as a Director of HIB, HIC, HICI, HIG, Hiscox Ltd., Hiscox Syndicates and Hiscox USA.

Cindy Christiane Samuels
HIB and HCL Company Secretary
Cindy Samuels joined Hiscox in 2007. She is Bermudian. She has been working as a company secretary/corporate administrator since 1996. Cindy is Secretary of HAL, HCL, HIB, HSL, Blue Jay Reinsurance Ltd., Cardinal Re Ltd, Kiskadee Capital Ltd, Hiscox Re ILS Ltd., Hiscox Re ILS, Kiskadee Reinsurance 1 Ltd, Kiskadee Reinsurance 2 Ltd, and Assistant Secretary of Hiscox Ltd., Blue Jay Fund Ltd., Kiskadee Diversified Fund Ltd and Kiskadee Select Fund Ltd. Her previous employers were Appleby, Attride-Stirling & Woloniecki, Bank of Bermuda Limited, and Milligan-Whyte and Smith. She is a former Secretary and Vice President of The Sunshine League Children's Home and a former Secretary and President of Big Brothers Big Sisters of Bermuda.

Heather Elizabeth Shrubb
HIB and HCL Assistant Secretary
Heather Shrubb joined Hiscox in 2010. She is Bermudian. She has been working in administrative positions in the legal and financial services industries for many years. Heather is Assistant Secretary of HAL, HCL, HIB, HSL, Kiskadee Capital Ltd, Cardinal Re Ltd, Hiscox Re Insurance Linked Strategies Ltd., Kiskadee Reinsurance 1 Ltd, Kiskadee Reinsurance 2 Ltd. Her previous employers include Smith Barnard & Diel, Bank of Bermuda Limited, Butterfield Trust (Bermuda) Limited and HSBC Bank Bermuda Limited. She has served on the Board of the National Dance Foundation of Bermuda and is currently a board member of Poinciana Court Limited.

Glossary of terms

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

Hiscox Ltd

4th Floor
Wessex House
45 Reid Street
Hamilton HM 12
Bermuda

T +441 278 8300
E enquiries@hiscox.com
www.hiscoxgroup.com

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