Important information about Syndicate Reports and Accounts

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The syndicate reports and accounts set forth in this section of the Lloyd’s website, which have been filed with Lloyd’s in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd’s, and Lloyd’s has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd’s or membership on any syndicate of Lloyd’s, and no offer to join Lloyd’s or any syndicate is being made hereby. Members of Lloyd’s are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate’s performance in any subsequent syndicate year.

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HISCOX

Hiscox Syndicates
33 and 6104

Report and Accounts 2014

Contents

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)
S J Bridges (Non Executive)
C J Foulger (Non Executive)
J S Jones
H C V Keeling (Non Executive)
M C S Krefta
P A Lawrence
I J Martin
B E Masojada
J Pinchin
N B Tyler
R C Watson
I T Webb-Wilson (Non Executive)

Company secretary
J K Taylor

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

Managing agent's registered number
02590623

Syndicates 33 and 6104:

Active underwriter
Syndicate 33 – P A Lawrence and M C S Krefta
Syndicate 6104 – M C S Krefta

Bankers (Syndicate 33)
Barclays Bank plc
Lloyds Bank plc
Citibank
Royal Bank of Canada
Northern Trust

Investment managers
AllianceBernstein Limited
Wellington Management Company, LLP
Fiera Capital Corporation

Registered auditors
KPMG Audit Plc

Notice regarding the Annual General Meeting

Hiscox Syndicates 33 and 6104 annual accounts

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) Regulations 2008 ('the 2008 Regulations') a Syndicate AGM was held in 2009 to appoint KPMG Audit Plc 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:

1. Hiscox Syndicates Limited does not propose to hold an AGM of the members of Syndicates 33 and 6104 in 2015;
2. we propose that KPMG Audit Plc are re-appointed as the Syndicates' registered auditor for the period of one year from the date of this Annual Report;
3. members may object to the matters set out above within 21 days of this notice.

If no objections to these proposals are received from any member 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, stating the reasons why not. 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

Jason Jones

J S Jones
Director
26 February 2015

Hiscox Syndicate 33

annual accounts

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 2014.

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').

Separate underwriting year accounts for the closed 2012 account of Syndicate 33 are included following these annual accounts.

Results

The result for Syndicate 33 in calendar year 2014 is a profit of £140.8m (2013: £147.9m). The Syndicate's key financial performance indicators during the year were as follows:

	2014 £m	2013 £m	% change
Gross premiums written	**832.4**	823.1	1%
Gross premiums earned	**817.8**	826.1	(1)%
Net premiums earned	**537.4**	555.3	(3)%
Profit for the financial year	**140.8**	147.9	(5)%
Claims ratio	**32%**	37%	(5)%
Commission ratio	**20%**	21%	(1)%
Expense ratio	**24%**	18%	6%
Combined ratio	**76%**	76%	0%

In calculating the claims and expense ratios, foreign exchange gains and losses have been allocated to the claims ratio. This is because administrative expenses are predominately in Sterling and therefore not subject to foreign exchange adjustments.

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, major property and energy business, as well as a range of specialty lines. The business is mainly property related short tail business; there is little exposure to aviation or motor business. 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 Standard & Poor's and AA- (Very strong) rating from Fitch.

M C S Krefta joined P A Lawrence as joint active underwriter of Syndicate 33 on 12 September 2014.

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

2014 geographical split of gross premiums written (%)	
UK	**2%**
Europe	**4%**
North America	**53%**
Asia	**9%**
Rest of the world	**32%**

2014 gross premiums written settlement currency (%)	
GBP	**12%**
EUR	**8%**
USD	**77%**
CAD	**3%**

Review of the business

The result for the year was a profit of £140.8m (2013: profit of £147.9m). A breakdown of divisional performance is shown below:

	2014 Gross premiums written £m	2014 Profit £m	2013 Gross premiums written £m	2013 Profit £m
Property	**270.5**	**30.0**	256.9	31.4
Reinsurance	**233.7**	**63.9**	275.3	64.9
Marine and energy	**126.4**	**21.8**	125.2	16.9
Aerospace and specialty	**86.2**	**16.8**	86.8	13.7
Casualty	**62.6**	**3.0**	25.0	9.9
Art and private client	**53.0**	**5.3**	53.9	11.1
Total	**832.4**	**140.8**	823.1	147.9

Review of the business continued

Property

The division comprises property binding authorities principally focused on the US, insuring household and small commercial risks, the big ticket property and onshore energy accounts (both US and international) together with the Syndicate's terrorism account. Premium growth was achieved partly as a result of a decision to allocate more of the Syndicate's catastrophe aggregate to direct property, rather than to reinsurance, due to the relative direction of premium rates and profit opportunity between these two divisions.

The rates on the US binding authority accounts remain at attractive levels. Overall performance of the division was strong benefitting from a low level of natural catastrophe losses in the US and no major terrorism incidents.

Reinsurance

This division includes the Syndicate's non marine property reinsurance business (catastrophe, risk excess and pro-rata reinsurance), marine and aviation reinsurance and whole account reinsurance. In 2014 33% of the non marine catastrophe reinsurance account was ceded to Special Purpose Syndicate 6104. Premium income was lower than in 2013 as a result of the rate reductions on both US and international business and our underwriters' decision to decline inadequately rated business. Another year of good profit was achieved following a light level of catastrophe activity and a number of reserve releases from some of the older catastrophe loss reserves, and by disciplined underwriting. For 2015 the cession to 6104 was reduced to 28% following a reduction in capacity provided by the Syndicate from £72.1m to £65.2m.

Marine and energy

This division includes upstream (exploration and production) and mid-stream (storage and transportation) energy business including energy liability, marine hull and marine liability business together with a small cargo account. Premium volumes were in line with 2013. A good profit was achieved with all accounts contributing.

Aerospace and specialty

This division brings together a number of specialist lines such as kidnap and ransom, contingency, PA and political risks with the Syndicate's space and aviation war accounts. The satellite account provides insurance for satellites during the pre-launch, launch, commissioning and in orbit life phases. Premium volumes were flat year-on-year with a reduction in the political risks account due to a reduced flow of business from Russia, as result of the situation in Ukraine being offset by increased launch activity on the space account. Profit was ahead of the prior year despite a number of losses from the aviation war account the most serious of which occurred at Tripoli airport in Libya. The division's result was helped by a good performance from the kidnap and ransom account and a reserve release from the warranty and indemnity account which is now in run-off.

Casualty

The division includes the Syndicate's traditional London Market professional indemnity account insuring lawyers, architects and engineers, other professional firms together with liability insurance for nursing home operators, a casualty treaty account and the new D&O account in its first full year of operation. Strong growth was achieved driven by the recent new hires, particularly the D&O team. The account produced an acceptable profit despite the new business strain inherent in a new fast-growing long tailed account.

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 a good year although the household account was impacted by the storms and flooding that hit the UK in January.

2015 and the future

Reinsurance remains competitive and further rate reductions were experienced at 1 January 2015. We have responded by focusing on active engagement with key clients and brokers, a series of incremental product innovations and underwriting for third-parties such as our panel of quota share reinsurance partners from whom the Syndicate earns fees and profit commissions. On the other hand the softer reinsurance market has enabled the Syndicate to purchase an improved reinsurance programme at a favourable price.

Rating conditions in insurance lines are mixed although generally weaker than a year ago. Competition is most intense in the 'traded' subscription market lines underwritten in Lloyd's. The Syndicate is well reserved, has a strong reinsurance programme with good security and a conservative investment portfolio.

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 owns 72.5% 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.

Lloyd's are utilising models developed for Solvency II to meet obligations under ICAS, which will provide equivalent protection to policyholders. 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. Hiscox Syndicates Limited (HSL) uses an internal capital model to measure its SCR, based on a rigorous process of risk identification and quantification assessed at a 1:200 confidence level which draws upon the skills of the Hiscox organisation and is reflected in HSL's own risk and solvency assessment. The model is based on regulatory requirements and has been approved 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 United States and other parts of the world to strengthen further 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 places a strain on the Syndicate's working capital. We continue to have a £120m credit facility from Barclays Bank plc and Lloyds Bank plc. It is primarily intended to fund large claims pending recoveries from reinsurers.

We do not wish, however, to become overly dependent on this facility. Consequently, 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.

Years of account

	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
Capacity	700	750	999	899	949	949	1,000	1,000
Hiscox ownership	508	544	725	653	689	689	725	725
Hiscox ownership (%)	72.6%	72.6%	72.6%	72.6%	72.6%	72.6%	72.5%	72.5%

Investment report

The Syndicate's investments produced an income of £15.6m before expenses in 2014, a rate of return of 1.3%. This was up from £11.9m, equivalent to 1.0%, during 2013. US bonds achieved an income of £11.7m, while the sterling, Euro and Canadian Dollar bonds added £1.4m, £1.6m and £0.6m respectively.

2014 was a year that confounded both economic and financial market expectations. The year began with high hopes that recovery was gaining traction in the US and UK and that the worst was over in Europe, Japan and several emerging markets. However, deflationary forces proved more powerful than expected, especially in the Eurozone. The global economy also had to absorb several geo-political shocks; notably war in Ukraine and sharply lower oil prices. Both growth and inflation turned out weaker than anticipated. Interest rate normalisation in the US and UK has therefore been delayed, whilst more stimulus was introduced in the Euro-area, including negative policy rates. This unexpectedly supportive policy environment bolstered bond prices, particularly longer maturity government issues, pushing their implied yields some way back towards their 2012 trough in the US and to record lows in the Euro-area.

Syndicate investment assets totalled £1,375m on 31 December 2014, up from £1,217m at the end of 2013. Investment policy remains to invest predominantly in high-quality short-dated bonds and cash, with a maturity profile that reflects the short tail nature of underwriting commitments. The currency mix is matched to that of the net liabilities. As in previous years, there have been no investments in equities. US Dollar bonds accounted for 74% of assets as at the 31 December 2014. Sterling, Euro and Canadian Dollar bonds amounted to 9%, 8% and 3% respectively, with the balance held either in cash or deposits with the Corporation of Lloyd's.

In the US bond portfolio, average credit quality is high and the holdings are well diversified. Tactical allocation did not change significantly last year. The portfolio was consistently positioned cautiously on interest rates with substantial exposure to the credit markets, particularly corporate bonds, where yields exceed the sovereign alternative. By contrast, the Sterling and Euro portfolios were focused more on government bonds and traded successfully during the year to exploit more monetary stimulus in the Euro-area and the implications of EU softness for UK policy.

Whilst it is pleasing to report unexpected bond price gains in 2014, the consequence is to depress prospective returns for 2015. Whilst profiles vary between countries and regions, the core global features remain as they have been for several years now; muted economic expansion, low inflation, ultra easy monetary policy and, as a result, elevated asset prices. The US 2015 outlook is positive, and the Federal Reserve is expected to begin to raise interest rates, but with core inflation muted, it is likely to move slowly. The UK is growing moderately, and with low inflation in prospect, base rates are expected to be on hold ahead of May's general election. Economic conditions appear weak and unlikely to improve materially in the Euro-area. The European Central Bank is under pressure to do more.

In summary, investment prospects for 2015 are challenging. Due to expansionary monetary policy, bond markets are high and overall rates of return look set to be meagre. Economic conditions are sufficiently soft that policy stimulus and elevated asset prices may persist. However, there is a risk that economic growth surprises positively, potentially driven by lower energy prices. The prospect of less supportive monetary policy that would follow is likely to cause volatility in the financial markets.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Syndicate is set out in the notes to the financial statements (risk review).

Directors' interests

None of the Directors of the managing agent who served during the year ended 31 December 2014 were underwriting Names at Lloyd's for the 2012, 2013, 2014 or 2015 years of account.

S J Bridges (Non Executive)
R S Childs (Non Executive Chairman)
C J Foulger (Non Executive)
J S Jones
H C V Keeling (Non Executive)
M C S Krefta (Appointed 28 November 2014)
P A Lawrence
I J Martin
B E Masojada
J Pinchin
N B Tyler
R C Watson
I T Webb-Wilson (Non Executive)

S J Bridges, formerly an Executive Director, became a Non Executive Director on 18 November 2014.

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.

Auditors

The managing agent proposes the re-appointment of KPMG Audit Plc as the Syndicate auditors.

By order of the Board

I J Martin, Director
26 February 2015

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 as at that date and of its profit or loss for that year.

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

1. select suitable accounting policies and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Syndicate annual accounts; and
4. 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 2008 Regulations. 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 annual accounts

We have audited the Syndicate 33 annual accounts for the year ended 31 December 2014, as set out on pages 10 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the members of the Syndicate, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditor

As explained more fully in the statement of managing agent's responsibilities set out on page 8, the managing agent is responsible for the preparation of Syndicate annual accounts which give a true and fair view. Our responsibility is to audit, and express an opinion on, the Syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Syndicate annual accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Syndicate annual accounts

In our opinion the annual accounts:

- give a true and fair view of the Syndicate's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Opinion on other matter prescribed by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion the information given in the managing agent's report for the financial year in which the annual accounts are prepared is consistent with the annual accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 require us to report to you if, in our opinion:

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

Timothy Butchart
for and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
London
26 February 2015

Profit and loss account: technical account – general business

Year ended 31 December 2014

Hiscox Syndicate 33 annual accounts

	Notes	2014 £000	2013 £000
Earned premiums, net of reinsurance			
Premiums written:			
Gross premiums written	4	**832,415**	823,096
Outward reinsurance premiums		**(291,368)**	(280,496)
Net premiums written		**541,047**	542,600
Change in the provision for unearned premiums:			
Gross amount		**(14,590)**	2,968
Reinsurers' share		**10,924**	9,756
Change in the net provision for unearned premiums		**(3,666)**	12,724
Earned premiums, net of reinsurance		**537,381**	555,324
Allocated investment return transferred from the non-technical account	9	**13,692**	10,276
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		**(307,327)**	(418,135)
Reinsurers' share		**116,848**	151,975
Net claims paid		**(190,479)**	(266,160)
Change in the provision for claims:			
Gross amount		**47,966**	184,071
Reinsurers' share		**(46,154)**	(106,141)
Change in the net provision for claims		**1,812**	77,930
Claims incurred net of reinsurance		**(188,667)**	(188,230)
Net operating expenses	6, 7	**(221,605)**	(229,459)
Balance on the technical account for general business		**140,801**	147,911

All operations relate to continuing activities.

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 total recognised gains and losses has been presented.

The notes to the financial statements form an integral part of these annual accounts.

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

Year ended 31 December 2014

Hiscox Syndicate 33 annual accounts

	Notes	2014 £000	2013 £000
Balance on the general business technical account		**140,801**	147,911
Investment income		**20,484**	20,760
Gains on the realisation of investments		**2,601**	2,488
Unrealised gains on investments		**3,871**	3,634
Losses on the realisation of investments		**(4,418)**	(5,488)
Unrealised losses on investments		**(6,907)**	(9,466)
Investment expenses and charges		**(1,939)**	(1,652)
Allocated investment return transferred to general business technical account	9	**(13,692)**	(10,276)
Profit for the financial year	14	**140,801**	147,911

All operations relate to continuing activities.

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 total recognised gains and losses has been presented.

The notes to the financial statements form an integral part of these annual accounts.

Balance sheet – assets

as at 31 December 2014

Hiscox Syndicate 33 annual accounts

	Notes	2014 £000	2013 £000
Investments			
Financial investments	10	**1,265,078**	1,104,536
Reinsurers' share of technical provisions			
Provision for unearned premium		**92,803**	81,878
Claims outstanding	5	**304,596**	337,103
		397,399	418,981
Debtors			
Debtors arising out of direct insurance operations	11	**156,649**	128,277
Debtors arising out of reinsurance operations	12	**77,495**	83,061
Other debtors		**13,178**	11,102
		247,322	222,440
Other assets			
Cash at bank and in hand		**59,063**	46,706
Overseas deposits	13	**51,002**	65,919
Prepayments and accrued income			
Accrued interest		**6,516**	5,372
Deferred acquisition costs		**89,845**	83,129
Total assets		**2,116,225**	1,947,083

The notes to the financial statements form an integral part of these annual accounts.

Balance sheet – liabilities

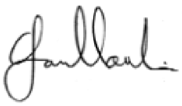
as at 31 December 2014

Hiscox Syndicate 33 annual accounts

	Notes	2014 £000	2013 £000
Capital and reserves			
Members' balances	14	**205,718**	135,821
Technical provisions			
Provision for unearned premium		**352,079**	337,488
Claims outstanding	5	**1,251,947**	1,249,066
		1,604,026	1,586,554
Creditors			
Creditors arising out of reinsurance operations	15	**206,038**	159,356
Other creditors		**21,437**	7,394
		227,475	166,750
Accruals and deferred income	16	**79,006**	57,958
Total liabilities		**2,116,225**	1,947,083

The notes to the financial statements form an integral part of these annual accounts.

The financial statements on pages 10 to 31 were approved by the board of Hiscox Syndicates Limited on 26 February 2015 and were signed on its behalf by



I J Martin
Director

Statement of cash flows

Year ended 31 December 2014

Hiscox Syndicate 33 annual accounts

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	17	**177,043**	135,300
Transfer to members in respect of underwriting participations		**(70,902)**	(71,595)
	18	**106,141**	63,705
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		**12,055**	(198)
Decrease in overseas deposits		**(16,341)**	(10,031)
Increase in portfolio investments		**110,427**	73,934
Net investment of cashflows		**106,141**	63,705

Notes to the financial statements

Year ended 31 December 2014

Hiscox Syndicate 33 annual accounts

1 Basis of preparation

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable Accounting Standards in the United Kingdom, and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2006.

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 principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's financial statements.

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.

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

Premiums written include estimates for 'pipeline' premiums and adjustments to premiums written in prior accounting periods.

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 separately for each insurance contract 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 consist of claims and claims handling expenses paid during the financial year, together with the movement in the provision for outstanding claims and future claims handling expenses.

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

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

The provision for the IBNR element of the outstanding claims for the Syndicate is actuarially calculated using both the Chain Ladder and Bornhuetter-Ferguson methods. There is close communication between the actuaries and underwriters and allowance is made for the rating environment.

The Chain Ladder method is adopted where sufficient development data is available in order to produce estimates of the ultimate claims and premiums by actuarial reserving group and year of account for the managed Syndicate. This methodology produces optimal estimates when a large claims development history is available and the claims development patterns throughout the earliest years are stable.

Where losses in the earlier underwriting years have yet to fully develop, a 'tail' arises on the reserving data i.e. a gap between the current stage of development and the fully developed amount. The Chain Ladder methodology is used to calculate average development factors which, by fitting these development factors to a curve, allows an estimate to be made of the potential claims development expected between the current and the fully developed amount, known as a 'tail reserve'. This tail reserve is added to the current reserve position to calculate the total reserve required.

The Bornhuetter-Ferguson method is predominantly employed to produce ultimate loss estimates when there is little development data available e.g. in relation to more recent underwriting years. The Bornhuetter-Ferguson method is based on the Chain Ladder approach but utilises estimated ultimate loss ratios. In exceptional cases the required provision is calculated with reference to the actual exposures.

Ultimate premium and claims amounts are projected both gross and net of reinsurance using reinsurance recovery rates based on historical experience, adjusted for the current reinsurance programme.

Reinsurance security is monitored continuously throughout the year involving both external sources, such as Standard & Poor's and A.M. Best's rating information on reinsurers, and internal sources. Reinsurer default rates are applied to the expected future reinsurance recoveries to determine a suitable level of bad debt provision.

Adjustments are made within the reserving methodology to remove distortions in the historical claims development patterns from large claims not expected to reoccur in the future.

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 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) Investments

The Syndicate has classified its investments as financial assets at fair value through profit or loss. Management determines the classification of its investments at initial recognition. The decision by the Syndicate to designate its investments at fair value through profit or loss reflects the fact that the investment portfolios are managed, and their performance evaluated, on a fair value basis. Regular purchases and sales of investments are accounted for at the date of trade.

A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking. Listed investments comprise

2 Accounting policies continued

those quoted on the London and other International Stock Exchanges. Investments are stated at closing bid-market prices at the balance sheet date, or on the last stock exchange trading day before the balance sheet date.

In the case of financial instruments for which the market is no longer active or indicators of forced transactions exist, the fair value is determined using selected valuation techniques (including net present value techniques, the discounted cash flow method, comparison to similar instruments and valuation models). The valuation techniques use market observable inputs, where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items and from other observable market data. The models are calibrated to estimate the price at which an orderly transaction would take place between market participants on the reporting date, taking into account current market conditions and applying appropriate risk adjustments. As a result the valuation techniques involve a considerable amount of management judgement. This is addressed by controls over the valuation process, including a review of the valuation results by senior management, verification of assumptions made and scrutinising the adjustments to fair values resulting from considerations of additional risk factors.

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.

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

Realised gains or losses on investments represent the difference between net sales proceeds and their purchase price or their valuation at the commencement of the year.

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) Rates of exchange

The functional currency of the Syndicate is Pound Sterling. Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. At the balance sheet date, monetary assets and liabilities are translated at the year-end rates of exchange. Unearned premiums and deferred acquisition costs are non monetary assets and liabilities and accordingly are not retranslated from the historic rates. Exchange profits or losses arising on the translation of foreign currency amounts relating to the Syndicate insurance operations are included within net operating expenses in the 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 United States 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. Pension contributions relating to Syndicate 33 staff are charged to Syndicate 33 and included within net operating expenses. Movements in surpluses or deficits on the defined benefit pension scheme, on an FRS 17 basis, that relate to Syndicate 33 are allocated equally between all open and constituted years of account.

2(k) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually or whenever there is an indication of impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(a) Non-financial assets
Objective factors that are considered when determining whether a non-financial asset may be impaired include, but are not limited to, the following:

- adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability;
- the likelihood of accelerated obsolescence arising from the development of new technologies and products; and
- the disintegration of the active market(s) to which the asset is related.

(b) Financial assets
Objective factors that are considered when determining whether a financial asset or group of financial assets may be impaired include, but are not limited to, the following:

- negative rating agency announcements in respect of investment issuers, reinsurers and debtors;
- significant reported financial difficulties of investment issuers, reinsurers and debtors;
- actual breaches of credit terms such as persistent late payments or actual default;
- the disintegration of the active market(s) in which a particular asset is traded or deployed;
- adverse economic or regulatory conditions that may restrict future cash flows and asset recoverability; and
- the withdrawal of any guarantee from statutory funds or sovereign agencies implicitly supporting the asset.

(c) Impairment loss
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. Where an impairment loss subsequently reverses, the carrying amount of the

2 Accounting policies continued

asset is increased to the revised estimate of its recoverable amount, but so 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.

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 overriders, are treated as a contribution to expenses.

2(n) Derivative financial instruments

Derivative financial instruments are measured at 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

3 Risk review

Hiscox Syndicates Limited (HSL) has a robust governance framework in place to manage risk.

In addition, board risk owner for each of the risk categories is identified.

The Board of HSL has delegated more detailed oversight of risk management to the HSL Risk Committee. The HSL Risk Committee is chaired by an Independent Non Executive Director.

The HSL Risk Committee focuses on those areas where there is potential that insufficient action is being taken to mitigate risks and which may need to be escalated to the HSL Board.

The HSL Board approves the risk appetite with more detailed monitoring of exposures against the risk appetite being undertaken by the HSL Risk Committee.

In addition, HSL's risk management activities are regularly audited by an independent internal audit function. The Internal Audit function has operational independence, clear terms of reference influenced by the Board's Non Executive Directors and a clear upwards reporting structure back to the 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 financial statements fall into two broad categories: insurance risk and financial risk, both of which are described below.

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 sub-categorised into i) underwriting risk including the risk of catastrophe and systemic insurance losses and the insurance competition and cycle, and ii) reserving risk.

(i) Underwriting risk

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.

HSL Board sets the Syndicate's underwriting strategy for accepting and managing underwriting risk, seeking to exploit identified opportunities in the 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.

HSL's underwriters and management consider underwriting risk at an individual contract level and also from a portfolio perspective where the risks assumed in similar classes of policies are aggregated and the exposure evaluated in light of historical portfolio experience and prospective factors. To assist with the process of pricing and managing underwriting risk the Syndicate routinely performs a wide range of activities including the following:

- regularly updating the Syndicate's risk models;
- documenting, monitoring and reporting on the Syndicate's strategy to manage risk;
- developing systems that facilitate the identification of emerging issues promptly;
- utilising sophisticated computer modeling tools to simulate catastrophes and measure the resultant potential losses before and after reinsurance;
- monitoring legal developments and amending the wording of policies when necessary;
- regularly aggregating risk exposures across individual underwriting portfolios and known accumulations of risk;
- examining the aggregated exposures in advance of underwriting further large risks; and
- developing processes that continually factor market intelligence into the pricing process.

The delegation of underwriting authority to specific individuals, both internally and externally, is subject to regular 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 tight underwriting guidelines and limits and extensive monitoring, review and auditing of the agencies.

3 Risk review continued

However, as there is no absolute guarantee that an agent will comply with the terms of its authority, the Syndicate could be exposed to unanticipated losses. Other business areas where the Syndicate is to some extent reliant on the timely and effective supply of services from third-parties include back office policy processing, data entry and cash collection.

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.

HSL compiles estimates of losses arising from realistic disaster events using statistical models alongside input from its underwriters. These require significant management judgement. Realistic disaster scenarios are extreme hypothetical events selected to represent major events occurring in areas with large insured values. They also reflect the areas that represent significant exposure for HSL. The selection of realistic disaster scenario events is adjusted each year and they are not necessarily directly comparable from one year to the next. The events are extreme and as yet untested, and as such these estimates may prove inadequate as a result of incorrect assumptions, model deficiencies or losses from unmodeled risks. This means that should a realistic disaster actually eventuate, HSL's final ultimate losses could materially differ from those events modeled by management.

The Syndicate also manages underwriting risk by purchasing reinsurance. Reinsurance protection such as excess of loss and quota share cover is purchased at a Syndicate level to mitigate the effect of catastrophes and unexpected concentrations of risk. In addition, some reinsurance is purchased on a shared basis with other Hiscox Group carriers. The scope and type of reinsurance protection purchased may change depending on the extent and competitiveness of cover available in the market. The Syndicate is exposed to the risk that the reinsurance protection that it has bought is inadequate or inappropriate, but this is monitored and managed using modeling techniques, supervised by a dedicated reinsurance purchase group.

Reserving risk

Reserving risk is defined as the risk that reserves 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 2(d).

The majority of the Syndicate's insurance risks are short tail and, based on historical claims experience, significant claims are normally notified and settled within one-to-two years of the insured event occurring. Those claims taking the longest time to develop and settle typically relate to casualty risks where legal complexities occasionally develop regarding the insured's alleged omissions or negligence. The length of time required to obtain definitive legal judgements and make eventual settlements exposes the Syndicate to a degree of reserving risk in an inflationary environment.

The majority of the Syndicate's casualty exposures are written on a claims made basis. However the final quantum of these claims may not be established for a number of years after the event. Consequently a significant proportion of the casualty insurance amounts reserved on the balance sheet may not be expected to settle within one year of the balance sheet date.

Certain marine and property insurance contracts such as those relating to subsea and other energy assets, and the related business interruption risks, can also take longer than normal to settle. This is because of the length of time required for detailed subsea surveys to be carried out and damage assessments agreed together with difficulties in predicting when the assets can be brought back into full production.

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

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 entity and economic 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 2014, the Syndicate held asset-backed and mortgage-backed fixed income instruments in its investment portfolio. However it has minimal direct exposure to sub-prime asset classes. 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.

3 Risk review continued

The Syndicate has no direct exposure to sovereign debt in Portugal, Ireland, Italy, Greece or Spain. 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 proportion of the Syndicate's assets and the Directors 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 inversely correlated to movements in market interest rates. If market interest rates fall, the fair value of the Syndicate's debt and fixed income investments would tend to rise and vice versa.

Debt and fixed income assets are predominantly invested in high-quality corporate, government and asset backed bonds. The investments typically have relatively short durations and terms to maturity. The portfolio is managed to minimise the impact of interest rate risk on anticipated Syndicate cash flows.

Table a)	31 December 2014 % weighting	31 December 2013 % weighting
Government issued bonds and instruments	**22**	21
Government supported*	**12**	12
Asset backed securities	**15**	20
Mortgage backed instruments – agency	**4**	5
Mortgage backed securities – non agency	**13**	11
Corporate bonds	**34**	31

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

One method of assessing interest rate sensitivity is through the examination of duration-convexity factors in the underlying portfolio. Using a duration-convexity based sensitivity analysis, if market interest rates had increased by 100 basis points at the balance sheet date, the fair value might have been expected to decrease by £21.5m (2013: decrease of £19.8m) assuming the only balance sheet area impacted was debt and fixed income financial assets.

Duration is the weighted average length of time required for an instrument's cash flow stream to be recovered, where the weightings involved are based on the discounted present values of each cash flow. A closely related concept, modified duration, measures the sensitivity of the instrument's price to a change in its yield to maturity. Convexity measures the sensitivity of modified duration to changes in the yield to maturity.

Insurance contract liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non interest-bearing. The Syndicate's debt and fixed income assets are further detailed in note 10. The Syndicate has no significant borrowings carrying interest rate risk.

The market value of the Syndicate's holdings of deposits with credit institutions is less exposed to movements in interest rates due to the very short time frame to their maturity.

The Syndicate holds significant portfolios of investments to support its obligations, including its insurance liabilities, and its profits depend in part upon the returns that these achieve. Changes in interest rates, equity returns and other economic variables can therefore affect financial performance. To mitigate this risk the Syndicate has a detailed investment strategy that seeks to minimise the concentration of investment risk in a particular issuer or sector. The majority of investment assets held are low risk, high-quality, short duration debt securities and fixed-term deposits.

(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.

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.

3 Risk review continued

The Syndicate structures the levels of credit risk accepted by placing limits on their exposure to a single counterparty, or groups of counterparties. 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.

The Syndicate purchases reinsurance protection to contain exposure from single claims and the aggregation of claims from catastrophic events and to share the exposure with our reinsurance partners. 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 Syndicate's experience of bad debt losses arising from its reinsurance arrangements compares favourably with industry averages. The agency has established a reinsurance security committee which assesses and is required to approve all new reinsurers before business is placed with them.

The Syndicate also mitigates credit counterparty risk by concentrating debt and fixed income investments in high-quality instruments, including a particular emphasis on government bonds and municipal agency instruments issued mainly by European Union and North American countries.

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposed.

An analysis of the Syndicate's major exposures to counterparty credit risk excluding loans and receivables, based on Standard & Poor's or equivalent rating at 31 December, is presented below:

Table b)

As at 31 December 2014	AAA £000	AA £000	A £000	Other/ non rated £000	Total £000
Debt securities and other fixed income securities (including derivative contracts)	**421,702**	**435,792**	**249,705**	**157,879**	**1,265,078**
Reinsurers share of outstanding claims	**983**	**35,963**	**68,055**	**5,769**	**110,770**
Cash at bank and in hand	**–**	**–**	**59,063**	**–**	**59,063**
Overseas deposits	**19,768**	**22,567**	**7,512**	**1,155**	**51,002**
Total	**442,453**	**494,322**	**384,335**	**164,803**	**1,485,913**
Amounts attributable to largest single counterparty	**–**	**132,212**	**–**	**–**	**132,212**

As at 31 December 2013	AAA £000	AA £000	A £000	Other/ non rated £000	Total £000
Debt securities and other fixed income securities (including derivative contracts)	406,581	351,011	193,210	153,734	1,104,536
Reinsurers share of outstanding claims	1,357	49,663	93,979	7,967	152,966
Cash at bank and in hand	–	–	46,706	–	46,706
Overseas deposits	28,979	25,933	10,514	493	65,919
Total	436,917	426,607	344,409	162,194	1,370,127
Amounts attributable to largest single counterparty	–	179,475	–	–	179,475

The Syndicate has no material debtors arising from direct insurance and reinsurance operations that are past due and impaired at the reporting date. The Syndicate believes that impairment of these debtors is not appropriate on the basis of the stage of collection of amounts owed to the Syndicate.

The Syndicate has no financial assets that would be past due or impaired whose terms have been renegotiated. The amount attributable to the largest single counterparty represents holdings of US treasury stock in both this year and last.

At 31 December 2014 the Syndicate held no material debt and fixed income assets that were past due or impaired beyond their reported fair values, either for the current period under review or on a cumulative basis (2013: £nil). For the current period and prior period, the Syndicate did not experience any material defaults on debt securities.

(d) Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The Syndicate is exposed to daily cash calls on its available cash resources, mostly for the settlement of claims. The Syndicate's approach is to maintain liquid assets that can be translated to cash at short notice without any significant capital loss. These funds are monitored by management on a regular basis. In addition Syndicate 33 maintains a £120m credit facility with Barclays Bank plc and Lloyds Bank plc. Therefore, the Directors do not consider that there is a significant risk of a material loss arising from liquidity risk.

3 Risk review continued

A significant proportion of investment assets held are low risk, high-quality, short duration debt securities and fixed-term deposits. The contractual maturity profile of investment assets at 31 December was as follows:

Table c)	Debt securities and other fixed income securities £000	Cash at bank and in hand £000	Overseas deposits £000	2014 Total £000	2013 Total £000
Less than one year	**176,267**	**59,063**	**–**	**235,330**	150,733
Between one and two years	**255,236**	**–**	**–**	**255,236**	296,987
Between three and five years	**558,504**	**–**	**–**	**558,504**	479,646
Over five years	**274,378**	**–**	**–**	**274,378**	223,611
Sub-total	**1,264,385**	**59,063**	**–**	**1,323,448**	1,150,977
Perpetual notes and other non-dated instruments	**693**	**–**	**51,002**	**51,695**	66,184
Total	**1,265,078**	**59,063**	**51,002**	**1,375,143**	1,217,161

Average contractual maturity analysed by denominational currency of investments.

Table d)	2014 Years	2013 Years
Pound Sterling	**2.8**	0.9
US Dollar	**7.7**	6.8
Euro	**2.9**	2.2
Canadian Dollar	**2.1**	1.8

The contractual maturity for US Dollars of 7.7 years (2013: 6.8 years) is based, for relevant securities, on the legal maturity date of the total pool of collateral for those securities. The Syndicate's participation in these investments is supported by collateral that matures at an earlier date than that of the total pool. Based on this earlier maturity date the average expected maturity for US Dollars would be 1.7 years (2013: 1.7 years).

The following is an analysis by business segment of the estimated timing of net cash flows based on the claims liabilities balance held at 31 December 2014 and 2013. The Syndicate does not discount claims liabilities. The estimated phasing of settlement is based on current estimates and historical trends and the actual timing of future settlement cash flows may differ materially from the disclosure below.

Table e) As at 31 December 2014	Within one year £000	Between one and two years £000	Between two to five years £000	Over five years £000	Total £000
Accident and health	**13,565**	**7,964**	**11,824**	**16,151**	**49,504**
Marine, aviation and transport	**49,330**	**32,648**	**43,669**	**15,748**	**141,395**
Fire and other damage to property	**103,629**	**52,458**	**60,405**	**21,778**	**238,270**
Third-party liability	**90,598**	**57,513**	**86,689**	**37,172**	**271,972**
Miscellaneous	**14,259**	**7,470**	**9,680**	**3,508**	**34,917**
Reinsurance	**95,095**	**46,160**	**51,692**	**18,346**	**211,293**
Total	**366,476**	**204,213**	**263,959**	**112,703**	**947,351**

As at 31 December 2013	Within one year £000	Between one and two years £000	Between two to five years £000	Over five years £000	Total £000
Accident and health	16,177	8,271	10,055	9,643	44,146
Marine, aviation and transport	43,852	29,889	40,207	14,295	128,243
Fire and other damage to property	91,014	43,902	47,603	16,462	198,981
Third-party liability	83,467	59,010	86,980	27,772	257,229
Miscellaneous	12,491	7,317	8,816	3,176	31,800
Reinsurance	119,834	56,414	56,236	19,080	251,564
Total	366,835	204,803	249,897	90,428	911,963

3 Risk review continued

(e) Currency risk

The majority of the Syndicate's gross written premium is in US Dollars, consequently movements in the £/US$ 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, leaving the profit or loss as the main currency exposure. This profit and loss is distributed in accordance with Lloyd's rules using a combination of Sterling and US Dollars.

The Syndicate's balance sheet accounting exposure to exchange rate movements in respect of net monetary assets held in foreign currencies is presented below. In considering net foreign currency exposure in the Syndicate, management adjust these net reported monetary assets for the further underlying economic exposure associated with the holding of unearned premium and deferred acquisition cost reserves on the Syndicate's balance sheet. The net amount of these non monetary liabilities represents the Syndicate's future obligation to provide insurance protection services to policyholders and it is therefore realistic to expect that the majority of this net liability position will be converted, during 2015, into monetary obligations in the form of the resultant claims and administrative expenses.

The profile of the Syndicate's assets and liabilities, categorised by currency at their translated carrying amount was as follows:

Table f)

At 31 December 2014	Sterling £000	US Dollar £000	Euro £000	CAD £000	Total £000
Financial investments	109,439	1,016,365	101,941	37,333	1,265,078
Reinsurers' share of technical provisions	22,434	253,974	21,653	6,535	304,596
Debtors	32,459	192,907	13,855	8,101	247,322
Cash in hand and at bank	19,260	25,715	9,549	4,539	59,063
Overseas deposits	19,248	23,647	–	8,107	51,002
Prepayments and accrued income	1,539	3,563	1,271	143	6,516
Total monetary assets	204,379	1,516,171	148,269	64,758	1,933,577
Technical provisions	(116,792)	(992,576)	(106,215)	(36,364)	(1,251,947)
Creditors, accruals and deferred income	(114,195)	(153,414)	(9,539)	(5,951)	(283,099)
Total monetary liabilities	(230,987)	(1,145,990)	(115,754)	(42,315)	(1,535,046)
Net monetary assets/(liabilities)	(26,608)	370,181	32,515	22,443	398,531
Non monetary assets	28,188	135,798	11,917	6,745	182,648
Non monetary liabilities	(44,374)	(288,674)	(30,721)	(11,692)	(375,461)
Members balances by currency	(42,794)	217,305	13,711	17,496	205,718

At 31 December 2013	Sterling £000	US Dollar £000	Euro £000	CAD £000	Total £000
Financial investments	74,271	900,196	90,824	39,245	1,104,536
Reinsurers' share of technical provisions	27,081	277,572	27,128	5,322	337,103
Debtors	36,876	160,880	16,578	8,106	222,440
Cash in hand and at bank	9,614	20,349	12,789	3,954	46,706
Overseas deposits	29,067	26,622	–	10,230	65,919
Prepayments and accrued income	1,076	2,257	1,847	192	5,372
Total monetary assets	177,985	1,387,876	149,166	67,049	1,782,076
Technical provisions	(134,104)	(959,910)	(116,439)	(38,613)	(1,249,066)
Creditors, accruals and deferred income	(45,101)	(110,406)	(8,706)	(2,537)	(166,750)
Total monetary liabilities	(179,205)	(1,070,316)	(125,145)	(41,150)	(1,415,816)
Net monetary assets/(liabilities)	(1,220)	317,560	24,021	25,899	366,260
Non monetary assets	27,401	121,487	10,219	5,900	165,007
Non monetary liabilities	(82,718)	(275,094)	(26,568)	(11,066)	(395,446)
Members balances by currency	(56,537)	163,953	7,672	20,733	135,821

3 Risk review continued

Sensitivity analysis

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

Table g)	Monetary basis Effect on net monetary assets £000	Economic exposure Effect on members balances £000
31 December 2014		
US Dollar	**(37,018)**	**(21,731)**
Euro	**(3,252)**	**(1,371)**
Canadian Dollar	**(2,244)**	**(1,750)**
31 December 2013		
US Dollar	(31,756)	(16,395)
Euro	(2,402)	(767)
Canadian Dollar	(2,590)	(2,073)

Limitations of sensitivity analysis

The above tables demonstrate the impact of a change in a major input assumption while other assumptions remain unchanged. It should be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Syndicate's assets and liabilities are actively managed. Additionally, the financial position of the Syndicate may vary at the time that any actual market movement occurs. For example, the Syndicate's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk. These represent the Syndicate's view of possible near-term market changes that cannot be predicted with any certainty, and the assumption that all interest rates move in an identical fashion.

Regulatory issues

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. The Hiscox Group devotes considerable resources to meet its regulatory obligations, including compliance 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 through the Operational Risk Committee and Operational Leadership team. Examples of key operational risks for the Syndicate include IT performance and stability, voluntary 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.

4 Segmental analysis

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

2014	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Accident and health	**53,993**	**54,292**	**(12,575)**	**(27,307)**	**(3,246)**	**11,164**
Marine aviation and transport	**104,736**	**107,382**	**(42,097)**	**(31,134)**	**(9,878)**	**24,273**
Fire and other damage to property	**349,333**	**341,256**	**(114,968)**	**(89,941)**	**(97,739)**	**38,608**
Third-party liability	**73,786**	**54,614**	**(50,467)**	**(18,496)**	**5,464**	**(8,885)**
Miscellaneous	**18,140**	**20,697**	**(10,395)**	**(6,127)**	**(2,287)**	**1,888**
	599,988	**578,241**	**(230,502)**	**(173,005)**	**(107,686)**	**67,048**
Reinsurance	**232,427**	**239,584**	**(28,859)**	**(48,600)**	**(102,064)**	**60,061**
Total	**832,415**	**817,825**	**(259,361)**	**(221,605)**	**(209,750)**	**127,109**

2013	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Accident and health	51,640	50,582	(14,129)	(25,148)	(3,518)	7,787
Marine aviation and transport	100,279	103,993	(52,852)	(32,024)	(5,388)	13,729
Fire and other damage to property	337,928	319,935	(88,610)	(89,581)	(102,109)	39,635
Third-party liability	37,925	37,737	(9,534)	(17,677)	(5,836)	4,690
Miscellaneous	20,760	19,909	(4,392)	(8,696)	(573)	6,248
	548,532	532,156	(169,517)	(173,126)	(117,424)	72,089
Reinsurance	274,564	293,908	(64,547)	(56,333)	(107,483)	65,545
Total	823,096	826,064	(234,064)	(229,459)	(224,907)	137,634

All premiums were concluded in the UK.

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

	2014 £000	2013 £000
United Kingdom	**16,356**	14,869
European Union member states (excluding UK)	**32,713**	29,671
United States	**433,448**	425,566
Other	**335,308**	355,958
Total	**817,825**	826,064

5 Claims outstanding

A release of £140.4m from the net reserve for claims outstanding, set at 31 December 2013, has been made in calendar year 2014. Net reserves for claims outstanding at 31 December 2012 had a release of £115.2m in calendar year 2013.

6 Net operating expenses

	2014 £000	2013 £000
Brokerage and commissions	**(178,518)**	(170,470)
Other acquisition costs	**(22,210)**	(20,436)
Change in deferred acquisition costs	**6,716**	862
Administrative expenses	**(70,045)**	(40,808)
Members' standard personal expenses	**(38,157)**	(36,275)
Profit/(loss) on exchange	**18,917**	(15,801)
Reinsurers' commissions and profit participations	**61,692**	53,469
Total	**(221,605)**	(229,459)

Brokerage and commissions on direct business written was £146.0m (2013 £133.4m).

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

6 Net operating expenses continued

	2014 £000	2013 £000
Auditors' remuneration		
Fees payable to the Syndicate's auditor for the audit of these financial statements	**182**	178
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	**67**	65
Total	**249**	243

Members' standard personal expenses excludes members agents fees paid in the year of £2.3m (2013: £2.2m).

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. 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 Syndicate's share of the movement in the Group pension deficit, calculated by the scheme actuary on an FRS 17 basis, on the Hiscox Group defined benefit pension scheme. In calendar year 2014 this amounted to an expense of £11.1m (2013: credit £4.5m).

7 Staff numbers and costs

All staff are employed by a Hiscox Group service company. The following amounts were recharged to the Syndicate in respect of salary costs:

	2014 £000	2013 £000
Wages and salaries	**27,793**	24,722
Social security costs	**3,558**	3,164
Other pension costs (excluding provision for pension deficit)	**2,779**	2,472
	34,130	30,358

These figures exclude profit related remunerations of £9.4m (2013: £8.6m).

The average number of employees employed by Hiscox Underwriting Group Services Limited but working for the Syndicate during the year was as follows:

	2014	2013
Administration and finance	**123**	111
Underwriting	**118**	112
Claims	**38**	36
	279	259

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

	2014 £000	2013 £000
Directors' emoluments	**969**	901

8 Active underwriter's remuneration

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

	2014 £000	2013 £000
Emoluments	**440**	365

P A Lawrence was the sole active underwriter from 6 August 2013, and then the joint active underwriter with M C S Krefta from 12 September 2014.

9 Investment return

	2014 £000	2013 £000
Income from investments	**20,484**	20,760
Gains on investments	**6,471**	6,122
Losses on investments	**(11,324)**	(14,955)
	15,631	11,927
Investment expenses	**(1,939)**	(1,651)
Total	**13,692**	10,276

Included within these figures are the following gains (losses) made on derivative contracts:

	Realised £000	Unrealised £000	Total £000
Sterling to US Dollar foreign exchange forward contracts	(17)	54	37
Euro to US Dollar foreign exchange forward contracts	465	264	729
	448	318	766
Interest rate future contracts	(1,111)	–	(1,111)
	(663)	318	(345)

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

	2014 £000	2013 £000
Average amount of Syndicate funds available for investment during the year		
Sterling	**115,164**	95,858
Euro	**111,439**	103,832
US Dollar	**972,761**	955,281
Canadian Dollar	**51,003**	61,059
Total funds available for investment, in Sterling	**1,250,367**	1,216,030

	2014 %	2013 %
Annual investment yield		
Sterling	**0.9**	0.6
Euro	**1.5**	0.1
US Dollar	**1.3**	1.1
Canadian Dollar	**1.4**	1.8
Total annual investment yield percentage	**1.3**	1.0

Syndicate funds include investments, cash and overseas deposits.

10 Financial investments

	2014 Fair value £000	2014 Cost £000	2013 Fair value £000	2013 Cost £000
Debt securities and other fixed income securities	**1,265,078**	**1,279,087**	1,104,536	1,115,398
	1,265,078	**1,279,087**	1,104,536	1,115,398

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 26. The Syndicate had no material exposure to financial investments not actively traded on recognised markets.

Other financial assets under FRS 26 are cash at bank and in hand, overseas deposits, direct insurance and reinsurance debtors, other debtors and accrued income, which are classified as loans and receivables.

In order to present useful information on the inputs used to measure fair value, the Syndicate has classified its financial instruments as at 31 December 2014 using the fair value hierarchy and has adopted FRS 29 (amended).

10 Financial investments continued

The fair value hierarchy classifies financial instruments into Level 1 to Level 3 based on the significance of the inputs used in measuring their fair value with Level 1 being the most reliable. The levels within the fair value hierarchy are defined as follows:

Level 1 – fair values measured using unadjusted quoted prices in active markets for identical instruments;

Level 2 – fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on observable market data;

Level 3 – fair values measured using valuation techniques for which significant inputs are not based on market observable data.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Debt securities and other fixed income securities	275,215	989,863	–	1,265,078
Total	**275,215**	**989,863**	**–**	**1,265,078**

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. 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.

Included within Level 1 of the hierarchy are Government bonds and treasury bills which are assessed by the Syndicate as being traded in an active market where fair value is based on unadjusted quoted market prices.

Level 2 of the hierarchy contains US Government agencies, corporate securities, asset backed securities, mortgage backed securities and certain other Government securities. The fair value of these assets are based on, where obtainable, guided prices and prices derived from models with observable market inputs as discussed above. Quoted prices for US Government agencies, certain other Government securities and corporate securities are based on a limited number of transactions for those securities and as such the Syndicate considers these instruments to have similar characteristics of those instruments classified as Level 2. Also included within Level 2 are units held in traditional long funds and long and short special funds.

Where a valuation technique is used, the Syndicate selects inputs using the most reliable source of data and where possible observable market data.

Rights under derivative contracts

	Gross contract notional amount 000	Fair value of assets £000	Fair value of liabilities £000	Net balance sheet position asset/(liability) £000
Sterling to US Dollar foreign exchange forward contracts	£548	3	–	3
Euro to US Dollar foreign exchange forward contracts	€8,337	165	–	165
		168	–	168
Sterling interest rate future contract	£120	–	–	–
Euro interest rate future contracts	€6,700	–	–	–
US Dollar interest rate future contracts	USD20,977	–	–	–
		–	–	–
Total		**168**	**–**	**168**

Foreign exchange forwards

During 2014 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 for Sterling at pre-agreed exchange rates. The Syndicate made an unrealised gain on these forward contracts of £318,000 (2013: £6,000). An opposite exchange movement was recognised on the retranslation of the underlying assets concerned. The Syndicate made a realised gain on these forward contracts of £448,000 during 2014 (2013: loss of £196,000).

Interest rate future contracts

During the year, the Syndicate used government bond futures to informally hedge the interest rate risk on specific corporate bonds. The Syndicate made an unrealised gain on these contracts of £nil (2013: £nil). An opposite movement was recognised on the valuation of the underlying assets concerned. The Syndicate made a realised loss on these contracts of £1,111,000 during 2014 (2013 gain: £662,000).

11 Debtors arising out of direct insurance operations

	2014 £000	2013 £000
Amounts due from intermediaries	**156,649**	128,277

All amounts are due within one year.

12 Debtors arising out of reinsurance operations

	2014 £000	2013 £000
Amounts due from intermediaries	**77,495**	83,061

All amounts are due within one year.

13 Overseas deposits

Overseas deposits comprise funds which are lodged as a condition of conducting underwriting business in certain countries.

14 Reconciliation of members' balances

	2014 £000	2013 £000
Members' balances at 1 January	**135,821**	59,504
Profits for the year	**140,801**	147,911
Payments of profit to and collection of losses from members' personal reserve funds	**(70,904)**	(71,594)
Members' balances carried forward at 31 December	**205,718**	135,821

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. Payments of profits to members' include amounts paid directly to members' agents of £2.3m (2013: £2.2m).

15 Creditors arising out of reinsurance operations

	2014 £000	2013 £000
Amounts due to intermediaries	**206,038**	159,356

All amounts are due within one year.

16 Accruals and deferred income

	2014 £000	2013 £000
Within one year	**61,291**	38,703
After one year	**17,715**	19,255
	79,006	57,958

The balances above relate to profit commission, profit related remuneration and deferred reinsurers' commission.

17 Reconciliation of profit to net cash inflow from operating activities

	2014 £000	2013 £000
Operating profit on ordinary activities	**140,801**	147,911
Realised and unrealised investments (gains)/losses including changes to exchange rates	**(51,842)**	35,377
(Increase)/decrease in debtors, prepayments and accrued income	**(32,741)**	40,905
Increase/(decrease) in net technical provisions	**39,053**	(101,875)
Increase in creditors	**81,772**	12,982
Net cash inflow from operating activities	**177,043**	135,300

18 Movement in opening and closing portfolio investments net of financing

	2014 £000	2013 £000
Net cash flows for the year	**12,055**	(198)
Cash flows		
Decrease in overseas deposits	**(16,341)**	(10,031)
Increase in portfolio investments	**110,427**	73,934
Movement arising from cash flows	**106,141**	63,705
Changes in market value and exchange rates	**51,841**	(35,377)
Total movement in portfolio investments	**157,982**	28,328
Portfolio at 1 January	**1,217,161**	1,188,833
Portfolio at 31 December	**1,375,143**	1,217,161

Movement in cash, portfolio investments and financing

	At 1 January 2014 £000	Cash flow £000	Changes to market value and currencies £000	At 31 December 2014 £000
Cash at bank and in hand	46,706	12,055	302	59,063
Overseas deposits	65,919	(16,341)	1,424	51,002
Portfolio investments:				
Debt securities and other fixed income securities	1,104,536	110,427	50,115	1,265,078
Total portfolio investments	1,104,536	110,427	50,115	1,265,078
Total cash, portfolio investments and financing	1,217,161	106,141	51,841	1,375,143

19 Net cash flow on portfolio investments

	2014 £000	2013 £000
Purchase of debt securities and other fixed income securities	**(1,271,468)**	(1,266,613)
Sale of debt securities and other fixed income securities	**1,161,041**	1,192,679
Net cash flow on portfolio investments	**(110,427)**	(73,934)

20 Related parties

Related companies

Hiscox Syndicates Limited manages Syndicate 33, and also manages:

- Syndicate 3624 which purchases some reinsurance from Syndicate 33 on an arm's length basis;
- Syndicate 6104 which is a limited-tenancy capacity, Special Purpose Syndicate that supports the underwriting of Syndicate 33 by providing reinsurance on an arm's length basis of certain classes of catastrophe-exposed insurance and reinsurance risks.

Hiscox Syndicates Limited is a wholly-owned indirect subsidiary of Hiscox Ltd which is the Bermuda based holding company of the Hiscox Group and which is listed on the London Stock Exchange. Hiscox Ltd has been notified of the following shareholdings of 5% or more in the ordinary shares in Hiscox Ltd as at 31 December 2014:

	% of total
Invesco Limited	**13.41%**
Massachusetts Financial Services Company	**9.88%**

Hiscox Dedicated Corporate Member Limited is a corporate member within the Hiscox Group which owns capacity in various years of account of Syndicates 33 and 3624.

Hiscox Insurance Company (Bermuda) Limited is a Class 4 insurer in Bermuda. It supplies some risk modeling services to Hiscox Syndicates Limited. Syndicate 33 purchases some 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 Limited is a PRA authorised non-life insurance company which predominantly underwrites high net worth and professions business. 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 Insurance Company (Guernsey) Limited is a GFSC authorised non-life insurance company 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 Group Services Limited is an employment service company which employs all UK Hiscox Group staff including underwriters, claims and reinsurance staff.

The Hiscox Group also includes a number of intermediate holding companies and inactive companies.

Insurance intermediaries

Hiscox Underwriting Ltd is an FCA authorised non-life insurance intermediary and Lloyd's Service Company. It currently places business with Hiscox carriers, including the Hiscox managed Syndicate 33, as well as non-Hiscox carriers. It is not obliged to place business with any particular carrier and these arrangements are subject to review from time to time by Hiscox Underwriting Ltd.

Hiscox Europe Underwriting Limited is an FCA authorised non-life insurance intermediary and Lloyd's Service Company. It currently places business with Hiscox carriers, including the Hiscox managed Syndicate 33, as well as non-Hiscox carriers. It is not obliged to place business with any particular carrier and these arrangements are subject to review from time-to-time by Hiscox Europe Underwriting Ltd.

Hiscox Agency Ltd, Hiscox Inc., Hiscox AG (which leased the whole of its business to Hiscox Europe Underwriting Limited with effect from 1 April 2012) and Hiscox Insurance Services Limited are (or in some cases were) insurance intermediaries and Lloyd's Service Companies in Bermuda, USA, Germany and Guernsey respectively. Some are (or in some cases were) able to place business with Hiscox carriers, including the Hiscox managed Syndicate 33, and in some cases with non-Hiscox carriers. They are not obliged to place business with any particular carrier and these arrangements are (or in some cases were) subject to review from time-to-time by these companies.

Hiscox ASM Limited is an FCA authorised non-life insurance intermediary. It acts as an insurance broker and places business with Hiscox carriers, including some with the Hiscox managed Syndicate 33. It is not obliged to place business with any particular carrier and these arrangements are subject to review from time-to-time by Hiscox ASM Limited.

Construction Guarantee Underwriters Ltd is an Irish non-life insurance intermediary 26.0% owned by the Hiscox Group. It currently places business with Hiscox Insurance Company Limited, a proportion of which is reinsured by Syndicate 33; such reinsurances are on an arm's length basis and are in the interests of all the Names on the Syndicate. It is not obliged to place business with any particular carrier and these arrangements are subject to review from time to time by Construction Guarantee Underwriters Ltd.

Blyth Valley Ltd was until 31 March 2013 an FCA authorised non-life insurance intermediary wholly-owned by the Hiscox Group. It is currently dormant but has previously placed business with Hiscox Insurance Company Limited. It was not obliged to place business with any particular carrier.

Barta & Partner Versicherungs-maklergesellschaft G.m.b.H. is a non-life insurance intermediary in Austria which until 7 February 2014 was 25.0% owned by the Hiscox Group. During the period it was part owned by the Hiscox Group it placed business mainly with Hiscox Insurance Company Limited but some was placed with Syndicate 33. It was not obliged to place business with any particular carrier and those arrangements were subject to review from time-to-time by Barta & Partner Versicherungsmaklergesellschaft G.m.b.H.

Senior Wright Indemnity Limited is an FCA authorised non-life insurance intermediary which until 22 November 2013 was 30% owned by the Hiscox Group. It currently places business with various carriers, including Hiscox Insurance Company Limited and Syndicate 3624, and had previously placed some business with Syndicate 33. It is not obliged to place business with any particular carrier and these arrangements are subject to review from time-to-time by Senior Wright Indemnity Limited.

Hiscox Group owns a 35.4% holding in Media Insurance Brokers International Limited, the holding company of an FCA authorised non-life insurance intermediary Media Insurance Brokers Ltd which currently places business with various carriers, including Syndicate 3624, and had until 2012 previously placed some business with Syndicate 33. Media Insurance Brokers Ltd is not obliged to place business with any particular carrier and these arrangements are subject to review from time-to-time by Media Insurance Brokers Ltd.

20 Related parties continued

On 28 May 2014 the Hiscox Group acquired a 10% holding in Carl Rieck GmbH, a non-life insurance intermediary in Germany, which currently places business with various carriers, including Syndicates 33 and 3624. Carl Rieck GmbH is not obliged to place business with any particular carrier and these arrangements are subject to review from time-to-time by Carl Rieck GmbH.

On 11 June 2014 the Hiscox Group acquired a 10% holding in White Oak Underwriting Agency Limited, an FCA authorised non-life insurance intermediary, which currently places business with Syndicate 3624. White Oak Underwriting Agency Limited is not obliged to place business with any particular carrier and these arrangements are subject to review from time-to-time by White Oak Underwriting Agency Limited.

Some Group Lloyd's Service Companies provided insurance business to Syndicate 33 and charged fees equal to the costs they incurred in placing the business with the Syndicate. These service companies are not operated to maximise commission-based profit. The risks placed with Syndicate 33 are under normal market conditions and are in the interests of all the Names on the Syndicate.

Underwriting divisions

The Hiscox Group organises its core underwriting activities into a number of underwriting divisions. Some of these divisions underwrite for multiple Hiscox carriers, including Hiscox managed Syndicate 33, and some also underwrite for non-Hiscox carriers. This integrated approach is aimed at maximising business opportunities by using the combined knowledge of the Group 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. These arrangements have been approved by the Hiscox Conflicts Committee (see below) and are subject to review from time-to-time.

On 1 January 2014, in response to the evolution of the reinsurance market, Hiscox created a new underwriting division called Hiscox Re which combined under common management the reinsurance businesses of Syndicate 33 and Hiscox Insurance Company (Bermuda) Limited. Hiscox Re sought to combine the outwards reinsurance protections of both carriers where possible and advantageous. Also during 2013 Hiscox created a fund management business investing on behalf of alternative capital in reinsurance risk sourced from Syndicate 33 and Hiscox Insurance Company (Bermuda) Limited. Hiscox has installed robust measures to mitigate any potential conflicts arising from these arrangements and to safeguard the interests of all the Names on the Syndicate.

Shared reinsurance

From time-to-time it is advantageous for a Hiscox managed Syndicate to share a reinsurance protection with another carrier. Such arrangements are structured to manage appropriately any potential conflicts of interest and are in the interests of all the Names on the Syndicate.

Conflicts procedure

In the event of a potential conflict of interest arising between Syndicate 33 and either other Hiscox managed Syndicates or related companies, involving new projects or existing transactions, arrangements or relationships, a formal conflicts procedure is in place under which the particular arrangement may be referred to the Hiscox Conflicts Committee comprising nominated independent Directors of Hiscox Ltd.

Directors

Several of the Directors of Hiscox Syndicates Limited are Directors of other companies in the Hiscox Group.

R C Watson became a director of White Oak Underwriting Agency Limited, which sources business to Syndicate 3624, on 11 June 2014.

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

Balance sheet net assets and (liabilities) outstanding relating to related Group companies	31 December 2014 £000	31 December 2013 £000
Hiscox Syndicates Limited	**(55,623)**	(36,271)
Hiscox managed Syndicates	**(55,070)**	(23,654)
Hiscox Group insurance intermediaries	**13,920**	7,646
Other Hiscox Group companies	**9,381**	7,893
	(87,392)	(44,386)

The following amounts reflected in the income statement were transacted with related parties:

Net income and (expenses) relating to related Group companies reflected in the income statement	2014 £000	2013 £000
Hiscox Syndicates Limited	**(42,368)**	(39,136)
Hiscox managed Syndicates	**(33,576)**	(25,924)
Hiscox Group insurance intermediaries	**(5,365)**	(11,246)
	(81,309)	(76,306)

Hiscox Syndicates Limited, charged managing agent fees and profit commissions to Syndicate 33 of £6.0m (2013: £5.7m) and £36.4m (2013: £33.4m) respectively.

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

Hiscox Syndicate 33

underwriting year accounts

Report of the Directors of the managing agent

Hiscox Syndicate 33 underwriting accounts

The Directors of the managing agent present their report as at 31 December 2014.

This report comprises the cumulative result to 31 December 2014 for the closed 2012 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.

Principal activity and review of the business

2012 account

The 2012 account has closed with a profit of 16.8% after all personal expenses (except members' agent's fees).

There was a release of £55.7m from the closed years of 2011 and prior representing 10% of RITC brought forward. The release was spread broadly across many classes of business and included the removal of the residual IBNR from the Katrina, Rita, Wilma and Ike hurricane losses, having settled all significant claims.

The 2012 pure year made a good profit. The most significant loss to impact the account was Superstorm Sandy which made landfall in New Jersey on 29th October 2012. The Syndicate has reserved Sandy at net £53.0m. The Syndicate's capacity was set at £950m and capacity utilisation was 71% when measured using the premium income monitoring rate of £1 = $1.61.

The 2012 account earned £16m of investment income. The key driver of the investment return for the 2012 account is the performance of the investment portfolio in 2014 calendar year. The calendar year return was 1.3%.

2013 account

Premium income is down approximately 5% on 2012 with capacity utilisation anticipated at 68% when measured using the premium income monitoring rate of £1 = $1.57. The reduction was driven primarily by the reinsurance account which experienced significant rate reductions at the mid-year renewals.

The short tailed accounts benefited from two years of modest catastrophe losses in 2013, but incurred a number of losses from the aviation war account, the most serious of which occurred at Tripoli airport in Libya.

We are forecasting a profit in the range 0% to 10% of capacity.

2014 account

Capacity was increased from £950m to £1bn in part as result of the premium income monitoring rate weakening to £1 = $1.52 and in part in anticipation of increased premium volumes in the casualty division following a number of underwriting hires including a market leading D&O team.

Claims activity has been relatively modest and we are forecasting a profit in the range 0% to 10% of capacity at this early stage.

2015 account and the future

Capacity has been maintained at £1bn for 2015. The Syndicate has strengthened its underwriting teams in a number of areas including personal accident and contingency. The Syndicate participates in a number of broker facility arrangements including an involvement with the Willis Global 360 facility. In all instances the Syndicate retains underwriting control.

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.

Auditors

The managing agent proposes the re-appointment of KPMG Audit Plc as the Syndicate auditors.

By order of the Board

I J Martin
Director
26 February 2015

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:

1. 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;
2. take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
3. make judgements and estimates that are reasonable and prudent; and
4. 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 Lloyd's regulations. 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 financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

To members of Syndicate 33

2012 closed year of account

We have audited the Syndicate underwriting year accounts for the 2012 year of account of Syndicate 33 for the three years ended 31 December 2014, as set out on pages 36 to 41. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the members of the Syndicate, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditor

As explained more fully in the statement of managing agent's responsibilities set out on page 34, the managing agent is responsible for the preparation of Syndicate underwriting year accounts under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the Syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Syndicate underwriting year accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Syndicate underwriting year accounts

In our opinion the Syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2012 closed year of account;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) requires us to report to you if, in our opinion:

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

Timothy Butchart
for and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
London
26 February 2015

2012 Underwriting account

Closing at 31 December 2014

Hiscox Syndicate 33 underwriting accounts

	Notes	at 36 months £000
Syndicate allocated capacity		**948,840**
Earned premiums, net of reinsurance		
Premiums written:		
Gross amount		**856,412**
Outward reinsurance premiums		**(263,756)**
Earned premiums, net of reinsurance		**592,656**
Reinsurance to close premium received from earlier years of account, net of reinsurance		**576,006**
		1,168,662
Allocated investment return transferred from the non-technical account	5	**15,951**
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		**(359,157)**
Reinsurers' share		**142,566**
Net claims paid		**(216,591)**
Change in the provision for claims:		
Gross amount		**(759,138)**
Reinsurers' share		**186,106**
Change in the net provision for claims		**(573,032)**
		(789,623)
Balance on technical account before net operating expenses and profit on exchange		**394,990**
Net operating expenses	4	**(239,498)**
Profit on exchange		**3,474**
Balance on technical account for general business		**158,966**
Investment income	5	**21,886**
Investment gains less losses	5	**(4,118)**
Investment expenses and charges	5	**(1,817)**
Allocated investment return transferred to the technical account	5	**(15,951)**
Result before members' agents fees		**158,966**
Members agents' fees	4	**(2,161)**
Result for the three years ended 31 December 2014	6	**156,805**

The notes to the financial statements form an integral part of these underwriting year accounts.

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 total recognised gains and losses has been presented.

Balance sheet

2012 Account at 31 December 2014

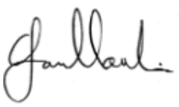
Hiscox Syndicate 33 underwriting accounts

Assets	Notes	at 36 months £000
Investments		
Financial investments	8	**736,328**
Reinsurers' share of technical provisions		
Reinsurance premium payable to close the account	3	**192,871**
Debtors		
Debtors arising out of direct insurance operations	9	**17,786**
Debtors arising out of reinsurance operations	10	**28,738**
Other debtors		**10,718**
		57,242
Other assets		
Cash at bank and in hand		**32,647**
Overseas deposits	11	**27,562**
Total assets		**1,046,650**

Liabilities	Notes	at 36 months £000
Capital and reserves		
Members' balances	7	**158,966**
Technical provisions		
Reinsurance premium payable to close the account	3	**781,855**
Creditors		
Creditors arising out of reinsurance operations	12	**55,583**
Other creditors		**50,246**
Total liabilities		**1,046,650**

The notes to the financial statements form an integral part of these underwriting year accounts.

This Annual Report was approved by the Board of Hiscox Syndicates Limited on 26 February 2015 and was signed on its behalf by



I J Martin
Director

Notes to the financial statements
at 31 December 2014
Hiscox Syndicate 33 underwriting 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.

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 2012 year of account which has been closed by reinsurance to close as at 31 December 2014. Consequently the balance sheet represents the assets and liabilities of the 2012 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 2012 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 2012 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 previous years of account reinsured therein.

The estimate of claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

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

The Directors consider that the estimates of gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them.

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 previous 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(p) 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.

3 Reinsurance premium to close the 2012 and prior years of account

	at 36 months £000
Gross notified outstanding claims	**(378,807)**
Provision for gross claims incurred but not reported (IBNR)	**(403,048)**
	(781,855)
Reinsurance recoveries anticipated on notified outstanding claims	**83,454**
Reinsurance recoveries anticipated on IBNR	**109,417**
	192,871
Reinsurance premium to close the 2012 and prior years of account	**(588,984)**

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

Notes to the financial statements continued
at 31 December 2014
Hiscox Syndicate 33 underwriting accounts

4 Net operating expenses

The cumulative Syndicate expenses charged in the 2012 underwriting account were made up as follows:

Closing account after three years	at 36 months £000
Brokerage and commissions	(170,579)
Reinsurers' commissions and profit participations	41,647
Salaries and related costs	(30,798)
Profit-related remuneration	(9,855)
Costs of accommodation	(2,718)
Overseas operating expenses	(6,989)
Syndicate auditors' remuneration	(197)
Computer and data processing costs	(9,604)
Irrecoverable VAT	(1,222)
Other expenses	(12,334)
Members' standard personal expenses	(38,852)
Members' agents fees	(2,161)
Transfer to claims handling	2,003
	(241,659)

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. Where profit commission is charged, it is included within members' standard personal expenses within net operating expenses.

Profit related remuneration comprises a 5% charge on the profit of six major business areas.

5 Investment return

Closing account after three years	at 36 months £000
Investment income	21,886
Investment gains less losses	(4,118)
Investment expenses and charges	(1,817)
Investment return	15,951

Investment return for the 2012 year of account is recognised in the 2012, 2013 and 2014 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 financial statements.

6 Balance on technical account

	at 36 months £000
Amount attributable to business allocated to the 2012 pure year of account	101,074
Surplus on the reinsurance to close for the 2011 year of account	55,731
Balance on technical account	156,805

7 Members' balances

	at 36 months £000
Profit for the 2012 closing year of account	158,966
Early profit release	–
	158,966

8 Financial investments

	Fair value £000	Cost £000
Debt securities and other fixed income securities	736,328	744,482
	736,328	744,482

All financial investments were carried at fair value through profit or loss. No financial assets were classified as 'held for trading' under FRS 26.

Other financial assets under FRS 26 are cash at bank and in hand, overseas deposits, 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

	at 36 months £000
Amounts due from intermediaries	17,786

All amounts are due within one year.

10 Debtors arising out of reinsurance operations

	at 36 months £000
Amounts due from intermediaries	28,738

All amounts are due within one year.

11 Overseas deposits

Overseas deposits comprise funds which are lodged as a condition of conducting underwriting business in certain countries.

12 Creditors arising out of reinsurance operations

	at 36 months £000
Amounts due to intermediaries	55,583

All amounts are due within one year.

Seven-year summary

Hiscox Syndicate 33 underwriting accounts

Year of account	2006	2007	2008	2009	2010	2011	2012
Syndicate allocated capacity in £000	832,352	874,151	699,608	749,764	999,495	899,365	**948,840**
Number of underwriting members	1,388	1,380	1,341	1,342	1,397	1,440	**1,505**
Net premiums net of brokerage in £000	617,236	613,344	453,412	476,626	440,858	363,200	**422,077**
Capacity utilised	99%	92%	96%	105%	70%	69%	**72%**
Net capacity utilised	74%	70%	65%	64%	44%	40%	**44%**
Underwriting ratio	40.8%	34.7%	13.5%	42.5%	18.9%	21.9%	**36.5%**
Results for an illustrative share of £10,000							
Gross premiums	12,541	11,507	12,127	13,250	8,749	8,591	**9,026**
Net premiums	10,091	9,358	9,018	9,063	6,165	5,777	**6,246**
Reinsurance to close from an earlier account	9,791	8,261	10,407	9,725	6,620	7,031	**6,071**
Net claims paid	(3,798)	(4,499)	(5,826)	(3,466)	(3,460)	(3,555)	**(2,283)**
Reinsurance to close	(9,388)	(7,600)	(9,769)	(8,886)	(6,648)	(6,444)	**(6,039)**
Profit/(loss) on exchange	845	500	647	(44)	(73)	(85)	**37**
Syndicate operating expenses	(3,415)	(3,124)	(3,415)	(2,984)	(1,961)	(1,845)	**(2,115)**
Names personal expenses	(731)	(664)	(434)	(718)	(254)	(269)	**(409)**
Balance on technical account before investment return	3,395	2,232	628	2,690	389	610	**1,508**
Investment return	280	942	902	468	328	175	**168**
Profit before members' agent fees	3,675	3,174	1,530	3,158	717	785	**1,676**

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' agent 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. 'Underwriting ratio' represents underwriting result as a percentage of gross premiums.

   For these calculations, gross and net premiums are net of brokerage. Underwriting result is after brokerage and reinsurers' commissions but before profit/(loss) on exchange, other operating expenses and investment return.
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. 2007 and later years of account are presented with reinsurers' commissions and profit participations including reinsurance profit commission and overriders, treated as a contribution to expenses, rather than as a premium adjustment as was the case in prior years.
7. All years of account are presented using transactional rates of exchange.

Hiscox Syndicate 6104

annual accounts

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 2014.

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').

Separate underwriting year accounts for the closed 2012 account of Syndicate 6104 are included following these annual accounts.

Results
The result for Syndicate 6104 in calendar year 2014 is a profit of £33.6m (2013: £24.1m). The Syndicate's key financial performance indicators during the year were as follows:

	2014 £m	2013 £m	% change
Gross premiums written	**49.4**	42.8	15%
Gross premiums earned	**50.6**	45.5	11%
Net premiums earned	**47.7**	41.1	16%
Profit for the financial year	**33.6**	24.1	39%
Claims ratio	**(8)%**	10%	(18)%
Commission ratio	**38%**	32%	6%
Expense ratio	**1%**	1%	0%
Combined ratio	**31%**	43%	(12)%

In calculating the claims and expense ratios, foreign exchange gains and losses have been allocated to the claims ratio. This is because administrative expenses are predominately in Sterling and not subject to foreign exchange adjustments.

Principal activity
The principal activity of Syndicate 6104 is the transaction of reinsurance business in the United Kingdom at Lloyd's of London. M C S Krefta took over the role of active underwriter of Syndicate 6104 from P A Lawrence on 12 September 2014.

The Syndicate has the following underwriting capacity:

Year of account	Capacity £m
2009	43.1
2010	45.2
2011	37.2
2012	38.7
2013	66.4
2014	72.1
2015	65.2

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 Standard & Poor's and AA- (Very strong) from Fitch. The geographical and currency split of its business is shown below:

2014 geographical split of gross premiums written (%)	
UK	**1%**
Europe	**3%**
North America	**61%**
Asia	**19%**
Rest of the world	**16%**

2014 gross premiums written settlement currency (%)	
GBP	**26%**
EUR	**14%**
USD	**57%**
CAD	**3%**

Review of the business
Special Purpose Syndicate 6104 (SPS 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.

SPS 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 SPS 6104 from which it must meet all of its Syndicate expenses.

The SPS 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 SPS 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 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 RDS percentages in line with those of the other main exposures.

The Syndicate made a profit of £33.6m. There were no major losses in the year. The Syndicate incurred small losses from the Japanese snowstorms and Brisbane floods. The Syndicate largely avoided losses from the European hailstorms as a result of decisions to concentrate exposures on the mid and higher layers of the reinsurance programmes of clients with potential losses from these events. The Syndicate benefited from a reduction in the loss estimates for Hurricane Sandy, the Japanese earthquake and Thai floods.

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.

Lloyd's are utilising models developed for Solvency II to meet obligations under ICAS, which will provide equivalent protection to policyholders. 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. HSL uses an internal capital model to measure its SCR based on a rigorous process of risk identification and quantification assessed at a 1:200 confidence level which draws upon the skills of the Hiscox organisation and is reflected in HSL's own risk and solvency assessment. The model is based on regulatory requirements and has been approved 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 cashflow. 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 notes to the financial statements of Syndicate 33 (risk review).

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.

Auditors
The managing agent proposes the re-appointment of KPMG Audit Plc as the Syndicate auditors.

By order of the Board

I J Martin
Director
26 February 2015

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 as at that date and of its profit or loss for that year.

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

1. select suitable accounting policies and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Syndicate annual accounts; and
4. 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 2008 Regulations. 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 annual accounts

We have audited the Syndicate 6104 annual accounts for the year ended 31 December 2014, as set out on pages 47 to 55. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the members of the Syndicate, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditor

As explained more fully in the statement of managing agent's responsibilities set out on page 45, the managing agent is responsible for the preparation of Syndicate annual accounts which give a true and fair view. Our responsibility is to audit, and express an opinion on, the Syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Syndicate annual accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Syndicate annual accounts

In our opinion the annual accounts:

- give a true and fair view of the Syndicate's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Opinion on other matter prescribed by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion the information given in the managing agent's report for the financial year in which the annual accounts are prepared is consistent with the annual accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 require us to report to you if, in our opinion:

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

Timothy Butchart
for and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
London
26 February 2015

Profit and loss account: technical account – general business

Year ended 31 December 2014

Hiscox Syndicate 6104 annual accounts

	Notes	2014 £000	2013 £000
Earned premiums, net of reinsurance			
Premiums written:			
Gross premiums written		**49,419**	42,776
Outward reinsurance premiums		**(2,893)**	(4,338)
Net premiums written		**46,526**	38,438
Change in the provision for unearned premiums:			
Gross amount		**1,136**	2,681
Reinsurers' share		**–**	–
Change in the net provision for unearned premiums		**1,136**	2,681
Earned premiums, net of reinsurance		**47,662**	41,119
Allocated investment return transferred from the non-technical account	8	**818**	921
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		**(17,394)**	(20,451)
Reinsurers' share		**–**	–
Net claims paid		**(17,394)**	(20,451)
Change in the provision for claims:			
Gross amount		**18,509**	17,631
Reinsurers' share		**–**	–
Change in the net provision for claims		**18,509**	17,631
Claims incurred net of reinsurance		**1,115**	(2,820)
Net operating expenses	6, 7	**(16,019)**	(15,082)
Balance on the technical account for general business		**33,576**	24,138

All operations relate to continuing activities.

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 total recognised gains and losses has been presented.

The notes to the financial statements form an integral part of these annual accounts.

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

Year ended 31 December 2014

Hiscox Syndicate 6104 annual accounts

	Notes	2014 £000	2013 £000
Balance on the general business technical account		**33,576**	24,138
Investment income		**818**	921
Allocated investment return transferred to general business technical account	8	**(818)**	(921)
Profit for the financial year		**33,576**	24,138

All operations relate to continuing activities.

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 total recognised gains and losses has been presented.

The notes to the financial statements form an integral part of these annual accounts.

Balance sheet – assets
at 31 December 2014
Hiscox Syndicate 6104 annual accounts

	Notes	2014 £000	2013 £000
Reinsurers' share of technical provisions			
Provision for unearned premium		**–**	–
Debtors			
Debtors arising out of reinsurance operations	10	**102,274**	86,457
Other debtors		**9**	9
		102,283	86,466
Prepayments and accrued income			
Deferred acquisition costs		**1,850**	1,857
Total assets		**104,133**	88,323

The notes to the financial statements form an integral part of these annual accounts.

Balance sheet – liabilities
at 31 December 2014
Hiscox Syndicate 6104 annual accounts

	Notes	2014 £000	2013 £000
Capital and reserves			
Members' balances	11	**55,070**	23,007
Technical provisions			
Provision for unearned premium		**10,285**	11,421
Claims outstanding		**27,796**	45,216
		38,081	56,637
Creditors			
Creditors arising out of reinsurance operations	12	**10,269**	8,406
Other creditors		**713**	273
		10,982	8,679
Accruals and deferred income		**–**	–
Total liabilities		**104,133**	88,323

The notes to the financial statements form an integral part of these annual accounts.

The financial statements on pages 47 to 55 were approved by the board of Hiscox Syndicates Limited on 26 February 2015 and were signed on its behalf by

I J Martin
Director

Statement of cash flows

Year ended 31 December 2014

Hiscox Syndicate 6104 annual accounts

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	13	**1,513**	4,105
Transfer to members in respect of underwriting participations		**(1,513)**	(4,105)
		–	–
Cash flows were invested as follows:			
Increase in cash holdings		**–**	–
Net investment of cashflows		**–**	–

Notes to the financial statements
Year ended 31 December 2014
Hiscox Syndicate 6104 annual accounts

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

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

With the exception of:

2(d) Claims
The Syndicate does not pay claims until the year of account closes.

3 Risk review
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 risk review, with the exception of the following disclosures:

Table 3f)

The profile of the Syndicate's assets and liabilities, categorised by currency at their translated carrying amount was as follows:

At 31 December 2014	Sterling £000	US Dollar £000	Euro £000	CAD £000	Total £000
Debtors	5,623	83,653	10,467	2,540	102,283
Total monetary assets	5,623	83,653	10,467	2,540	102,283
Technical provisions	(3,933)	(20,335)	(1,864)	(1,664)	(27,796)
Creditors, accruals and deferred income	(386)	(11,151)	563	(8)	(10,982)
Total monetary liabilities	(4,319)	(31,486)	(1,301)	(1,672)	(38,778)
Net monetary assets/(liabilities)	1,304	52,167	9,166	868	63,505
Non monetary assets	475	1,286	62	27	1,850
Non monetary liabilities	(2,828)	(6,923)	(402)	(132)	(10,285)
Members balances by currency	(1,049)	46,530	8,826	763	55,070

At 31 December 2013	Sterling £000	US Dollar £000	Euro £000	CAD £000	Total £000
Debtors	5,865	71,664	8,496	441	86,466
Total monetary assets	5,865	71,664	8,496	441	86,466
Technical provisions	(2,695)	(36,995)	(5,278)	(248)	(45,216)
Creditors, accruals and deferred income	(320)	(8,165)	(185)	(9)	(8,679)
Total monetary liabilities	(3,015)	(45,160)	(5,463)	(257)	(53,895)
Net monetary assets/(liabilities)	2,850	26,504	3,033	184	32,571
Non monetary assets	252	1,415	124	66	1,857
Non monetary liabilities	(1,773)	(8,496)	(804)	(348)	(11,421)
Members balances by currency	1,329	19,423	2,353	(98)	23,007

3 Risk review continued

Table 3g)

Sensitivity analysis

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

	Monetary basis Effect on net monetary assets £000	Economic exposure Effect on members balances £000
31 December 2014		
US Dollar	**(5,217)**	**(4,653)**
Euro	**(917)**	**(883)**
Canadian Dollar	**(87)**	**(76)**
31 December 2013		
US Dollar	(2,650)	(1,942)
Euro	(303)	(235)
Canadian Dollar	(18)	10

4 Segmental analysis

All business written by the Syndicate is non-marine treaty reinsurance. All premiums were concluded in the UK.

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

	2014 £000	2013 £000
United Kingdom	**505**	455
European Union member states (excluding UK)	**1,517**	909
United States	**30,839**	29,091
Other	**17,694**	15,001
Total	**50,555**	45,456

5 Claims outstanding

A release of £22.6m from the net reserve for claims outstanding, set at 31 December 2013, has been made in calendar year 2014. Net reserves for claims outstanding at 31 December 2012 had a release of £9.0m in calendar year 2013.

6 Net operating expenses

	2014 £000	2013 £000
Brokerage and commissions	**(18,112)**	(12,840)
Change in deferred acquisition costs	**(8)**	(449)
Members' standard personal expenses	**(360)**	(315)
Profit/(loss) on exchange	**2,461**	(1,478)
Total	**(16,019)**	(15,082)

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 auditors and its associates (exclusive of VAT) of:

	2014 £000	2013 £000
Auditors' remuneration		
Fees payable to the Syndicate's auditor for the audit of the Syndicate accounts	**20**	19
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	**8**	9
Total	**28**	28

Members' standard personal expenses excludes members agents fees paid in the year of £0.6m (2013: £0.5m).

7 Staff numbers and costs

All staff are employed by a Hiscox Group service company. No recharge of salaries or Directors' remuneration is made specifically to the Syndicate. All such charges are made to Syndicate 33 and are covered within the ceding agreement. None of the Syndicate's active underwriters remuneration has been charged to the Syndicate.

8 Investment return

	2014 £000	2013 £000
Investment income	**818**	921

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. If the balance is negative, an interest expense is calculated at LIBOR plus 1%.

9 Investments, overseas deposits and cash

The Syndicate operates on a funds withheld basis and does not hold any investments, overseas deposits or cash.

10 Debtors arising out of reinsurance operations

	2014 £000	2013 £000
Amounts due from intermediaries	**102,274**	86,457

All amounts are due within one year.

11 Reconciliation of members' balances

	2014 £000	2013 £000
Members' balances at 1 January	**23,007**	2,974
Profits for the year	**33,576**	24,138
Payments of profit to and collection of losses from members' personal reserve funds	**(1,513)**	(4,105)
Members' balances carried forward at 31 December	**55,070**	23,007

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. Payments of profits to members' include amounts paid directly to members' agents of £0.6m (2013: £0.5m).

12 Creditors arising out of reinsurance operations

	2014 £000	2013 £000
Amounts due to intermediaries	**10,269**	8,406

All amounts are due within one year.

13 Reconciliation of profit to net cash inflow from operating activities

	2014 £000	2013 £000
Operating profit on ordinary activities	**33,576**	24,138
Decrease in net technical provisions	**(18,556)**	(20,471)
Increase in debtors, prepayments and accrued income	**(15,810)**	(1,983)
Increase in creditors	**2,303**	2,421
Net cash inflow from operating activities	**1,513**	4,105

14 Related parties

The related parties of Syndicate 6104 are the same as Syndicate 33 and have been disclosed in the Syndicate 33 annual accounts, with the exception of the following statutory disclosures:

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

Balance sheet net assets and (liabilities) outstanding relating to related Group companies	31 December 2014 £000	31 December 2013 £000
Hiscox managed Syndicates	**55,070**	23,007
	55,070	23,007

The following amounts reflected in the income statement were transacted with related parties:

Net income and (expenses) relating to related Group companies reflected in the income statement	2014 £000	2013 £000
Hiscox Syndicates Limited	**(345)**	(332)
Hiscox managed Syndicates	**33,576**	24,138
	33,231	23,806

Hiscox Syndicates Limited charged managing agent fees to Syndicate 6104 of £0.3m (2013: £0.3m).

Hiscox Syndicate 33 owes the Syndicate the cumulative result due on the quota-share reinsurances Syndicate 6104 provides.

Hiscox Syndicate 6104

underwriting year accounts

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

The Directors of the managing agent present their report as at 31 December 2014.

This report comprises the cumulative result to 31 December 2014 for the closed 2012 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.

Principal activity and review of the business

Special Purpose 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.

SPS 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 SPS 6104 from which it must meet all of its Syndicate expenses.

The SPS 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 SPS 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 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 RDS percentages in line with those of the other main exposures.

2012 account

In 2012 the cession from Syndicate 33 was 20%. The account has closed with a profit of 39% after all personal expenses (except members' agent's fees). This is a good result and at the upper end of the forecast range. The old years' release of £2m benefited from reductions in the loss estimates for Hurricane Ike, the Japanese earthquake and Thai floods. The pure year benefited from a reduction in the loss estimate for Hurricane Sandy.

2013 account

For 2013 the capacity of the Syndicate was increased from £38.7m to £66.4m and the cession from Syndicate 33 increased to 30%. There were no significant losses impacting the account.

We have set a profit forecast in the range 35% to 45% return on capacity.

2014 account

The Syndicate capacity was increased further to £72.1m for the 2014 year of account and the percentage cession from Syndicate 33 was increased to 33% with the intention that the level of risk, as measured by Lloyd's RDSs, remains broadly consistent from year to year. The scope of the business ceded from Syndicate 33 was expanded to include all non marine property excess of loss reinsurance written by Syndicate 33. Rates softened across most territories as a result of good loss experience and increased competition both from within the industry and from new sources of capital.

There have been no major losses impacting the account to date although there is still significant unexpired exposure. At this early stage we have set the forecast result in the range 15% to 25% return on capacity.

2015 and outlook

Competition remained intense at the 1 January 2015 renewals with rate reductions of around 12.5% for US business and between 10% and 15% for international regions.

Syndicate 33 has responded by focusing on active engagement with key clients and brokers, a series of incremental product innovations and disciplined underwriting.

The benefits of being able to deploy significant capacity through the Syndicate 33 line, the Hiscox Bermuda line and our writings on behalf of the Hiscox managed Kiskadee ILS funds were evident in the premium signings at 1 January 2015.

The capacity for 2015 was set at £65.2m and the cession from Syndicate 33 at 28%.

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.

Auditors

The managing agent proposes the re-appointment of KPMG Audit Plc as the Syndicate auditors.

By order of the Board

I J Martin
Director
26 February 2015

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:

1. 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;
2. take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
3. make judgements and estimates that are reasonable and prudent; and
4. 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 Lloyd's Regulations. 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 financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

To members of Syndicate 6104

2012 closed year of account

We have audited the Syndicate underwriting year accounts for the 2012 year of account of Syndicate 6104 for the three years ended 31 December 2014, as set out on pages 60 to 64. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the members of the Syndicate, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditor

As explained more fully in the statement of managing agent's responsibilities set out on page 58, the managing agent is responsible for the preparation of Syndicate underwriting year accounts under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the Syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Syndicate underwriting year accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Syndicate underwriting year accounts

In our opinion the Syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2012 closed year of account;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) requires us to report to you if, in our opinion:

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

Timothy Butchart
for and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
London
26 February 2015

2012 Underwriting account
Closing at 31 December 2014
Hiscox Syndicate 6104 underwriting accounts

	Notes	at 36 months £000
Syndicate allocated capacity		**38,686**
Earned premiums, net of reinsurance		
Premiums written:		
Gross amount		**40,584**
Outward reinsurance premiums		**(3,661)**
Earned premiums, net of reinsurance		**36,923**
Reinsurance to close premium received from earlier years of account, net of reinsurance		**17,450**
		54,373
Allocated investment return transferred from the non-technical account	5	**1,033**
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		**(17,394)**
Reinsurers' share		**–**
Net claims paid		**(17,394)**
Change in the provision for claims:		
Gross amount		**(12,057)**
Reinsurers' share		**–**
Change in the net provision for claims		**(12,057)**
		(29,451)
Balance on technical account before net operating expenses and loss on exchange		**25,955**
Net operating expenses	4	**(10,683)**
Loss on exchange		**(198)**
Balance on technical account for general business		**15,074**
Investment income	5	**1,033**
Allocated investment return transferred to the technical account	5	**(1,033)**
Result before members' agents fees		**15,074**
Members agents' fees	4	**(312)**
Result for the three years ended 31 December 2014	6	**14,762**

The notes to the financial statements form an integral part of these underwriting year accounts.

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 total recognised gains and losses has been presented.

Balance sheet
2012 Account at 31 December 2014
Hiscox Syndicate 6104 underwriting accounts

Assets	Notes	at 36 months £000
Reinsurers' share of technical provisions		
Reinsurance premium payable to close the account	3	–
Debtors		
Debtors arising out of reinsurance operations	8	**30,258**
Other debtors		**915**
Prepayments and accrued income		
Deferred acquisition costs		–
Total assets		**31,173**
Other assets		
Cash at bank and in hand		–
Total assets		**31,173**

Liabilities	Notes	at 36 months £000
Capital and reserves		
Members' balances	7	**15,074**
Technical provisions		
Reinsurance premium payable to close the account	3	**12,237**
Creditors		
Creditors arising out of reinsurance operations	9	**3,862**
Total liabilities		**31,173**

The notes to the financial statements form an integral part of these underwriting year accounts.

This Annual Report was approved by the Board of Hiscox Syndicates Limited on 26 February 2015 and was signed on its behalf by

I J Martin
Director

Notes to the financial statements
at 31 December 2014
Hiscox Syndicate 6104 underwriting accounts

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.

With the exception of:

2(d) Claims
The Syndicate does not pay claims until the year of account closes.

3 Reinsurance premium to close the 2012 account

	at 36 months £000
Gross notified outstanding claims	–
Provision for gross claims incurred but not reported (IBNR)	**(12,237)**
	(12,237)
Reinsurance recoveries anticipated on notified outstanding claims	–
Reinsurance recoveries anticipated on IBNR	–
	–
Reinsurance premium to close the 2012 account	**(12,237)**

4 Net operating expenses
The cumulative Syndicate expenses charged in the 2012 underwriting account were made up as follows:

Closing account after three years	at 36 months £000
Brokerage and commissions	**(10,490)**
Members' standard personal expenses	**(193)**
Members' agents fees	**(312)**
	(10,995)

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

5 Investment return

Closing account after three years	at 36 months £000
Investment income	**1,033**
Investment gains less losses	–
Investment expenses and charges	–
Investment return	**1,033**

Investment return for the 2012 year of account is recognised in the 2012, 2013 and 2014 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 financial statements.

6 Balance on technical account

	at 36 months £000
Amount attributable to business allocated to the 2012 year of account	12,835
Surplus on the reinsurance to close for the 2011 year of account	1,927
Balance on technical account	14,762

7 Members' balances

	at 36 months £000
Profit for the 2012 closing year of account	15,074
Early profit release	–
	15,074

8 Debtors arising out of reinsurance operations

	at 36 months £000
Due from intermediaries	30,258

All amounts are due within one year.

9 Creditors arising out of reinsurance operations

	at 36 months £000
Amounts due to intermediaries	3,862

All amounts are due within one year.

Seven-year summary

Hiscox Syndicate 6104 underwriting accounts

Year of account	2008	2009	2010	2011	2012
Syndicate allocated capacity in £000	34,475	43,106	45,185	37,174	**38,686**
Number of underwriting members	1,004	1,098	1,102	1,042	**1,077**
Net premiums net of brokerage in £000	20,194	34,146	23,787	18,621	**26,433**
Capacity utilised	63%	87%	57%	55%	**78%**
Net capacity utilised	59%	79%	53%	50%	**68%**
Underwriting ratio	45.6%	69.2%	12.6%	3.1%	**48.0%**

Results for an illustrative share of £10,000					
Gross premiums	6,236	8,540	7,019	7,104	**10,491**
Net premiums	5,840	7,762	6,593	6,632	**9,544**
Reinsurance to close from an earlier account	–	3,045	1,795	5,363	**4,511**
Net claims paid	–	(2,988)	(1,750)	(5,501)	**(4,496)**
Reinsurance to close	(3,005)	(1,954)	(4,594)	(4,701)	**(3,117)**
Profit/(loss) on exchange	822	(242)	(111)	(5)	**(51)**
Syndicate operating expenses	17	159	(1,329)	(1,623)	**(2,712)**
Names personal expenses	(50)	(50)	(50)	(50)	**(50)**
Balance on technical account before investment return	3,624	5,732	554	115	**3,629**
Investment return	620	736	333	220	**267**
Profit after personal expenses	4,244	6,468	887	335	**3,896**

Notes to the seven-year summary:

1. The seven-year summary has been prepared from the audited accounts of the Syndicate. Only five years are shown in this summary, as the Syndicate commenced underwriting in 2008.

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. 'Underwriting ratio' represents underwriting result as a percentage of gross premiums.

   For these calculations, gross and net premiums are net of brokerage. Underwriting result is after brokerage and reinsurers' commissions but before profit/(loss) on exchange, other operating expenses and investment return.

4. Premium figures and Syndicate operating expenses are quoted gross of brokerage.

5. All years of account are presented using transactional rates of exchange.

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