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HISCOX

Hiscox Syndicate 3624 Report and Accounts 2015

15

Contents

Directors and administration
Hiscox Syndicate 3624

Managing agent:

Managing agent

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

Directors

R S Childs (Non Executive Chairman)
C J Foulger (Non Executive)
J S Jones
H C V Keeling (Non Executive)
M C S Krefta
P A Lawrence
I J Martin
B E Masojada
J Pinchin
R C Watson
A C Winther (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

Syndicate:

Active underwriter

R C Watson

Bankers

Lloyds Bank plc
Citibank

Investment manager

Payden and Rygel Global Ltd

Registered auditors

KPMG Audit Plc

Notice regarding the Annual General Meeting
Hiscox Syndicate 3624 annual accounts

Following a tender process during 2015, a resolution will be proposed at the Annual General Meeting of Hiscox Ltd (which is the ultimate parent of Hiscox Syndicates Limited) to appoint Pricewaterhouse Coopers LLP (PwC) as the auditors of the Hiscox Group.

Syndicate meetings
Notice in writing of a meeting of the members of Syndicate 3624 has been sent separately to members or their agents. That meeting will be held on 20 April 2016 at Hiscox, 1 Great St Helen's, London EC3A 6HX, for the purpose of appointing PwC as the Syndicate auditors.

Annual General Meeting
Usually the only formal business conducted at a 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 the light of the above, Hiscox Syndicates Limited does not propose to hold an AGM of the members of Syndicate 3624 in 2016. Members may object to this within 21 days of this notice.

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

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

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

By order of the Board

Jason Jones

J S Jones
Director
14 March 2016

Report of the Directors of the managing agent
Hiscox Syndicate 3624 annual accounts

The Directors of the managing agent present their report for Syndicate 3624 for the year ended 31 December 2015.

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).

Results
The result for Syndicate 3624 in calendar year 2015 is a profit of £20.7 million (2014: loss of £3.4 million). The Syndicate's key financial performance indicators during the year were as follows:

	2015 £m	2014 £m	% change
Gross premiums written	399.6	324.4	23
Gross premiums earned	353.7	279.8	26
Net premiums earned	281.0	227.5	24
Total recognised profit/(loss) for the year	20.7	(3.4)	709
Claims ratio (%)	48	59	(11)
Commission ratio (%)	39	38	1
Expense ratio (%)	6	6	0
Combined ratio (%)	93	103	(10)

In calculating the claims and expense ratios, foreign exchange gains and losses are allocated to the claims ratio.

Principal activity
The principal activity of Syndicate 3624 is the transaction of general insurance and reinsurance business in the United Kingdom at Lloyd's of London. Syndicate 3624 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.

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

2015 geographical split of gross premiums written (%)	
UK	2
Europe	7
North America	38
Asia	5
Rest of the world	48

2015 gross premiums written settlement currency (%)	
GBP	13
EUR	4
USD	81
CAD	2

Review of the business
The result for the year was a profit of £20.7 million (2014: loss of £3.4 million). A breakdown of divisional performance is shown below:

	2015 Gross premiums written £m	2015 Profit £m	2014 Gross premiums written £m	2014 Profit £m
Auto fire, theft and collision	112.4	(0.0)	79.2	0.2
Auto extended warranty	53.5	(0.8)	49.5	(0.7)
Aviation	26.3	(0.0)	22.5	1.1
Hiscox US liability classes	92.4	10.3	64.1	2.6
Hiscox US property classes	13.5	0.4	25.0	(2.9)
Healthcare	26.6	(3.1)	21.1	(2.5)
Technology, media and telecoms	38.7	12.6	27.6	0.5
Reinsurance	17.7	0.2	3.2	1.8
Other smaller classes	18.5	1.1	32.2	(3.5)
Total	399.6	20.7	324.4	(3.4)

Report of the Directors of the managing agent continued
Hiscox Syndicate 3624 annual accounts

Review of the business continued

Syndicate 3624 was established as an aligned corporate syndicate for the 2009 year of account. Initially all of the Syndicate's business was generated through Hiscox owned distribution channels, in particular Hiscox Inc., the Group's service company in the US. In subsequent years a number of additional lines of business were added to the portfolio, some of which were sourced through Hiscox-owned service companies and some through normal London Market broking channels. From the period 2009 to 2015 inclusive gross premiums written increased from £76 million to £400 million.

The principal classes of business written by the Syndicate include:

Auto fire, theft and collision
£112 million gross premiums written in 2015. This account focuses on FTC (fire, theft and collision) business sourced through White Oak Underwriting Agency Limited in which Hiscox has a 29.8% shareholding and the Active Underwriter of the Syndicate, Richard Watson, is a Director. The account has a focus on agricultural and forestry equipment.

Auto extended warranty
£53 million in 2015. This account is also sourced through White Oak Underwriting Agency Limited. The account is written on a worldwide basis with significant exposure from exclusive arrangements with manufacturers selling into China.

Aviation
£26 million in 2015. A London Market aviation account including exposure to airlines, products, airports and general aviation.

Hiscox US liability classes
£92 million in 2015. This account is written through Hiscox Inc., Hiscox US's service company. The Syndicate pays a commission to Hiscox Inc. to source smaller premium E&O, D&O and financial lines business from the Hiscox offices on the ground in the US.

Hiscox US property classes
£13 million in 2015. This account, sourced through Hiscox Inc., includes commercial property business written through wholesale brokers in the US and a construction account which is now in run-off.

Healthcare
£27 million in 2015. This account provides a range of insurance and reinsurance products for hospitals, allied health organisations and physician groups and is written by a team in Bermuda through Hiscox Agency Ltd (HAL), Hiscox's Bermudian service company.

Technology, media and telecoms
£39 million in 2015. This account provides liability insurance for clients from the technology and media industries and is sourced by the Hiscox-owned service companies in the UK, Europe and US.

Reinsurance
£18 million in 2015. This account includes casualty reinsurance business written through the Hiscox service company in Bermuda and a small quota share of the property reinsurance business written by Hiscox Bermuda.

Other smaller accounts
£19 million in 2015. This includes insurance for event cancellation and pilot's loss of licence, the new product recall account and a portfolios account in which Hiscox supports consortia arrangements of specialist underwriters in the Lloyd's market.

In 2015 gross premiums written increased from £324 million to £400 million driven by the White Oak Underwriting Agency Limited business, the professional indemnity business written through Hiscox's network of offices in the US and the transfer of the casualty treaty account written though the Hiscox service company in Bermuda. This was partially offset by a reduction in the volume of business written through Dual. The Syndicate made a profit of £21 million in the year driven by an excellent performance from the Hiscox US liability classes and the technology, media and telecoms account.

The 2013 year of account closed with a profit of £15.4 million on the Syndicate's £250 million of capacity. The result included a strong performance from 2012 and prior, particularly from the US liability accounts.

Further growth is anticipated for 2016 from the Hiscox US business and the new product recall account.

Report of the Directors of the managing agent continued
Hiscox Syndicate 3624 annual accounts

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 3624 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.

On 5 December 2015 Lloyd's received formal approval from the PRA to use its internal capital model for capital setting purposes. Solvency II became effective 1 January 2016 and for the 2016 year of account the HSL internal capital model has been used to set the Syndicate's capital. Syndicate capital is determined through the submission and agreement by Lloyd's of an ultimate Solvency Capital Requirement (SCR) which is subject to an uplift determined by the Franchise Board to calibrate the capital required by Lloyd's.

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

1. all premiums received by syndicates are held in trust as the first resource for paying policyholders' claims;
2. every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities. They are set with reference to the SCR together with the Lloyd's uplift. Since FAL is not under the control of the managing agent,no amount has been shown in the financial statements. However, the managing agent is able to make a call on the member's 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. Consequently we may need to make a cash call, at some time in the future, to improve the Syndicate's working capital position.

Investment report
Investment income for Syndicate 3624 before expenses was £2.0 million (2014: £2.1 million) equating to a return of 0.7% (2014: 0.8%). The Syndicate's invested assets totalled £320 million at 31 December 2015, largely unchanged over the year. It turned out to be a challenging period generally for bond investors as evidenced by the low benchmark return which has been marginally exceeded by our manager.

With Central Bank activity driving down government bond yields in recent years, we have chosen to accept the lower returns on offer, rather than hunting for yield in longer duration or lower credit quality securities or by straying into non-traditional asset classes. Once again in 2015 our priority was capital preservation over appreciation. Whilst the European Central Bank's quantitative easing programme provided a supportive investment background for much of the first half of the year, a less rewarding environment unfolded in the second half.
In fixed income markets the most notable event was the Federal Reserve's decision in December to increase US interest rates for the first time in nine years. This prompted an increase in yields in general but more particularly in the US bond market where over 60% of the Syndicate's portfolio is invested. A further headwind for fixed income investors recently has been a widening in credit spreads which has been prompted by fears that the slow down in China would derail the global economy. Whilst the impact has been most pronounced in the energy and materials sector and high yield bond market, where the portfolios have very little exposure, there has been a knock-on effect for credit markets as a whole amidst a recognition that the best of the credit cycle may be behind us.

Years of account	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	**2016 £m**
Capacity	150	250	250	250	300	350	**400**

Report of the Directors of the managing agent continued
Hiscox Syndicate 3624 annual accounts

Investment report continued
The US bonds therefore made little headway in the last six months, but for the year as a whole the allocation to credit added some value enabling the portfolios to beat the benchmark and deliver a return of 0.7%. The Sterling and Euro assets remain insufficient to justify a segregated bond portfolio and were held in cash. A small Canadian Dollar portfolio was funded in the final quarter of the year. A rising interest rate environment in the US and the UK, negative yields in European sovereign bond markets and a deteriorating credit outlook is not an ideal backdrop for bond investors. The strategy however is akin to last year's in that minimising interest rate risk and focusing on investment grade non-government bonds should protect us somewhat and enable us to benefit from the higher yields of the credit allocation. Given that the yield to maturity on the dominant US Dollar bond portfolio starts 2016 slightly higher than it did last year, we would hope to improve slightly on the rate of return but not by a significant amount.

Our primary investment objective remains that of not losing money but we also seek to maximise our return subject to a prudent risk appetite. Volatility often produces opportunity but we think that any allocations to less traditional assets classes such as emerging market bonds and high yield are premature at this stage. Short-dated corporate credit remains the area that our US manager favours to earn some extra yield going into 2016 and they also remain well positioned to take advantage of higher interest rates as and when they come.

Principal risks and uncertainties
An analysis of the principal risks and uncertainties facing the Syndicate is set out in note 4.

Directors' interests
None of the Directors of the managing agent who served during the year ended 31 December 2015 were underwriting Names at Lloyd's for the 2013, 2014, 2015 or 2016 years of account.

S J Bridges – Non Executive
(Resigned 31 August 2015)
R S Childs – Non Executive Chairman
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 (Resigned 19 March 2015)
R C Watson
I T Webb-Wilson – Non Executive
(Resigned 24 June 2015)
A C Winther – Non Executive
(Appointed 24 June 2015)

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.

By order of the Board

I J Martin
Director
14 March 2016

Statement of managing agent's responsibilities
Hiscox Syndicate 3624 financial statements

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 auditor's report
Hiscox Syndicate 3624 annual accounts

We have audited the annual accounts of Syndicate 3624 for the year ended 31 December 2015, as set out on pages 9 to 36. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 7, the managing agent is responsible for the preparation of the Syndicate's annual accounts and for being satisfied that they 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 2015 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
14 March 2016

Profit and loss account: technical account – general business
Year ended 31 December 2015
Hiscox Syndicate 3624 annual accounts

	Notes	2015 £000	2014 £000
Earned premiums, net of reinsurance			
Premiums written:			
Gross premiums written	5	399,561	324,403
Outward reinsurance premiums		(81,752)	(91,890)
Net premiums written		317,809	232,513
Change in the provision for unearned premiums:			
Gross amount		(45,883)	(44,638)
Reinsurers' share		9,081	39,591
Change in the net provision for unearned premiums		(36,802)	(5,047)
Earned premiums, net of reinsurance		281,007	227,466
Allocated investment return transferred from the non-technical account	10	1,709	1,859
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(164,110)	(118,563)
Reinsurers' share		44,978	23,347
Net claims paid		(119,132)	(95,216)
Change in the provision for claims:			
Gross amount		(31,954)	(58,186)
Reinsurers' share		17,501	17,695
Change in the net provision for claims		(14,453)	(40,491)
Claims incurred net of reinsurance		(133,585)	(135,707)
Net operating expenses	7, 8	(125,638)	(99,338)
Balance on the technical account for general business		23,493	(5,720)

All operations relate to continuing activities.

The notes on pages 16 to 36 form an integral part of these financial statements.

Profit and loss account: non-technical account – general business
Year ended 31 December 2015
Hiscox Syndicate 3624 annual accounts

	Notes	2015 £000	2014 £000
Balance on the general business technical account		23,493	(5,720)
Investment income	10	3,315	2,854
Gains on the realisation of investments	10	490	175
Unrealised gains on investments	10	96	168
Losses on the realisation of investments	10	(558)	(258)
Unrealised losses on investments	10	(1,365)	(807)
Investment expenses and charges	10	(269)	(273)
Allocated investment return transferred to general business technical account		(1,709)	(1,859)
Profit and loss on exchange		(2,765)	2,340
Profit /(loss) for the financial year		20,728	(3,380)

All operations relate to continuing activities.

The notes on pages 16 to 36 form an integral part of these financial statements.

Statement of total recognised gains and losses
Year ended 31 December 2015
Hiscox Syndicate 3624 annual accounts

	Notes	2015 £000	2014 £000
Profit/(loss) for the financial year		20,728	(3,380)
Currency translation adjustments		(1,109)	(1,452)
Total recognised gains and losses for the year		19,619	(4,832)

Balance sheet – assets
at 31 December 2015
Hiscox Syndicate 3624 annual accounts

	Notes	2015 £000	2014 £000
Investments			
Financial investments	11	231,991	219,372
Reinsurers' share of technical provisions			
Provision for unearned premium	6	69,908	58,011
Claims outstanding	6	99,307	77,408
		169,215	135,419
Debtors			
Debtors arising out of direct insurance operations	12	95,290	72,852
Debtors arising out of reinsurance operations	13	25,411	19,384
Other debtors		375	23
		121,076	92,259
Other assets			
Cash at bank and in hand		88,312	100,704
Prepayments and accrued income			
Accrued interest		1,256	1,159
Deferred acquisition costs		92,219	73,415
Total assets		704,069	622,328

The notes on pages 16 to 36 form an integral part of these financial statements.

Balance sheet – liabilities
at 31 December 2015
Hiscox Syndicate 3624 annual accounts

	Notes	2015 £000	2014 £000
Capital and reserves			
Member's balances		(12,318)	(25,515)
Technical provisions			
Provision for unearned premium	6	284,780	226,157
Claims outstanding	6, 14	393,088	346,998
		677,868	573,155
Creditors			
Creditors arising out of reinsurance operations	15	28,400	66,283
Other creditors		2,114	784
		30,514	67,067
Accruals and deferred income	16	8,005	7,621
Total liabilities		704,069	622,328

The notes on pages 16 to 36 form an integral part of these financial statements.

The financial statements on pages 9 to 36 were approved by the board of Hiscox Syndicates Limited on 14 March 2016 and were signed on its behalf by

I J Martin
Director

Statement of changes in member's balances
as at 31 December 2015
Hiscox Syndicate 3624 annual accounts

	2015 £000	2014 £000
Member's balances brought forward at 1 January	(25,515)	(27,324)
Total recognised gains and losses for the year	19,619	(4,832)
Payments of profit to and collection of losses from member's personal reserve funds	(6,422)	6,641
Member's balances carried forward at 31 December	(12,318)	(25,515)

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

Statement of cash flows
Year ended 31 December 2015
Hiscox Syndicate 3624 annual accounts

	Notes	2015 £000	2014 £000
Net cash flows from operating activities			
Profit/(loss) for the year		20,728	(3,380)
Increase in gross technical provisions		104,714	125,836
(Increase) in reinsurers' share of gross technical provisions		(33,797)	(63,939)
(Increase) in debtors		(28,816)	(21,544)
(Decrease)/increase in creditors		(36,553)	60,431
Movement in other assets/liabilities		(18,362)	(15,597)
Less: investment return		(1,709)	(1,859)
Net cash inflows from operating activities		6,205	79,948
Net cash flows from investing activities			
Purchase of debt instruments		(246,309)	(235,127)
Sale of debt instruments		244,553	181,482
Investment income received		2,822	2,498
Foreign exchange movements on investments		(12,132)	(12,732)
Net cash flows from financing activities			
Distribution (profit)/loss		(6,422)	6,641
Foreign currency reserve movements		(1,109)	(1,452)
Net (decrease)/increase in cash and cash equivalents		(12,392)	21,258

Notes to the financial statements
at 31 December 2015
Hiscox Syndicate 3624
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, Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and Financial Reporting Standard 103, Insurance Contracts (FRS 103). They also comply with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2006.

These financial statements are presented in Pound Sterling (GBP). The functional currency of the Syndicate is United States Dollars (USD). All amounts have been rounded to the nearest thousand, unless otherwise stated.

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 Change to accounting policies
In the transition to FRS 102 and FRS 103 from 'old' UK GAAP, the Syndicate has made measurement and recognition adjustments. An explanation of how the transition to FRS 103 has affected the financial position and performance of the Syndicate is provided in note 17.

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

3(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.

3(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.

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

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

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

Notes to the financial statements continued
at 31 December 2015
Hiscox Syndicate 3624 annual accounts

3 Accounting policies continued

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.

3(e) Unexpired risk

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

3(f) 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 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.

3(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.

3(h) Foreign currencies

The functional currency of the Syndicate is US Dollars. Assets, liabilities, revenues and costs denominated are translated into the functional currency using the exchange rates prevailing at the date of the transaction. At the balance sheet date, monetary assets and liabilities are translated to functional currency at the year-end rates of exchange.

3 Accounting policies continued

For the purpose of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

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

The results and financial position are presented in Pound Sterling rather than the functional currency of US Dollars. The translation from functional currency to presentational currency is completed as follows:
- all assets and liabilities are translated from the functional currency amount, at the closing rate at the balance sheet date;
- all income and expenses are translated at average exchange rate; and
- all resulting exchange differences are recognised separately as a foreign exchange reserve within capital and reserves.

3(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.

3(j) 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 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.

3(k) 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.

3(l) Reinsurers' commissions and profit participations

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

Notes to the financial statements continued
at 31 December 2015
Hiscox Syndicate 3624
annual accounts

3 Accounting policies continued

3(m) 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.

3(n) Cash at bank and in hand

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

4 Risk review

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

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, the HSL Board exercises oversight of the development and operational implementation of its risk management policies and procedures, through the HSL Risk Committee, and ongoing compliance therewith, through a dedicated internal audit function, which has operational independence, clear terms of reference influenced by the HSL Board's Non Executive Directors and a clear upwards reporting structure back into 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.

The HSL Board sets the Syndicate's underwriting strategy and risk appetite, 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

4 Risk review continued

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. 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.

(ii) 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 3(d).

Based on historical claims experience, most of the Syndicate's significant claims are notified and settled within one to five 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

Notes to the financial statements continued
at 31 December 2015
Hiscox Syndicate 3624 annual accounts

4 Risk review continued

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 2015, the Syndicate held asset backed and mortgage backed fixed income instruments in its investment portfolio. Together with the Syndicate's investment managers, management continues to monitor the potential for any adverse development associated with this investment exposure through the analysis of relevant factors such as credit ratings, collateral, subordination levels and default rates in relation to the securities held. The Syndicate 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.

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 50 basis points at the balance sheet date, the fair value of member's balances and the profit for the year might have been expected to decrease by £1.8 million (2014: decrease of £2.9 million) 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.

Table a)	31 December 2015 % weighting	31 December 2014 % weighting
Government issued bonds and instruments	46	28
Government supported*	6	11
Asset backed securities	4	7
Mortgage backed instruments – agency	1	1
Mortgage backed securities – non agency	1	4
Corporate bonds	42	49

*Includes supranational debt, agency debt.

4 Risk review continued

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 11. 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 timeframe 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;
- counterparty risk with respect to cash and cash equivalents, and investments and other including deposits and derivative transactions deposits.

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. 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 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 a credit 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.

4 Risk review continued

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 2015	AAA £000	AA £000	A £000	BBB £000	<BBB £000	Other/ non rated £000	Total £000
Debt securities and other fixed income securities	53,296	103,684	52,965	22,046	–	–	231,991
Reinsurers share of claims outstanding	28,304	28,955	40,849	1,199	–		99,307
Reinsurance debtors	11,316	555	1,490	138	–	–	13,499
Cash at bank and in hand	49,164	535	26,068	574	16	11,955	88,312
Total	142,080	133,729	121,372	23,957	16	11,955	433,109
Amounts attributable to largest single counterparty	–	76,832	–	–	–	–	76,832

As at 31 December 2014	AAA £000	AA £000	A £000	BBB £000	<BBB £000	Other/ non rated £000	Total £000
Debt securities and other fixed income securities	58,228	83,805	56,384	20,955	–	–	219,372
Reinsurers share of claims outstanding	7,058	27,207	39,993	3,150	–	–	77,408
Reinsurance debtors	16,655	1,110	1,337	281	–	–	19,383
Cash at bank and in hand	345	54	100,293	12	–	–	100,704
Total	82,286	112,176	198,007	24,398	–	–	416,867
Amounts attributable to largest single counterparty	–	55,683	–	–	–	–	55,683

The Syndicate has debtors of £1.5 million (2014: £0.2 million) arising from direct insurance and reinsurance operations that are past due, but not 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 amounts attributable to the largest single counterparty represents holdings of US treasury stock, in both this year and last.

At 31 December 2015 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 (2014: £nil). For the current period and prior period, the Syndicate did not experience any material defaults on debt securities.

4 Risk review continued

(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.

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	2015 Total £000	2014 Total £000
Less than one year	33,093	88,312	121,405	113,319
Between one and three years	178,072	–	178,072	56,352
Between three and five years	6,695	–	6,695	102,542
Over five years	14,131	–	14,131	17,501
Sub-total	231,991	88,312	320,303	289,714
Perpetual notes and other non-dated instruments	–	–	–	30,362
Total	231,991	88,312	320,303	320,076

Average contractual maturity analysed by denominational currency of investments.

Table d)	2015 Years	2014 Years
US Dollar	1.8	3.9

The contractual maturity for US Dollars of 1.8 years (2014: 3.9 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 1.5 years (2014: 1.6 years).

4 Risk review continued

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 2015 and 2014. 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 2015	Within one year £000	Between one and three years £000	Between three and five years £000	Over five years £000	Total £000
Accident and health	(2,969)	(1,209)	(257)	(34)	(4,469)
Marine, aviation and transport	5	6	17	7	35
Motor – third-party liability	31	35	100	40	206
Motor – other	(10,107)	(6,934)	(1,829)	(1,064)	(19,934)
Fire and other damage to property	(24,232)	(26,103)	(14,700)	(7,579)	(72,614)
Third-party liability	(35,243)	(65,561)	(47,700)	(37,636)	(186,140)
Miscellaneous	(2,320)	(1,455)	(391)	(378)	(4,544)
Reinsurance	(1,885)	(1,496)	(1,650)	(1,290)	(6,321)
Total	(76,720)	(102,717)	(66,410)	(47,934)	(293,781)

As at 31 December 2014	Within one year £000	Between one and three years £000	Between three and five years £000	Over five years £000	Total £000
Accident and health	(2,949)	(2,093)	(390)	(84)	(5,516)
Marine, aviation and transport	(138)	(100)	(18)	(4)	(260)
Motor – third-party liability	(829)	(598)	(109)	(21)	(1,557)
Motor – other	(13,017)	(8,870)	(1,742)	(281)	(23,910)
Fire and other damage to property	(11,180)	(20,123)	(11,602)	(10,268)	(53,173)
Third-party liability	(31,761)	(65,966)	(40,760)	(37,404)	(175,890)
Miscellaneous	(3,381)	(2,505)	(495)	(136)	(6,517)
Reinsurance	(1,445)	(1,081)	(195)	(46)	(2,767)
Total	(64,700)	(101,335)	(55,311)	(48,244)	(269,590)

(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.

4 Risk review continued

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 2015	Sterling £000	US Dollar £000	Euro £000	CAD £000	Total £000
Financial investments	10,290	208,186	–	13,515	231,991
Reinsurers' share of technical provisions	10,756	144,321	11,456	2,682	169,215
Insurance and reinsurance receivables	13,874	103,781	3,454	(408)	120,701
Cash in hand and at bank	20,138	53,426	13,352	1,396	88,312
Other assets	10,212	78,438	3,877	1,323	93,850
Total assets	65,270	588,152	32,139	18,508	704,069
Technical provisions	(78,232)	(541,300)	(51,646)	(6,690)	(677,868)
Insurance and reinsurance payables	(275)	(27,238)	(662)	(225)	(28,400)
Other creditors	(2,678)	(6,801)	(423)	(217)	(10,119)
Total liabilities	(81,185)	(575,339)	(52,731)	(7,132)	(716,387)
Member's balances by currency	(15,915)	12,813	(20,592)	11,376	(12,318)

At 31 December 2014	Sterling £000	US Dollar £000	Euro £000	CAD £000	Total £000
Financial investments	23,766	194,460	–	1,146	219,372
Reinsurers' share of technical provisions	4,587	120,327	7,680	2,825	135,419
Insurance and reinsurance receivables	2,149	84,170	4,756	1,161	92,236
Cash in hand and at bank	22,780	37,463	33,795	6,666	100,704
Other assets	8,069	61,277	4,349	902	74,597
Total assets	61,351	497,697	50,580	12,700	622,328
Technical provisions	(84,037)	(429,262)	(54,102)	(5,754)	(573,155)
Insurance and reinsurance payables	(4,006)	(56,847)	(3,476)	(1,954)	(66,283)
Other creditors	(1,184)	(6,719)	(402)	(100)	(8,405)
Total liabilities	(89,227)	(492,828)	(57,980)	(7,808)	(647,843)
Member's balances by currency	(27,876)	4,869	(7,400)	4,892	(25,515)

Sensitivity analysis

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

Table g)	Economic exposure Effect on member's balances £000
31 December 2015	
US Dollar	(1,281)
Euro	2,059
Canadian Dollar	(1,138)
31 December 2014	
US Dollar	(487)
Euro	740
Canadian Dollar	(489)

Notes to the financial statements continued
at 31 December 2015
Hiscox Syndicate 3624 annual accounts

4 Risk review continued

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, risk management and internal audit functions.

Operational risk

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

5 Segmental analysis

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

2015	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	5,596	5,550	(2,659)	(2,699)	–	192
Motor – third-party liability	3,606	2,895	(1,876)	(941)	(86)	(8)
Motor – other classes	21,249	17,303	(11,204)	(5,575)	(518)	6
Marine aviation and transport	75,714	65,170	(42,326)	(19,526)	(4,227)	(909)
Fire and other damage to property	45,457	47,165	(26,729)	(14,517)	(4,762)	1,157
Third-party liability	156,645	146,923	(68,327)	(59,681)	1,167	20,082
Miscellaneous	72,616	59,830	(37,472)	(19,487)	(1,766)	1,105
	380,883	344,836	(190,593)	(122,426)	(10,192)	21,625
Reinsurance	18,678	8,842	(5,471)	(3,212)	–	159
Total	399,561	353,678	(196,064)	(125,638)	(10,192)	21,784

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	5,328	5,093	(4,265)	(1,911)	–	(1,083)
Motor – third-party liability	2,576	1,793	(1,196)	(608)	(20)	(31)
Motor – other classes	15,457	10,758	(7,175)	(3,649)	(119)	(185)
Marine aviation and transport	58,558	45,097	(27,954)	(13,586)	(3,440)	117
Fire and other damage to property	48,142	45,271	(30,612)	(13,616)	(4,217)	(3,174)
Third-party liability	136,934	129,497	(81,556)	(52,011)	(2,859)	(6,929)
Miscellaneous	54,246	38,968	(23,561)	(12,878)	(602)	1,927
	321,241	276,477	(176,319)	(98,259)	(11,257)	(9,358)
Reinsurance	3,162	3,288	(430)	(1,079)	–	1,779
Total	324,403	279,765	(176,749)	(99,338)	(11,257)	(7,579)

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:

	2015 £000	2014 £000
United Kingdom	6,988	6,155
Other European Union member states (excluding UK)	23,572	34,411
United States	132,854	94,001
Other	190,264	145,198
Total	353,628	279,765

6 Technical provisions

2015	Gross provisions £000	Reinsurance assets £000	Net £000
Claims incurred:			
Balance at 1 January	346,998	(77,408)	269,590
Change in prior year provisions	(195,404)	37,323	(158,081)
Expected cost of current year claims	63,248	(9,846)	53,402
Claims paid	164,110	(44,978)	119,132
Effect of movements in exchange rates	14,136	(4,398)	9,738
Balance at 31 December	393,088	(99,307)	293,781
Unearned premiums:			
Balance at 1 January	226,157	(58,011)	168,146
Premium written during the year	399,561	(81,752)	317,809
Premium earned during the year	(353,678)	72,671	(281,007)
Effect of movements in exchange rates	12,740	(2,816)	9,924
Balance at 31 December	284,780	(69,908)	214,872

2014	Gross provisions £000	Reinsurance assets £000	Net £000
Claims incurred:			
Balance at 1 January	277,124	(55,841)	221,283
Change in prior year provisions	(117,400)	19,651	(97,749)
Expected cost of current year claims	57,023	(14,000)	43,023
Claims paid	118,563	(23,347)	95,216
Effect of movements in exchange rates	11,688	(3,871)	7,817
Balance at 31 December	346,998	(77,408)	269,590
Unearned premiums:			
Balance at 1 January	171,968	(15,656)	156,312
Premium written during the year	324,403	(91,890)	232,513
Premium earned during the year	(279,765)	52,299	(227,466)
Effect of movements in exchange rates	9,551	(2,764)	6,787
Balance at 31 December	226,157	(58,011)	168,146

7 Net operating expenses

	2015 £000	2014 £000
Brokerage and commissions	(129,486)	(107,818)
Other acquisition costs	(6,454)	(4,668)
Change in deferred acquisition costs	14,806	14,384
Administrative expenses	(8,316)	(7,270)
Member's standard personal expenses	(2,649)	(1,732)
Reinsurers' commissions and profit participations	6,461	7,766
Total	(125,638)	(99,338)

Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT). Brokerage and commissions on direct business written was £124.5 million (2014: £106.8 million).

	2015 £000	2014 £000
Auditor's remuneration		
Fees payable to the Syndicate's auditor for the audit of these financial statements	86	80
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	27	28
Total	113	108

8 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:

	2015 £000	2014 £000
Wages and salaries	4,756	4,053
Social security costs	609	519
Other pension costs	476	405
Total	5,841	4,977

The average number of employees employed by the Hiscox Group and working for the Syndicate during the year was as follows:

	2015	2014
Administration and finance	100	89
Underwriting	92	85
Claims	29	30
Total	221	204

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

	2015 £000	2014 £000
Directors' emoluments	189	213

9 Active underwriter's remuneration

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

	2015 £000	2014 £000
Emoluments	74	71

10 Investment return

	2015 £000	2014 £000
Interest income on financial assets at fair value though profit or loss	3,315	2,854
Gains on realisation of investments designated on initial recognition at fair value through profit or loss	490	175
Total investment income	3,805	3,029
Unrealised gains on investments designated on initial recognition at fair value through profit or loss	96	168
Total unrealised gains on financial assets at fair value through profit or loss	96	168
Investment management expenses	(269)	(273)
Losses on realisation of investments designated on initial recognition at fair value through profit or loss	(558)	(258)
Total investment expenses and charges	(827)	(531)
Unrealised losses on investments designated on initial recognition at fair value through profit or loss	(1,365)	(807)
Total unrealised losses on financial assets at fair value through profit or loss	(1,365)	(807)
Total investment return	1,709	1,859

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

	2015 £000	2014 £000
Average amount of Syndicate funds available for investment during the year		
Sterling	34,605	46,372
Euro	14,192	34,765
US Dollar	225,122	192,959
Canadian Dollar	19,441	5,699
Total funds available for investment, in Sterling	293,360	279,795

	2015 %	2014 %
Annual investment yield		
Sterling	2.1	1.6
Euro	0.0	0.1
US Dollar	0.5	0.7
Canadian Dollar	0.5	1.0
Total annual investment yield percentage	0.7	0.8

Syndicate funds include investments and cash.

11 Financial investments

	2015 Fair value £000	2015 Cost £000	2014 Fair value £000	2014 Cost £000
Debt securities and other fixed income securities	231,991	233,613	219,372	220,497

11 Financial investments continued

Fair value hierarchy

The Syndicate has classified its financial instruments using the fair value hierarchy in accordance with FRS 102. The fair value hierarchy classifies financial instruments into level A to level C based on significance of the inputs used in measuring their fair value with level A being the most reliable.

The levels within the fair value hierarchy are defined as follows:
- level A – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level B – price of a recent transaction for an identical asset providing evidence of the fair value, as long as there has not been a significant change in circumstances or significant lapse in time since the transaction took place;
- level C – inputs for the assets or liability that are not based on observable market data (unobservable inputs) and therefore an estimate is produced based on valuation techniques.

2015	Level A £000	Level B £000	Total £000
Debt securities and other fixed income securities	97,234	134,757	231,991

2014	Level A £000	Level B £000	Total £000
Debt securities and other fixed income securities	60,946	158,426	219,372

There are no financial liabilities held in the balance sheet, which are valued at fair value.

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.

12 Debtors arising out of direct insurance operations

	2015 £000	2014 £000
Amounts due from intermediaries		
Due within one year	95,257	72,819
Due after one year	33	33
	95,290	72,852

13 Debtors arising out of reinsurance operations

	2015 £000	2014 £000
Amounts due from intermediaries	25,411	19,384

All amounts are due within one year.

14 Claims development tables

The claims development tables below have been calculated by converting estimated claims and cumulative payments in Canadian Dollars, US Dollars and Euros to Sterling at the closing rate of exchange as at 31 December 2015.

Underwriting year Gross of reinsurance	2010 and prior £000	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000
Estimate of cumulative claims:						
At end of underwriting year one	88,997	57,760	89,323	69,035	98,328	108,840
One year later	138,910	137,254	163,903	160,092	190,375	–
Two years later	147,729	139,962	175,814	161,138	–	–
Three years later	144,715	126,703	172,840	–	–	–
Four years later	148,309	127,719	–	–	–	–
Five years later	154,246	–	–	–	–	–
Cumulative payments	(113,811)	(96,169)	(106,376)	(98,368)	(85,758)	(21,588)
Estimated balance to pay	40,435	31,550	66,464	62,770	104,617	87,252

Net of reinsurance	2010 and prior £000	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000
Estimate of cumulative claims:						
At end of underwriting year one	71,207	50,649	63,934	60,688	69,618	84,165
One year later	119,804	121,273	130,462	144,575	134,522	–
Two years later	127,489	124,824	136,605	142,682	–	–
Three years later	120,429	109,246	130,041	–	–	–
Four years later	125,228	107,679	–	–	–	–
Five years later	121,333	–	–	–	–	–
Cumulative payments	(97,068)	(83,192)	(90,844)	(89,122)	(52,048)	(14,367)
Estimated balance to pay	24,265	24,487	39,197	53,560	82,474	69,798

15 Creditors arising out of reinsurance operations

	2015 £000	2014 £000
Amounts due to intermediaries	28,400	66,283

All amounts are due within one year.

16 Accruals and deferred income

	2015 £000	2014 £000
All amounts are due within one year	8,005	7,621

All amounts are due within one year.

17 Transition to FRS 102 and 103

The Syndicate adopted FRS 102 and FRS 103 on 1 January 2015. The latest period presented under 'old' UK GAAP was the period to 31 December 2014.

In transition to FRS 103 from 'old' UK GAAP, the Syndicate has made measurement and recognition adjustments. The transition to FRS 102 has not resulted in any measurement or recognition adjustments. An explanation of how the transition has affected the financial position and performance of the Syndicate is provided below:

Unearned premium reserves (UPR) and deferred acquisition costs (DAC) are now treated as if they were monetary assets and revalued from original currency to functional currency at the closing rate and the difference recognised in the profit and loss account.

Previously, UPR and DAC were held on the balance sheet at the rate at which the original transaction was booked.

Reconciliation of comparatives from previously stated to FRS 103:

	Loss for financial year £000	OCI £000	Member's balances £000
Original as per 31 December financial statements	(5,449)	(1,570)	(26,612)
Adjustment to balance at 01/01/2014 in respect of revaluation of UPR/DAC	–	–	(1,090)
Add foreign exchange gains on revaluation of UPR and DAC	2,069	118	2,187
Restated	(3,380)	(1,452)	(25,515)

18 Related parties

Hiscox Syndicates Limited manages Syndicate 3624, and also manages:

- Syndicate 33 which provides some reinsurance to Syndicate 3624 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 incorporated 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 2015:

	% of total
Invesco Limited	13.23
Massachusetts Financial Services Company	9.75

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.

18 Related parties continued

Hiscox Insurance Company (Bermuda) Limited is a Class 4 insurer in Bermuda authorised by the Bermuda Monetary Authority. It supplies some risk modelling services to Hiscox Syndicates Limited. Syndicate 3624 purchases some reinsurance from, and reinsures some business of, Hiscox Insurance Company (Bermuda) Limited; such reinsurances are on an arm's-length basis.

Hiscox Insurance Company Limited is a PRA authorised non-life insurance company which predominantly underwrites high net worth and professions business.

Hiscox Insurance Company (Guernsey) Limited is a non-life insurance company authorised by the Guernsey Financial Services Commission which predominantly underwrites specialist personal lines business worldwide. Syndicate 3624 purchases some reinsurance from Hiscox Insurance Company (Guernsey) Limited; such reinsurances are on an arm's-length basis.

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 includes a number of wholly- or partially-owned companies, some of which are insurance-related, which do not transact with Syndicate 3624.

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 3624, 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 Global Flying is a trading name of 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 3624, 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), Hiscox Insurance Services Limited and Hiscox Insurance Services Inc. are (or in some cases were) insurance intermediaries and Lloyd's Service Companies in Bermuda, USA, Germany, Guernsey and USA respectively. Some are (or in some cases were) able to place business with Hiscox carriers, including the Hiscox managed Syndicates, 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.

Senior Wright Indemnity Limited is an FCA authorised non-life insurance intermediary which until 22 November 2013 was 30% owned by the Hiscox Group. During the period it was part owned by the Hiscox Group it placed business with various carriers, including Hiscox Insurance Company Limited, Syndicate 33 and Syndicate 3624. It was not obliged to place business with any particular carrier and those arrangements were 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.

The Hiscox Group owns 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.

The Hiscox Group owns a 29.81% 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 3624 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 3624 are under normal market conditions.

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 3624, 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.

18 Related parties continued

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 3624 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.

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 3624 and either other Hiscox managed Syndicates or related companies or Hiscox-managed funds, 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 Ltd Conflicts Committee comprising Non-Executive 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 the Syndicate's FTC and auto extended warranty business, on 11 June 2014. B E Masojada became a Director of Pool Reinsurance Company Ltd, which reinsures Syndicate 3624, on 2 June 2015.

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 2015 £000	31 December 2014 £000
Hiscox managed Syndicates	–	–
Hiscox Group insurance intermediaries	18,220	16,718
Other Hiscox Group companies	(914)	(70)
	17,306	16,648

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	2015 £000	2014 £000
Hiscox managed Syndicates	–	–
Hiscox Group insurance intermediaries	(33,801)	(26,511)
	(33,801)	(26,511)

Hiscox Syndicates Limited charges no managing agent fees or profit commission to Syndicate 3624.

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

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