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Hiscox Syndicates 33 and 6104 Report and Accounts 2015

15

Contents

Directors and administration
Hiscox Syndicates 33 and 6104

Managing agent:

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

Directors
R S Childs (Non Executive Chairman)
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

Syndicates 33 and 6104:

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

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

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

Registered auditors
KPMG Audit Plc

Notice regarding the Annual General Meeting
Hiscox Syndicates 33 and 6104 financial statement

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 33 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.

Notice in writing of a meeting of the members of Syndicate 6104 has also 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 Syndicates 33 and 6104 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

Hiscox Syndicate 33 annual accounts

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

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

Separate underwriting year accounts for the closed 2013 account of Syndicate 33 are included following these annual accounts.

Results
The result for Syndicate 33 in calendar year 2015 is a profit of £154.6 million (2014: £125.3 million). The Syndicate's key financial performance indicators during the year were as follows:

	2015 £m	2014 £m	% change
Gross premiums written	**846.7**	832.4	2
Gross premiums earned	**820.6**	817.8	0
Net premiums earned	**532.8**	537.4	(1)
Profit for the financial year	**154.6**	125.3	23
Claims ratio (%)	**34**	35	(1)
Commission ratio (%)	**18**	20	(2)
Expense ratio (%)	**21**	24	(3)
Combined ratio (%)	**73**	79	(6)

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

Principal activity
The principal activity of Syndicate 33 remains the transaction of general insurance and reinsurance business in the United Kingdom at Lloyd's of London. Syndicate 33 is one of the largest composite Syndicates at Lloyd's, and has an A.M. Best Syndicate rating of A (Excellent). Syndicate 33 underwrites a mixture of reinsurance, major property and energy business, as well as a range of specialty lines. The business is mainly property related short tail business; there is little exposure to aviation or motor business. Syndicate 33 trades through the Lloyd's worldwide licences and rating. It also benefits from the Lloyd's brand. Lloyd's has an A (Excellent) rating from A.M. Best, A+ (Strong) rating from Standard & Poor's and AA- (Very strong) rating from Fitch.

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

2015 geographical split of gross premiums written (%)	
UK	1
Europe	3
North America	56
Asia	8
Rest of the world	32

2015 gross premiums written settlement currency (%)	
GBP	11
EUR	8
USD	78
CAD	3

Review of the business
The result for the year was a profit of £154.6 million (2014: profit of £125.3 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
Property	**225.9**	**38.9**	211.8	10.1
Reinsurance	**238.8**	**50.7**	233.7	61.3
Marine and energy	**111.0**	**22.1**	126.4	17.9
Aerospace and specialty	**147.1**	**29.3**	144.2	28.2
Casualty	**68.9**	**5.2**	62.6	1.3
Art and private client	**55.0**	**8.4**	53.7	6.5
Total	**846.7**	**154.6**	832.4	125.3

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

Review of the business continued

Property
The division comprises property binding authorities principally focused on the US, insuring household and small commercial risks, the big-ticket property and power and mining accounts (both US and international). After allowing for the beneficial foreign exchange impact of a stronger US Dollar, modest premium growth was achieved, principally from the commercial binding authority account where rates held up better than in other US catastrophe exposed classes. The overall performance of the division was very strong benefitting from a low level of natural catastrophe losses and a more efficient reinsurance programme.

Reinsurance
This division includes the Syndicate's non-marine property reinsurance business (catastrophe, risk excess and pro-rata reinsurance), marine and aviation reinsurance and whole account reinsurance. In 2015 28% of the non-marine catastrophe reinsurance account was ceded to Special Purpose Syndicate 6104. Gross premium income was in line with 2014 despite continued reductions in premium rates for both US and international business, although net premium was lower as a result of more business being ceded to quota share reinsurance partners. Another year of good profit was achieved following a light level of catastrophe activity and an increasing amount of fee income earned from quota share reinsurance partners.

Marine and energy
This division includes upstream (exploration and production) and mid-stream (storage and transportation) energy business including energy liability, marine hull and marine liability business together with a small but expanding cargo account. Premiums were lower than in 2014 driven by the energy account which has been impacted by lower premium rates and lower demand due to the fall in the oil price. All classes contributed to profit with a particularly strong performance from the liability accounts which benefitted from the favourable settlement of some old claims.

Aerospace and specialty
This division brings together a number of specialist lines such as kidnap and ransom, terrorism, contingency, personal accident and political risks with the Syndicate's space and aviation war accounts. Premium volumes were flat year-on-year with a premium rate driven reduction in the terrorism account being broadly offset by growth in the personal accident account following a number of new additions to the underwriting team. Profit was also in line with the prior year despite a poor performance from the political risks account which suffered a number of claims related to either the situation in Ukraine or the reduction in the price of oil or other commodities. These losses were offset by a strong performance from the other specialty lines.

Casualty
The division includes the Syndicate's traditional London Market professional indemnity account insuring lawyers, architects and engineers, other professional firms together with liability insurance for nursing home operators, a casualty treaty account and a developing D&O account. Towards the end of the year a small amount of general liability business was written following the recruitment of an underwriting team. This account is expected to grow in 2016. Growth was driven by D&O. The account produced a good profit driven by reserve releases on the older years.

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

2016 and the future
Softer underwriting conditions are being experienced in most classes of business with the most fierce competition being experienced in the 'traded' subscription market lines underwritten in Lloyd's. The reinsurance market remains soft with the European renewals at 1 January 2016 being particularly poor. Recent M&A activity in the market has created the opportunity to recruit market-leading underwriting teams in areas such as marine cargo and US general liability. In addition the Syndicate has developed new products covering cyber risk and flood risk in the US.

The Syndicate is well reserved, has a strong reinsurance programme with good security and a conservative investment portfolio.

Report of the Directors of the managing agent continued
Hiscox Syndicate 33 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 33 and in Lloyd's as a whole. The size of the Syndicate is increased or reduced according to the strength of the insurance environment in its main classes. At present, Hiscox owns 72.5% of the Syndicate, with the remainder being owned by non-aligned Names. Hiscox receives a fee, profit-related remuneration and a profit commission on the element it does not own.

On 5th 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 members' FAL to meet liquidity requirements or to settle losses;
3. the central assets are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met from the resources of any member further up the chain.

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

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

The Syndicate had at 31 December 2015 £920 million of free funds which could be realised at short notice to meet liabilities. We have determined that the Syndicate has sufficient levels of liquidity to meet its funding requirements in all likely scenarios and as a result decided not to renew the £120 million syndicate liquidity facility with Barclays Bank plc and Lloyds Bank plc effective 1 January 2016. We put Names on notice that we may need to make a cash call, at some time in the future, to improve the Syndicate's working capital position.

Years of account	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	**2016 £m**
Capacity	999	899	949	949	1,000	999	**1,000**
Hiscox ownership	725	653	689	689	725	725	**725**
Hiscox ownership (%)	72.6	72.6	72.6	72.6	72.5	72.6	**72.5**

Investment report

Investment income for Syndicate 33 was £12.3 million (2014: £15.6 million) equating to a return of 0.9% (2014: 1.3%). The Syndicate's invested assets totalled £1,361 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 returns which have been marginally exceeded by our managers.

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 70% 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.

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 0.9%. It has been a similar story in sterling although yields have not risen as much given that expectations of a rate increase by the Bank of England have been pushed into the second half of 2016 or beyond. The Sterling portfolio, having lagged its US counterpart for much of the year, closed the gap in the second half and delivered a return of 0.9% (again ahead of the benchmark). The Euro component generated a small positive return which was better than forecast given the negative yields on offer from cash and sovereign bond markets at the end of 2014.

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 focussing 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 managers favour 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

A description 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 33 annual accounts

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

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

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

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

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

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

Independent auditor's report
To the members of Syndicate 33 annual accounts

We have audited the annual accounts of Syndicate 33 for the year ended 31 December 2015, as set out on pages 10 to 37. 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 and the Syndicate's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditor
As explained more fully in the statement of managing agent's responsibilities set out on page 8, the managing agent is responsible for the preparation of 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:
- adequate accountancy records have not been kept;
- 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 33 annual accounts

	Notes	2015 £000	2014 £000
Earned premiums, net of reinsurance			
Premiums written:			
Gross premiums written	5	846,682	832,415
Outward reinsurance premiums		(291,387)	(291,368)
Net premiums written		555,295	541,047
Change in the provision for unearned premiums:			
Gross amount		(26,072)	(14,590)
Reinsurers' share		3,532	10,924
Change in the net provision for unearned premiums		(22,540)	(3,666)
Earned premiums, net of reinsurance		532,755	537,381
Allocated investment return transferred from the non-technical account	10	10,118	13,692
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(326,403)	(307,327)
Reinsurers' share		93,961	116,848
Net claims paid		(232,442)	(190,479)
Change in the provision for claims:			
Gross amount		78,522	47,966
Reinsurers' share		(44,125)	(46,154)
Change in the net provision for claims		34,397	1,812
Claims incurred net of reinsurance		(198,045)	(188,667)
Net operating expenses	7, 8	(207,376)	(239,522)
Balance on the technical account for general business		137,452	122,884

All operations relate to continuing activities.

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

The notes on pages 16 to 37 form an integral part of these financial statements.

Profit and loss account: non-technical account – general business
Year ended 31 December 2015
Hiscox Syndicate 33 annual accounts

	Notes	2015 £000	2014 £000
Balance on the general business technical account		137,452	122,884
Investment income		20,710	20,484
Gains on the realisation of investments		6,381	2,601
Unrealised gains on investments		1,103	3,870
Losses on the realisation of investments		(8,408)	(4,418)
Unrealised losses on investments		(7,453)	(6,907)
Investment expenses and charges		(2,215)	(1,938)
Allocated investment return transferred to the general business technical account	10	(10,118)	(13,692)
Profit and loss on foreign exchange		17,183	2,438
Profit for the financial year		154,635	125,322

All operations relate to continuing activities.

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

The notes on pages 16 to 37 form an integral part of these financial statements.

Balance sheet – assets
as at 31 December 2015
Hiscox Syndicate 33 annual accounts

	Notes	2015 £000	2014 £000
Investments			
Financial investments	11	1,310,021	1,311,359
Reinsurers' share of technical provisions			
Provision for unearned premium		99,839	96,688
Claims outstanding	6	272,521	304,596
		372,360	401,284
Debtors			
Debtors arising out of direct insurance operations	12	162,651	156,649
Debtors arising out of reinsurance operations	13	72,173	77,495
Other debtors		14,630	13,225
		249,454	247,369
Other assets			
Cash at bank and in hand		51,426	63,784
Prepayments and accrued income			
Accrued interest		6,120	6,516
Deferred acquisition costs		103,647	92,630
Total assets		2,093,028	2,122,942

The notes on pages 16 to 37 form an integral part of these financial statements.

Balance sheet – liabilities
as at 31 December 2015
Hiscox Syndicate 33 annual accounts

	Notes	2015 £000	2014 £000
Capital and reserves			
Members' balances		194,233	198,736
Technical provisions			
Provision for unearned premium		392,510	364,717
Claims outstanding	6, 14	1,222,159	1,251,947
		1,614,669	1,616,664
Creditors			
Creditors arising out of reinsurance operations	15	193,230	206,038
Other creditors		9,806	21,436
		203,036	227,474
Accruals and deferred income	16	81,090	80,068
Total liabilities		2,093,028	2,122,942

The notes on pages 16 to 37 form an integral part of these financial statements.

The financial statements on pages 10 to 37 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 members' balances
as at 31 December 2015
Hiscox Syndicate 33 annual accounts

	Notes	2015 £000	2014 £000
Members' balances brought forward at 1 January		198,736	144,316
Total recognised gains and losses for the year		154,635	125,322
Payments of profit to members' personal reserve funds	17	(159,138)	(70,902)
Members' balances carried forward at 31 December		194,233	198,736

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 33 annual accounts

	Notes	2015 £000	2014 £000
Net cash flows from operating activities			
Profit for the year		154,635	125,322
(Decrease)/increase in gross technical provisions		(1,995)	30,109
Decrease in reinsurers' share of gross technical provisions		28,925	17,697
(Increase) in debtors		(3,009)	(24,676)
(Decrease)/increase in creditors		(23,736)	60,444
Movement in other assets/liabilities		(9,343)	11,433
Investment return		(10,118)	(13,692)
Net cash inflows from operating activities		135,359	206,637
Net cash flows from investing activities			
Purchase of equity and debt instruments		(1,246,196)	(1,271,468)
Sale of equity and debt instruments		1,280,028	1,161,041
Investment income received		16,433	19,765
Foreign exchange movements		(38,844)	(28,161)
Net cash flows from financing activities			
Distribution profit		(159,138)	(70,902)
Net (decrease)/increase in cash and cash equivalents		(12,358)	16,912

Notes to the financial statements
Year ended 31 December 2015 Hiscox Syndicate 33 annual accounts

1 Basis of preparation and critical accounting policies
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), which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

In preparing these financial statements, the Directors of the managing agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

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 18.

3 Accounting policies
The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's 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 the outstanding claims for the Syndicate is actuarially calculated using both the Chain Ladder and Bornhuetter-Ferguson methods. There is close communication between the actuaries and underwriters and allowance is made for the rating environment.

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

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

3 Accounting policies continued

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) Rates of exchange

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

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

3 Accounting policies continued

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) Pension costs

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

3(k) Impairment of assets

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

(a) Non-financial assets
Objective factors that are considered when determining whether a non-financial asset may be impaired include, but are not limited to, the following:
- adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability;
- the likelihood of accelerated obsolescence arising from the development of new technologies and products; and
- the disintegration of the active market(s) to which the asset is related.

(b) Financial assets
Objective factors that are considered when determining whether a financial asset or group of financial assets may be impaired include, but are not limited to, the following:
- negative rating agency announcements in respect of investment issuers, reinsurers and debtors;
- significant reported financial difficulties of investment issuers, reinsurers and debtors;
- actual breaches of credit terms such as persistent late payments or actual default;
- the disintegration of the active market(s) in which a particular asset is traded or deployed;
- adverse economic or regulatory conditions that may restrict future cash flows and asset recoverability; and
- the withdrawal of any guarantee from statutory funds or sovereign agencies implicitly supporting the asset.

(c) Impairment loss
An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Where an impairment loss subsequently reverses, the carrying amount of the 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(l) Bad debts

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

3(m) Reinsurers' commissions and profit participations

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

3(n) Derivative financial instruments

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

3(o) 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.

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 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.

4 Risk review continued

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

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

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

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

Financial risk

The Syndicate is exposed to financial risk through its ownership of financial instruments including financial liabilities. The Syndicate invests in financial assets in order to fund obligations arising from its insurance contracts and other liabilities. The key financial risk for the Syndicate is that the proceeds from its financial assets and investment result generated thereon are not sufficient to fund the obligations. The most important entity and economic variables that could result in such an outcome relate to the interest rate risk, credit risk, liquidity risk and currency risk. The Syndicate's policies and procedures for managing exposure to these specific categories of risk are detailed below.

(a) Reliability of fair values

The Syndicate has elected to carry all financial investments at fair value through profit or loss as they are managed and evaluated on a fair value basis in accordance with a documented strategy. All of the financial investments held by the Syndicate are available to trade in markets and the Syndicate therefore seeks to determine fair value by reference to published prices or as derived by pricing vendors using observable quotations in the most active financial markets in which the assets trade. The fair value of financial assets is measured primarily with reference to their closing bid-market prices at the

4 Risk review continued

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 members' balances and the profit for the year might have been expected to decrease by £8.6 million (2014: decrease of £21.2 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.

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.

Table a)	31 December 2015 % weighting	31 December 2014 % weighting
Government issued bonds and instruments	32	22
Government supported*	6	12
Asset backed securities	11	15
Mortgage backed instruments – agency	4	4
Mortgage backed securities – non agency	8	13
Corporate bonds	39	34

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

4 Risk review continued

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

The Syndicate's maximum exposure to credit risk is represented by the carrying values of monetary assets and reinsurance assets included in the balance sheet.

The Syndicate structures the levels of credit risk accepted by placing limits on their exposure to a single counterparty, or groups of counterparties. Such risks are subject to an annual or more frequent review. There is no significant concentration of credit risk with respect to loans and receivables, as the Syndicate has a large number of internationally dispersed debtors with unrelated operations.

The Syndicate purchases reinsurance protection to contain exposure from single claims and the aggregation of claims from catastrophic events and to share the exposure with our reinsurance partners. If a reinsurer fails to pay a claim for any reason, the Syndicate remains liable for the payment to the policyholder.

The creditworthiness of reinsurers is therefore continually reviewed throughout the year. The Syndicate's experience of bad debt losses arising from its reinsurance arrangements compares favourably with industry averages. The agency has 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.

The Syndicate has debtors of £14.5 million (2014: £12.1 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 amount 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

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 in the table 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 (including derivative contracts)	285,409	519,352	234,386	190,874	31,807	48,193	1,310,021
Reinsurers share of claims outstanding	–	80,386	173,310	12,218	326	6,281	272,521
Reinsurance debtors	–	6,318	9,884	1,745	3	220	18,170
Cash at bank and in hand	44,101	7,459	296	(583)	153	–	51,426
Total	329,510	613,515	417,876	204,254	32,289	54,694	1,652,138
Amounts attributable to largest single counterparty	–	265,544	–	–	–	–	265,544

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 (including derivative contracts)	440,131	457,759	254,576	112,995	33,017	12,881	1,311,359
Reinsurers share of claims outstanding	–	111,507	180,137	11,637	–	1,315	304,596
Reinsurance debtors	–	7,319	6,732	–	985	235	15,271
Cash at bank and in hand	1,341	599	61,704	140	–	–	63,784
Total	441,472	577,184	503,149	124,772	34,002	14,431	1,695,010
Amounts attributable to largest single counterparty	–	132,212	–	–	–	–	132,212

(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. As of 31 December 2015, the £120 million credit facility with Barclays Bank plc and Lloyds Bank plc, is no longer deemed to be necessary as it is considered that the Syndicate can meet its liquidity requirements without it. Therefore, the Directors do not consider that there is a significant risk of a material loss arising from liquidity risk.

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	207,271	51,426	258,697	235,330
Between one and three years	750,706	–	750,706	578,270
Between three and five years	156,442	–	156,442	235,470
Over five years	195,602	–	195,602	274,378
Sub-total	1,310,021	51,426	1,361,447	1,323,448
Perpetual notes and other non-dated instruments	–	–	–	51,695
Total	1,310,021	51,426	1,361,447	1,375,143

4 Risk review continued

Average contractual maturity analysed by denominational currency of investments.

Table d)	2015 Years	2014 Years
Pound Sterling	1.1	2.8
US Dollar	4.6	7.7
Euro	2.9	2.9
Canadian Dollar	1.8	2.1

The contractual maturity for US Dollars of 4.6 years (2014: 7.7 years) is based, for relevant securities, on the legal maturity date of the total pool of collateral for those securities. The Syndicate's participation in these investments is supported by collateral that matures at an earlier date than that of the total pool. Based on this earlier maturity date the average expected maturity for US Dollars would be 1.7 years (2014: 1.7 years).

The following is an analysis by business segment of the estimated timing of net cash flows based on the claims liabilities balance held at 31 December 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	24,811	14,499	21,956	16,311	77,577
Marine, aviation and transport	98,840	62,896	80,118	30,758	272,612
Fire and other damage to property	68,265	29,303	26,864	10,142	134,574
Third-party liability	81,104	54,875	94,587	43,436	274,002
Miscellaneous	3,188	1,298	1,595	560	6,641
Reinsurance	74,445	41,786	47,346	20,655	184,232
Total	350,653	204,657	272,466	121,862	949,638

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	13,565	13,158	6,629	16,151	49,503
Marine, aviation and transport	93,907	96,129	39,584	27,282	256,902
Fire and other damage to property	59,053	40,325	13,143	10,243	122,764
Third-party liability	90,597	96,798	47,405	37,172	271,972
Miscellaneous	14,259	12,293	4,857	3,508	34,917
Reinsurance	95,095	71,758	26,094	18,346	211,293
Total	366,476	330,461	137,712	112,702	947,351

4 Risk review continued

(e) Currency risk

The majority of the Syndicate's gross written premium is in US Dollars, consequently movements in the £/US$ exchange rate may have a material effect on its financial performance and position. The Syndicate's financial assets are denominated in the same currencies as its insurance liabilities, leaving the profit or loss as the main currency exposure. This profit and loss is distributed in accordance with Lloyd's rules using a combination of Sterling and US Dollars.

The Syndicate's balance sheet accounting exposure to exchange rate movements in respect of net monetary assets held in foreign currencies is presented below.

Table f)

At 31 December 2015	Sterling £000	US Dollar £000	Euro £000	CAD £000	Total £000
Financial investments	88,392	1,100,929	82,673	38,027	1,310,021
Reinsurers' share of technical provisions	28,626	318,251	14,033	11,450	372,360
Insurance and reinsurance receivables	20,323	184,112	23,751	6,638	234,824
Cash in hand and at bank	17,550	25,346	7,324	1,206	51,426
Other assets	24,876	86,482	8,016	5,023	124,397
Total assets	179,767	1,715,120	135,797	62,344	2,093,028
Technical provisions	(143,920)	(1,323,397)	(104,754)	(42,598)	(1,614,669)
Insurance and reinsurance payables	(31,640)	(145,556)	(10,019)	(6,015)	(193,230)
Other creditors	(60,226)	(25,062)	(1,059)	(4,549)	(90,896)
Total liabilities	(235,786)	(1,494,015)	(115,832)	(53,162)	(1,898,795)
Members balances by currency	(56,019)	221,105	19,965	9,182	194,233

At 31 December 2014	Sterling £000	US Dollar £000	Euro £000	CAD £000	Total £000
Financial investments	124,118	1,039,862	101,941	45,438	1,311,359
Reinsurers' share of technical provisions	31,616	333,245	26,064	10,359	401,284
Insurance and reinsurance receivables	22,346	192,173	13,855	5,770	234,144
Cash in hand and at bank	23,829	25,865	9,549	4,541	63,784
Other assets	30,705	68,033	8,258	5,375	112,371
Total assets	232,614	1,659,178	159,667	71,483	2,122,942
Technical provisions	(159,273)	(1,275,631)	(134,871)	(46,889)	(1,616,664)
Insurance and reinsurance payables	(40,902)	(152,823)	(8,210)	(4,102)	(206,038)
Other creditors	(75,217)	(21,300)	(1,998)	(2,989)	(101,504)
Total liabilities	(275,392)	(1,449,754)	(145,079)	(53,980)	(1,924,206)
Members balances by currency	(42,778)	209,424	14,588	17,503	198,736

4 Risk review continued

Sensitivity analysis

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

Table g)	Economic exposure Effect on members' balances £000
31 December 2015	
US Dollar	**(22,111)**
Euro	**(1,996)**
Canadian Dollar	**(918)**
31 December 2014	
US Dollar	(20,942)
Euro	(1,459)
Canadian Dollar	(1,750)

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	64,541	58,913	(775)	(31,486)	(11,559)	15,093
Marine aviation and transport	93,386	96,897	(40,535)	(32,555)	(12,769)	11,038
Fire and other damage to property	350,524	346,779	(106,085)	(87,179)	(91,169)	62,346
Third-party liability	80,530	70,772	(34,724)	(24,350)	(5,364)	6,334
Miscellaneous	19,851	18,791	(24,110)	(4,601)	(1,269)	(11,189)
	608,832	592,152	(206,229)	(180,171)	(122,130)	83,622
Reinsurance	237,850	228,458	(41,652)	(27,205)	(115,889)	43,712
Total	846,682	820,610	(247,881)	(207,376)	(238,019)	127,334

2014	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance						
Accident and health	53,993	54,291	(12,575)	(27,735)	(3,245)	10,736
Marine aviation and transport	104,736	107,381	(42,098)	(35,907)	(9,878)	19,498
Fire and other damage to property	349,333	341,258	(114,967)	(95,497)	(97,740)	33,054
Third-party liability	73,786	54,614	(50,467)	(19,541)	5,464	(9,930)
Miscellaneous	18,140	20,697	(10,395)	(7,399)	(2,287)	616
	599,988	578,241	(230,502)	(186,079)	(107,686)	53,974
Reinsurance	232,427	239,584	(28,859)	(53,443)	(102,064)	55,218
Total	832,415	817,825	(259,361)	(239,522)	(209,750)	109,192

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	10,857	16,356
Other European Union member states	26,049	32,713
United States	459,126	433,448
Other	324,578	335,308
Total	820,610	817,825

6 Technical provisions

2015	Gross provisions £000	Reinsurance assets £000	Net £000
Claims incurred:			
Balance at 1 January	1,251,947	(304,596)	947,351
Change in prior year provisions	(622,876)	200,561	(422,315)
Expected cost of current year claims	217,952	(62,475)	155,477
Claims paid	326,403	(93,960)	232,443
Effect of movements in exchange rates	48,733	(12,051)	36,682
Balance at 31 December	1,222,159	(272,521)	949,638
Unearned premiums:			
Balance at 1 January	364,717	(96,688)	268,029
Premium written during the year	846,682	(291,387)	555,295
Premium earned during the year	(820,610)	287,855	(532,755)
Effect of movements in exchange rates	1,721	381	2,102
Balance at 31 December	392,510	(99,839)	292,671

2014	Gross provisions £000	Reinsurance assets £000	Net £000
Claims incurred:			
Balance at 1 January	1,249,066	(337,103)	911,963
Change in prior year provisions	(560,822)	220,193	(340,629)
Expected cost of current year claims	205,529	(57,192)	148,337
Claims paid	307,327	(116,848)	190,479
Effect of movements in exchange rates	50,847	(13,646)	37,201
Balance at 31 December	1,251,947	(304,596)	947,351
Unearned premiums:			
Balance at 1 January	321,383	(77,650)	243,733
Premium written during the year	832,415	(291,368)	541,047
Premium earned during the year	(817,825)	280,444	(537,381)
Effect of movements in exchange rates	28,744	(8,114)	20,630
Balance at 31 December	364,717	(96,688)	268,029

7 Net operating expenses

	2015 £000	2014 £000
Brokerage and commissions	(186,801)	(178,518)
Other acquisition costs	(23,076)	(22,210)
Change in deferred acquisition costs	10,413	6,716
Administrative expenses	(50,616)	(70,041)
Members' standard personal expenses	(39,402)	(37,161)
Reinsurers' commissions and profit participations	82,106	61,692
Total	(207,376)	(239,522)

Brokerage and commissions on direct business written was £154.9 million (2014: £146.0 million).

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

	2015 £000	2014 £000
Auditor's remuneration		
Fees payable to the Syndicate's auditor for the audit of these financial statements	191	182
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	68	67
Total	259	249

Members' standard personal expenses excludes members' agents' fees paid in the year of £2.3 million (2014: £2.3 million).

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

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

Also included in administrative expenses is the Syndicate's share of the movement in the Group pension defined benefit deficit, calculated by the scheme actuary.

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	27,303	27,793
Social security costs	3,495	3,558
Other pension costs (excluding provision for pension deficit)	2,730	2,779
Total	33,528	34,130

These figures exclude profit related remunerations of £9.1 million (2014: £9.4 million).

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

	2015	2014
Administration and finance	129	123
Underwriting	123	118
Claims	38	38
Total	290	279

8 Staff numbers and costs continued

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	1,216	969

9 Active underwriter's remuneration

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

	2015 £000	2014 £000
Emoluments	694	440

10 Investment return

	2015 £000	2014 £000
Interest income on financial assets at fair value though profit or loss	20,710	20,484
Gains on realisation of investments designated on initial recognition at fair value through profit or loss	5,551	2,012
Realised gains on derivatives	830	589
Total investment income	27,091	23,085
Unrealised gains on investments designated on initial recognition at fair value through profit or loss	979	3,702
Unrealised gains on derivatives	124	168
Total unrealised gains on financial assets at fair value through profit or loss	1,103	3,870
Investment management expenses	(2,214)	(1,939)
Losses on realisation of investments designated on initial recognition at fair value through profit or loss	(7,998)	(3,307)
Realised losses on derivatives	(411)	(1,111)
Total investment expenses and charges	(10,623)	(6,357)
Unrealised losses on investments designated on initial recognition at fair value through profit or loss	(7,453)	(6,906)
Unrealised losses on derivatives	–	–
Total unrealised losses on financial assets at fair value through profit or loss	(7,453)	(6,906)
Total investment return	10,118	13,692

10 Investment return continued

The table 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	123,084	115,164
Euro	101,994	111,439
US Dollar	1,116,180	972,761
Canadian Dollar	39,974	51,003
Total funds available for investment, in Sterling	1,381,232	1,250,367

	2015 %	2014 %
Annual investment yield		
Sterling	0.9	0.9
Euro	0.4	1.5
US Dollar	0.9	1.3
Canadian Dollar	1.6	1.4
Total annual investment yield percentage	0.9	1.3

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	1,309,897	1,322,282	1,311,191	1,325,368
Derivative financial assets	124	–	168	–
Total	1,310,021	1,322,282	1,311,359	1,325,368

All financial investments in the current and prior financial year were carried at fair value through profit or loss. No financial assets in the current or prior financial year were classified as 'held for trading' under FRS 102. The Syndicate had no material exposure to financial investments not actively traded on recognised markets.

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

Fair value hierarchy

The Syndicate has classified its financial instruments using the fair value hierarchy in accordance with FRS 102. The fair value hierarchy classifies financial instruments into level A to level B 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.

11 Financial investments continued

2015	Level A £000	Level B £000	Total £000
Debt securities and other fixed income securities	300,521	1,009,376	1,309,897
Derivative financial assets	124	–	124
Total	300,645	1,009,376	1,310,021

2014	Level A £000	Level B £000	Total £000
Debt securities and other fixed income securities	284,901	1,026,290	1,311,191
Derivative financial assets	168	–	168
Total	285,069	1,026,290	1,311,359

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.

Rights under derivative contracts	Gross contract notional amount £000	Fair value of assets £000	Fair value of liabilities £000	Net balance sheet position asset/(liability) £000
Foreign exchange forward contracts	4,743	46	–	46
Interest rate future contracts	25,200	78	–	78
Total	29,943	124	–	124

Foreign exchange forwards
During 2015 the Syndicate entered into a series of conventional forward contracts in order to avoid exchange volatility on Sterling and Euro denominated monetary assets. The contracts required the Syndicate to forward sell a fixed amount of Sterling and Euros for US Dollars at pre-agreed exchange rates.

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

The investment return in 2015 on these foreign exchange forwards and interest rate future contracts is disclosed in note 10.

12 Debtors arising out of direct insurance operations

	2015 £000	2014 £000
Amounts due from intermediaries	**162,651**	156,649

All amounts are due within one year.

13 Debtors arising out of reinsurance operations

	2015 £000	2014 £000
Amounts due from intermediaries	**72,173**	77,495

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	7,870,376	337,602	371,452	249,286	269,662	**275,691**
One year later	7,899,998	517,692	435,236	356,829	367,991	**–**
Two years later	7,781,607	507,733	391,620	298,876	–	**–**
Three years later	7,719,857	517,965	373,570	–	–	**–**
Four years later	7,656,451	507,854	–	–	–	**–**
Five years later	7,624,255	–	–	–	–	**–**
Cumulative payments	(7,247,101)	(397,644)	(268,877)	(173,632)	(113,397)	**(25,427)**
Estimated balance to pay	377,154	110,210	104,693	125,244	254,594	**250,264**

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	5,147,704	222,924	226,134	190,392	197,622	**197,564**
One year later	5,186,167	348,998	297,061	290,807	286,318	**–**
Two years later	5,096,398	335,811	272,748	245,467	–	**–**
Three years later	5,164,913	345,051	248,988	–	–	**–**
Four years later	4,971,238	335,773	–	–	–	**–**
Five years later	4,960,211	–	–	–	–	**–**
Cumulative payments	(4,655,510)	(251,342)	(173,300)	(145,551)	(80,444)	**(18,536)**
Estimated balance to pay	304,701	84,431	75,688	99,916	205,874	**179,028**

15 Creditors arising out of reinsurance operations

	2015 £000	2014 £000
Amounts due from intermediaries	**193,230**	206,038

All amounts are due within one year.

16 Accruals and deferred income

	2015 £000	2014 £000
Within one year	39,153	61,312
After one year	41,937	18,756
	81,090	80,068

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

17 Statement of changes in members' balances

Payments of profits to members include amounts paid directly to members' agents of £2.3 million (2014: £2.3 million).

18 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 are 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:

	Profit for financial year £000	Members' balances £000
Original as per 31 December financial statements	140,801	205,718
Adjustment to balance at 01/01/2014 in respect of revaluation of UPR/DAC	–	8,497
Less foreign exchanges losses on revaluation of UPR and DAC	(15,479)	(15,479)
Restated	125,322	198,736

Notes to the financial statements continued
Year ended 31 December 2015
Hiscox Syndicate 33 annual accounts

19 Related parties

Related companies

Hiscox Syndicates Limited manages Syndicate 33, and also manages:

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

Hiscox Syndicates Limited is a wholly-owned indirect subsidiary of Hiscox Ltd which is the Bermuda 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.

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 33 purchases some reinsurance from Hiscox Insurance Company (Bermuda) Limited; such reinsurances are on an arm's-length basis and are in the interests of all the Names on the Syndicate.

Hiscox Insurance Company Limited is a PRA authorised non-life insurance company which predominantly underwrites high net worth and professions business. It purchases some reinsurance from Syndicate 33; such reinsurances are on an arm's-length basis and are in the interests of all the Names on the Syndicate.

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

Hiscox Insurance Company Inc. is an Illinois domiciled non-life insurance company admitted or licensed to do business in all 50 US states and the District of Columbia. It predominantly underwrites a range of specialty insurance products through US-based brokers. It purchases some reinsurance from Syndicate 33; such reinsurances are on an arm's-length basis and are in the interests of all the Names on the Syndicate.

Hiscox Underwriting Group Services Limited is an employment service company which employs all UK Hiscox Group staff including underwriters, claims and reinsurance staff.

The Hiscox Group includes a number of wholly or partially owned companies, some of which are insurance-related, which do not transact with Syndicate 33.

Insurance intermediaries

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

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

Hiscox Agency Ltd, Hiscox Inc., Hiscox AG (which leased the whole of its business to Hiscox Europe Underwriting Limited with effect from 1 April 2012), 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 Syndicate 33, and in some cases with non-Hiscox carriers. They are not obliged to place business with any particular carrier and these arrangements are (or in some cases were) subject to review from time to time by these companies.

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

Construction Guarantee Underwriters Ltd is an Irish non-life insurance intermediary 26.0% owned by the Hiscox Group. It currently places business with Hiscox Insurance Company Limited, a proportion of which is reinsured by Syndicate 33; such

19 Related parties continued

reinsurances are on an arm's-length basis and are in the interests of all the Names on the Syndicate. It is not obliged to place business with any particular carrier and these arrangements are subject to review from time to time by Construction Guarantee Underwriters Ltd.

Blyth Valley Ltd, which is wholly owned by the Hiscox Group, is an Appointed Representative of Hiscox Underwriting Ltd and places business with 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 Blyth Valley Ltd.

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

Senior Wright Indemnity Limited is an FCA authorised non-life insurance intermediary which until 22 November 2013 was 30% owned by the Hiscox Group. 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.

On 27 February 2015 Hiscox Group acquired 100% of the share capital of Hiscox MGA Ltd (formerly R&Q Marine Services Limited), a managing general agent and an Appointed Representative of Hiscox Syndicates Limited, which currently places marine leisure insurance with Syndicate 33 as well as other non-Hiscox carriers. Hiscox MGA Ltd is not obliged to place business with Syndicate 33 and these arrangements are subject to review from time to time by Hiscox MGA Ltd.

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

Underwriting divisions

The Hiscox Group organises its core underwriting activities into a number of underwriting divisions. Some of these divisions underwrite for multiple Hiscox carriers, including Hiscox managed Syndicate 33, and some also underwrite for non-Hiscox carriers. This integrated approach is aimed at maximising business opportunities by using the combined knowledge of the Group to develop new products and markets. There are certain predetermined mechanisms for allocating certain types of insurance risks to these carriers which take into account the licences, business plans and reinsurance programmes of each carrier. These arrangements are structured to take full and proper account of the duties owed to the members of Syndicate 33 and to manage appropriately any potential conflicts of interest. These arrangements have been approved by the Hiscox Conflicts Committee (see overleaf) and are subject to review from time to time.

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

19 Related parties continued

Shared reinsurance

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

Conflicts procedure

In the event of a potential conflict of interest arising between Syndicate 33 and either other Hiscox managed Syndicates or related companies 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 business to Syndicate 3624, on 11 June 2014. B E Masojada became a director of Pool Reinsurance Company Ltd, which reinsures Syndicate 33, 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 Syndicates Limited	(53,792)	(55,623)
Hiscox managed Syndicates	(58,587)	(54,757)
Hiscox Group insurance intermediaries	15,396	13,920
Other Hiscox Group companies	8,043	9,381
	(88,940)	(87,079)

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 Syndicates Limited	(42,090)	(42,368)
Hiscox managed Syndicates	(19,141)	(33,263)
Hiscox Group insurance intermediaries	(6,425)	(5,365)
	(67,656)	(80,996)

Hiscox Syndicates Limited charged managing agent fees and profit commission to Syndicate 33 of £6.0 million (2014: £6.0 million) and £36.1 million (2014: £36.4 million) respectively.

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

Hiscox Syndicate 33 underwriting year accounts

Report of the Directors of the managing agent
Hiscox Syndicate 33 underwriting accounts

The Directors of the managing agent present their report as at 31 December 2015.

This report comprises the cumulative result to 31 December 2015 for the closed 2013 account of Syndicate 33.

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

Principal activity and review of the business

2013 account
The 2013 account has closed with a profit of 17.2% after all personal expenses (except members' agent's fees).

There was a release of £60 million from the closed years of 2012 and prior representing approximately 10% of RITC brought forward. The release was spread broadly across many classes of business.

The 2013 pure year made a good profit with a strong contribution from the catastrophe exposed property and reinsurance accounts. The Syndicate's capacity was set at £949 million and capacity utilisation was 69% when measured using the premium income monitoring rate of £1 = $1.57.

The 2013 account earned £11.3 million of investment income. The key driver of the investment return for the 2013 account is the performance of the investment portfolio in 2015 calendar year. The calendar year return was 0.9%.

2014 account
Premium income is up by approximately 2% on 2013 when measured at constant exchange rates. Capacity utilisation is anticipated at 69% when measured using the premium income monitoring rate of £1 = $1.52. Growth came from casualty classes following the recruitment of new teams and from the property binding authority account following the allocation of additional catastrophe aggregate. This was partially offset by a reduction in the reinsurance classes following rate reductions.

The short-tailed accounts benefitted from two years of modest catastrophe losses in 2014 and 2015 and an absence of significant terrorism losses.

We are forecasting a profit in the range 0% to 10.0% of capacity.

2015 account
Premium income is forecast to increase by approximately 3% on 2014 when measured at constant exchange rates. Capacity utilisation is forecast to be 64% when measured using the premium income monitoring rate of £1 = $1.71. Growth again came from the property binding authority account, where rates for catastrophe exposed insurance are relatively attractive.

Claims activity has been modest and we are forecasting a profit in the range 0% to 10.0% of capacity at this early stage.

2016 account and the future
Capacity has been maintained at £1 billion for 2016. The Syndicate has hired two new underwriting teams for 2016 covering marine cargo and US general liability business as well as launching a number of new products including cyber insurance and flood insurance in the US. The Syndicate continues to purchase a comprehensive, predominately quota share based reinsurance programme which provides a good level of cover and attractive commissions.

Syndicate capacity and ownership

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

Directors' interests

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

Disclosure of information to the auditors

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

By order of the Board

I J Martin
Director
14 March 2016

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

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

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

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

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

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

Independent auditor's report
To members of Syndicate 33
2013 closed year of account

To members of Syndicate 33 2013 closed year of account.

We have audited the Syndicate underwriting year accounts for the 2013 year of account of Syndicate 33 for the three years ended 31 December 2015, as set out on pages 42 to 47. 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 and 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 40, the Managing Agent is responsible for the preparation of the Syndicate's underwriting year 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 underwriting year 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 underwriting year accounts

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

Opinion on Syndicate underwriting year accounts

In our opinion the Syndicate underwriting year accounts:
- give a true and fair view of the profit for the 2013 closed year of account;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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 (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require us to report to you if, in our opinion:
- adequate accounting records have not been kept; or
- the Syndicate underwriting year accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Timothy Butchart
for and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
London
14 March 2016

2013 underwriting account
Closing at 31 December 2015
Hiscox Syndicate 33 underwriting accounts

	Notes	at 36 months £000
Syndicate allocated capacity		949,491
Earned premiums, net of reinsurance		
Premiums written:		
Gross amount		826,132
Outward reinsurance premiums		(267,738)
Earned premiums, net of reinsurance		558,394
Reinsurance to close premium received from earlier years of account, net of reinsurance		588,984
		1,147,378
Allocated investment return transferred from the non-technical account	5	11,291
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(308,483)
Reinsurers' share		76,253
Net claims paid		(232,230)
Change in the provision for claims:		
Gross amount		(688,217)
Reinsurers' share		145,218
Change in the net provision for claims		(542,999)
		(775,229)
Balance on technical account before net operating expenses and profit on exchange		383,440
Net operating expenses	4	(222,558)
Balance on technical account for general business		160,882
Investment income	5	20,917
Investment gains less losses	5	(7,588)
Investment expenses and charges	5	(2,038)
Allocated investment return transferred to the technical account	5	(11,291)
Profit on exchange		2,232
Result before members' agents' fees		163,114
Members' agents' fees		(2,171)
Result for the three years ended 31 December 2015	6	160,943

The notes on pages 44 to 47 form an integral part of these underwriting year accounts.

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

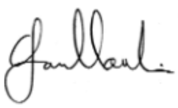
Balance sheet
2013 Account at 31 December 2015
Hiscox Syndicate 33 underwriting accounts

Assets	Notes	at 36 months £000
Investments		
Financial investments	8	729,037
Reinsurers' share of technical provisions		
Reinsurance premium payable to close the account	3	152,565
Debtors		
Debtors arising out of direct insurance operations	9	29,890
Debtors arising out of reinsurance operations	10	23,729
Other debtors		12,869
		66,488
Other assets		
Cash at bank and in hand		31,716
Total assets		979,806

Liabilities	Notes	at 36 months £000
Capital and reserves		
Members' balances	7	160,943
Technical provisions		
Reinsurance premium payable to close the account	3	717,301
Creditors		
Creditors arising out of reinsurance operations	11	51,802
Other creditors		49,760
Total liabilities		979,806

The notes on pages 44 to 47 form an integral part of these underwriting year accounts.

This Annual Report was approved by the Board of Hiscox Syndicates Limited on 14 March 2016 and was signed on its behalf by



I J Martin
Director

Notes to the financial statements
at 31 December 2015
Hiscox Syndicate 33 underwriting accounts

1 Basis of preparation
These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom.

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2013 year of account which has been closed by reinsurance to close as at 31 December 2015. Consequently the balance sheet represents the assets and liabilities of the 2013 year of account at the date of closure. The underwriting account reflects the transactions for that year of account during the three-year period until closure. These accounts cover the three years from the date of inception of the 2013 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

Effective from 31 December 2015, the RITC process means that the credit, liquidity, market and capital risks are transferred to the accepting Syndicate. Accordingly, these underwriting year accounts do not have associated disclosures as required by section 34 of FRS 102.

Full disclosures relating to these risks are provided in the main annual accounts of the Syndicate.

2 Accounting policies
The following accounting policies have been applied consistently from 1 January 2013 in dealing with items which are considered material in relation to the Syndicate underwriting year accounts.

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

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

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

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

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

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

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

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

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

3 Reinsurance premium to close the 2013 and prior years of account

	at 36 months £000
Gross notified outstanding claims	(356,410)
Provision for gross claims incurred but not reported (IBNR)	(360,891)
	(717,301)
Reinsurance recoveries anticipated on notified outstanding claims	63,981
Reinsurance recoveries anticipated on IBNR	88,584
	152,565
Reinsurance premium to close the 2013 and prior years of account	(564,736)

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

4 Net operating expenses

The cumulative Syndicate expenses charged in the 2013 underwriting account were made up as follows:

Closing account after three years	at 36 months £000
Brokerage and commissions	(171,614)
Reinsurers' commissions and profit participations	61,367
Salaries and related costs	(29,260)
Profit-related remuneration	(10,368)
Costs of accommodation	(3,245)
Overseas operating expenses	(7,102)
Syndicate auditor's remuneration	(235)
Computer and data processing costs	(9,651)
Irrecoverable VAT	(1,421)
Other expenses	(12,322)
Members' standard personal expenses	(40,903)
Transfer to claims handling	2,196
Result for the three years ended 31 December 2013	(222,558)

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

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

5 Investment return

Closing account after three years	at 36 months £000
Investment income	20,917
Investment gains less losses	(7,588)
Investment expenses and charges	(2,038)
Investment return	11,291

Investment return for the 2013 year of account is recognised in the 2013, 2014 and 2015 calendar years. The investment income and yield for these calendar years is disclosed in the investment return notes in each of the respective Syndicate annual financial statements.

6 Balance on technical account

	£000
Amount attributable to business allocated to the 2013 pure year of account	101,236
Surplus on the reinsurance to close for the 2012 year of account	59,707
Balance on technical account	160,943

Notes to the financial statements continued
at 31 December 2015
Hiscox Syndicate 33 underwriting accounts

7 Members' balances

	at 36 months £000
Profit for the 2013 closing year of account	160,943
	160,943

8 Financial investments

	Fair value £000	Cost £000
Debt securities and other fixed income securities	729,037	735,861
	729,037	735,861

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

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

9 Debtors arising out of direct insurance operations

	at 36 months £000
Amounts due from intermediaries	29,890

All amounts are due within one year.

10 Debtors arising out of reinsurance operations

	at 36 months £000
Amounts due from intermediaries	23,729

All amounts are due within one year.

11 Creditors arising out of reinsurance operations

	at 36 months £000
Amounts due from intermediaries	51,802

All amounts are due within one year.

Seven-year summary
Hiscox Syndicate 33 underwriting accounts

Year of account	2007	2008	2009	2010	2011	2012	2013
Syndicate allocated capacity in £000	874,151	699,608	749,764	999,495	899,365	948,840	**949,491**
Number of underwriting members	1,380	1,341	1,342	1,397	1,440	1,505	**1,523**
Net premiums net of brokerage in £000	613,344	453,412	476,626	440,858	363,200	422,077	**386,780**
Capacity utilised (%)	92	96	105	70	69	72	**69**
Net capacity utilised (%)	70	65	64	44	40	44	**41**
Underwriting ratio (%)	34.7	13.5	42.5	18.9	21.9	36.5	**40.0**

Results for an illustrative share of £10,000							
Gross premiums	11,507	12,127	13,250	8,749	8,591	9,026	**8,701**
Net premiums	9,358	9,018	9,063	6,165	5,777	6,246	**5,881**
Reinsurance to close from an earlier account	8,261	10,407	9,725	6,620	7,031	6,071	**6,203**
Net claims paid	(4,499)	(5,826)	(3,466)	(3,460)	(3,555)	(2,283)	**(2,446)**
Reinsurance to close	(7,600)	(9,769)	(8,886)	(6,648)	(6,444)	(6,039)	**(5,719)**
Profit/(loss) on exchange	500	647	(44)	(73)	(85)	37	**24**
Syndicate operating expenses	(3,124)	(3,415)	(2,984)	(1,961)	(1,845)	(2,115)	**(1,913)**
Names personal expenses	(664)	(434)	(718)	(254)	(269)	(409)	**(431)**
Balance on technical account before investment return	2,232	628	2,690	389	610	1,508	**1,599**
Investment return	942	902	468	328	175	168	**119**
Profit before members' agents' fees	3,174	1,530	3,158	717	785	1,676	**1,718**

Notes to the seven-year summary
1. The seven-year summary has been prepared from the audited accounts of the Syndicate.
2. Personal expenses have been stated at the amount which would be incurred pro-rata by Names writing the illustrative premium income in the Syndicate, irrespective of any minimum charge applicable. Personal expenses include managing agent fees, central fund contributions, Lloyd's subscriptions and profit commissions. These figures exclude members' agents' fees.
3. 'Capacity utilised' represents gross premiums as a percentage of the allocated capacity. 'Net capacity utilised' represents net premiums as a percentage of the allocated capacity. 'Underwriting ratio' represents underwriting result as a percentage of gross premiums. For these calculations, gross and net premiums are net of brokerage. Underwriting result is after brokerage and reinsurers' commissions but before profit/(loss) on exchange, other operating expenses and investment return.
4. Profit commission has been calculated in accordance with the applicable Agency Agreements.
5. Premium figures and Syndicate operating expenses are gross of brokerage.
6. All years of account are presented using transactional rates of exchange.

Hiscox Syndicate 6104 annual accounts

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

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

Separate underwriting year accounts for the closed 2013 account of Syndicate 6104 are included following these annual accounts.

Results
The result for Syndicate 6104 in calendar year 2015 is a profit of £19.1 million (2014: £33.3 million). The Syndicate's key financial performance indicators during the year were as follows:

	2015 £m	2014 £m	% change
Gross premiums written	32.9	49.4	(33)
Gross premiums earned	28.2	50.6	(44)
Net premiums earned	25.0	47.7	(48)
Profit for the financial year	19.1	33.3	(43)
Claims ratio (%)	(20)	(7)	(13)
Commission ratio (%)	44	38	6
Expense ratio (%)	1	1	0
Combined ratio (%)	25	32	(7)

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

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

The Syndicate has the following underwriting capacity:

Year of account	Capacity £m
2010	45.2
2011	37.2
2012	38.7
2013	66.4
2014	72.1
2015	64.9
2016	55.9

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

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

2015 geographical split of gross premiums written (%)	
UK	1
Europe	4
North America	66
Asia	17
Rest of the world	12

2015 gross premiums written settlement currency (%)	
GBP	23
EUR	9
USD	65
CAD	3

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

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

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

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

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

Premium income reduced from £49.4 million in 2014 to £32.9 million in 2015 driven by a combination of a reduction in the cession from Syndicate 33 from 33% in 2014 to 28% in 2015 and lower premium rates.

The Syndicate made a profit of £19.1 million. There were no major losses in the year. The Syndicate largely avoided losses from the smaller catastrophes that did occur in the year including the Nepal earthquake, Chennai floods, UK floods and Texas hailstorms and tornados. This was helped by Syndicate 33's underwriting approach of targeting mid and higher layers on programmes avoiding largely unmodeled attritional losses.

The Syndicate benefited from modest reductions in the loss estimates for Hurricane Sandy, the Japanese earthquake and Thai floods.

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

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 members' FAL to meet liquidity requirements or to settle losses;
3. the central assets are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met from the resources of any member further up the chain.

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

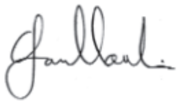
Syndicate 6104 operates on a funds withheld basis. A significant loss event could place a strain on Syndicate 33's cashflow. Consequently, we put names on notice that, in these circumstances, we may need to make a cash call, at some time in the future.

Principal risks and uncertainties
A description of the principal risks and uncertainties facing the Syndicate is set out in the notes to the financial statements of Syndicate 33 (risk review).

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

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

By order of the Board



I J Martin
Director
14 March 2016

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

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

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

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

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

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

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

Independent auditor's report
To the members of Syndicate 6104 annual accounts

We have audited the annual accounts for Syndicate 6104 for the year ended 31 December 2015, as set out on pages 53 to 63. 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 51, 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 6104 annual accounts

	Notes	2015 £000	2014 £000
Earned premiums, net of reinsurance			
Premiums written:			
Gross premiums written		32,865	49,419
Outward reinsurance premiums		(3,238)	(2,894)
Net premiums written		29,627	46,525
Change in the provision for unearned premiums:			
Gross amount		(4,652)	1,136
Reinsurers' share		5	–
Change in the net provision for unearned premiums		(4,647)	1,136
Earned premiums, net of reinsurance		24,980	47,661
Allocated investment return transferred from the non-technical account	9	536	818
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(12,462)	(17,394)
Reinsurers' share		–	–
Net claims paid		(12,462)	(17,394)
Change in the provision for claims:			
Gross amount		14,602	18,509
Reinsurers' share		–	–
Change in the net provision for claims		14,602	18,509
Claims incurred net of reinsurance		2,140	1,115
Net operating expenses	7, 8	(11,301)	(18,479)
Balance on the technical account for general business		16,355	31,115

All operations relate to continuing activities.

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

The notes on pages 59 to 63 form an integral part of these financial statements.

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

Year ended 31 December 2015

Hiscox Syndicate 6104 annual accounts

	Notes	2015 £000	2014 £000
Balance on the general business technical account		16,355	31,115
Investment income	9	536	818
Allocated investment return transferred to general business technical account		(536)	(818)
Profit and loss on exchange		2,786	2,148
Profit for the financial year		19,141	33,263

All operations relate to continuing activities.

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

The notes on pages 59 to 63 form an integral part of these financial statements.

Balance sheet – assets
at 31 December 2015
Hiscox Syndicate 6104 annual accounts

	Notes	2015 £000	2014 £000
Reinsurers' share of technical provisions			
Provision for unearned premium		6	–
Debtors			
Debtors arising out of reinsurance operations	11	96,283	102,274
Other debtors		–	9
		96,283	102,283
Prepayments and accrued income			
Deferred acquisition costs		3,059	1,922
Total assets		99,348	104,205

The notes on pages 59 to 63 form an integral part of these financial statements.

Balance sheet – liabilities
at 31 December 2015
Hiscox Syndicate 6104 annual accounts

	Notes	2015 £000	2014 £000
Capital and reserves			
Members' balances		58,587	54,757
Technical provisions			
Provision for unearned premium		15,381	10,670
Claims outstanding	6, 13	13,540	27,796
		28,921	38,466
Creditors			
Creditors arising out of reinsurance operations	12	10,270	10,269
Other creditors		1,570	713
		11,840	10,982
Total liabilities		99,348	104,205

The notes on pages 59 to 63 form an integral part of these financial statements.

The financial statements on pages 53 to 63 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 members' balances
as at 31 December 2015
Hiscox Syndicate 6104 annual accounts

	Notes	2015 £000	2014 £000
Members' balances brought forward at 1 January		54,757	23,007
Total recognised gains and losses for the year		19,141	33,263
Payments of profit to members' personal reserve funds	15	(15,311)	(1,513)
Members' balances carried forward at 31 December		58,587	54,757

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 6104 annual accounts

	Notes	2015 £000	2014 £000
Net cash flows from operating activities			
Profit for the year		19,141	33,263
(Decrease) in gross technical provisions		(9,544)	(18,172)
(Increase) in reinsurers' share of gross technical provisions		(6)	–
Decrease/(increase) of debtors		7,170	(15,642)
Increase in creditors		–	1,864
Movement in other assets/liabilities		(1,137)	(64)
Investment return		(536)	(818)
Other		223	1,082
Net cash inflows from operating activities		15,311	1,513
Net cash flows from investing activities			
Purchase of equity and debt instruments		–	–
Sale of equity and debt instruments		–	–
Investment income received		–	–
Other		–	–
Net cash flows from financing activities			
Distribution profit		(15,311)	(1,513)
Net increase in cash and cash equivalents		–	–

Notes to the financial statements
Year ended 31 December 2015
Hiscox Syndicate 6104 annual accounts

1 Basis of preparation and critical accounting policies
The basis of preparation of these accounts is the same as disclosed for Syndicate 33. In preparing these financial statements, the directors of the managing agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

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 14.

3 Accounting policies
The principal accounting policies adopted are the same as those disclosed for Syndicate 33. With the exception of:

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

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

Table 4(f)
The profile of the Syndicate's assets and liabilities, categorised by currency at their translated carrying amount was as follows:

At 31 December 2015	Sterling £000	US Dollar £000	Gross provisions £000	CAD £000	Total £000
Reinsurers' share of technical provisions	6	–	–	–	6
Insurance and reinsurance receivables	8,941	76,690	7,819	2,833	96,283
Other assets	703	2,319	23	14	3,059
Total assets	9,650	79,009	7,842	2,847	99,348
Technical provisions	(8,030)	(17,158)	(2,272)	(1,461)	(28,921)
Insurance and reinsurance payables	(6)	(10,264)	–	–	(10,270)
Other creditors	(1,570)	–	–	–	(1,570)
Total liabilities	(9,606)	(27,422)	(2,272)	(1,461)	(40,761)
Members' balances by currency	44	51,587	5,570	1,386	58,587

At 31 December 2014	Sterling £000	US Dollar £000	Gross provisions £000	CAD £000	Total £000
Reinsurers' share of technical provisions	–	–	–	–	–
Insurance and reinsurance receivables	5,623	83,653	10,467	2,531	102,274
Other assets	475	1,360	60	36	1,931
Total assets	6,098	85,013	10,527	2,567	104,205
Technical provisions	(6,762)	(27,656)	(2,251)	(1,797)	(38,466)
Insurance and reinsurance payables	318	(11,151)	563	1	(10,269)
Other creditors	(704)	–	–	(9)	(713)
Total liabilities	(7,148)	(38,807)	(1,688)	(1,805)	(49,448)
Members' balances by currency	(1,050)	46,206	8,839	762	54,757

4 Risk review continued

Sensitivity analysis

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

	Economic exposure Effect on members' balances £000
At 31 December 2015	
US Dollar	(5,159)
Euro	(557)
Canadian Dollar	(139)
31 December 2014	
US Dollar	(4,621)
Euro	(884)
Canadian Dollar	(76)

5 Segmental analysis

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

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

	2015 £000	2014 £000
United Kingdom	154	505
Other European Union member states	1,100	1,517
United States	18,765	30,839
Other	8,194	17,694
Total	28,213	50,555

6 Technical provisions

2015	Gross provisions £000	Reinsurance assets £000	Net £000
Claims incurred:			
Balance at 1 January	27,796	–	27,796
Change in prior year provisions	(30,753)	–	(30,753)
Expected cost of current year claims	3,689	–	3,689
Claims paid	12,462	–	12,462
Effect of movements in exchange rates	346	–	346
Balance at 31 December	13,540	–	13,540
Unearned premiums:			
Balance at 1 January	10,670	–	10,670
Premium written during the year	32,865	(3,238)	29,627
Premium earned during the year	(28,213)	3,233	(24,980)
Effect of movements in exchange rates	59	–	59
Balance at 31 December	15,381	(5)	15,376

6 Technical provisions continued

2014	Gross provisions £000	Reinsurance assets £000	Net £000
Claims incurred:			
Balance at 1 January	45,216	–	45,216
Change in prior year provisions	(44,665)	–	(44,665)
Expected cost of current year claims	8,761	–	8,761
Claims paid	17,394	–	17,394
Effect of movements in exchange rates	1,090	–	1,090
Balance at 31 December	27,796	–	27,796
Unearned premiums:			
Balance at 1 January	11,421	–	11,421
Premium written during the year	49,419	(2,894)	46,525
Premium earned during the year	(50,555)	2,894	(47,661)
Effect of movements in exchange rates	385	–	385
Balance at 31 December	10,670	–	10,670

7 Net operating expenses

	2015 £000	2014 £000
Brokerage and commissions	(12,093)	(18,111)
Change in deferred acquisition costs	1,118	(8)
Members' standard personal expenses	(326)	(360)
Total	(11,301)	(18,479)

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

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

Syndicate 33 has been charged on behalf of the Syndicate, fees payable to the auditors and its associates (exclusive of VAT) of:

	2015 £000	2014 £000
Auditor's remuneration		
Fees payable to the Syndicate's auditor for the audit of the Syndicate accounts	21	20
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	8	8
Total	29	28

Members' standard personal expenses excludes members' agents' fees paid in the year of £0.5 million (2014: £0.6 million).

8 Staff numbers and costs

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

9 Investment return

	2015 £000	2014 £000
Investment income	536	818

Interest is calculated on the daily paid cash fund experience balance, held by Syndicate 33 on behalf of the Syndicate. Interest on each currency balance is credited at the same yield earned by Syndicate 33 in the period for each currency. If the balance is negative, an interest expense is calculated at LIBOR plus 1%.

10 Investments

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

11 Debtors arising out of reinsurance operations

	2015 £000	2014 £000
Amounts due from intermediaries	96,283	102,274

All amounts are due within one year.

12 Creditors arising out of reinsurance operations

	2015 £000	2014 £000
Amount due to intermediaries	10,270	10,269

All amounts are due within one year.

13 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	42,581	17,696	27,781	13,469	9,324	3,757
One year later	50,387	18,928	17,214	6,512	6,958	–
Two years later	43,100	17,970	13,914	4,346	–	–
Three years later	43,789	17,616	13,791	–	–	–
Four years later	43,144	16,813	–	–	–	–
Five years later	42,550	–	–	–	–	–
Cumulative payments	(43,145)	(17,616)	(13,914)	–	–	–
Estimated balance to pay	(595)	(803)	(123)	4,346	6,958	3,757

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	42,581	17,696	27,781	13,469	9,324	3,757
One year later	50,387	18,928	17,214	6,512	6,958	–
Two years later	43,100	17,970	13,914	4,346	–	–
Three years later	43,789	17,616	13,791	–	–	–
Four years later	43,144	16,813	–	–	–	–
Five years later	42,550	–	–	–	–	–
Cumulative payments	(43,145)	(17,616)	(13,914)	–	–	–
Estimated balance to pay	(595)	(803)	(123)	4,346	6,958	3,757

14 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 are 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:

	Profit for financial year £000	Members' balances £000
Original as per 31 December financial statements	33,576	55,070
Less foreign exchange losses on revaluation of UPR and DAC	(313)	(313)
Restated	33,263	54,757

15 Statement of changes in members' balances

Payments of profits to members include amounts paid directly to members' agents of £0.5 million (2014: £0.6 million).

16 Related parties

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

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

Balance sheet net assets and (liabilities) outstanding relating to related Group companies	31 December 2015 £000	31 December 2014 £000
Hiscox managed Syndicates	58,587	54,757
	58,587	54,757

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 Syndicates Limited	(326)	(345)
Hiscox managed Syndicates	19,467	33,608
	19,141	33,263

Hiscox Syndicates Limited charged managing agent fees to Syndicate 6104 of £0.3 million (2014: £0.3 million).

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

Hiscox Syndicate 6104 underwriting year accounts

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

The Directors of the managing agent present their report as at 31 December 2015.

This report comprises the cumulative result to 31 December 2015 for the closed 2013 account of Syndicate 6104.

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

Principal activity and review of the business
Special Purpose Syndicate 6104 was established for the 2008 year of account to provide quota share reinsurance to Syndicate 33's excess of loss property catastrophe reinsurance account.

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

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

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

2013 account
In 2013 the cession from Syndicate 33 was 30%. The account has closed with a profit of 43.1% after all personal expenses (except members' agents' fees). This is a very good result and at the upper end of the forecast range. The old years' release of £0.7 million benefited from modest reductions in the loss estimates for the Japanese earthquake and Thai floods. The pure year benefited from a light level of catastrophe activity.

2014 account
For 2014 the capacity of the Syndicate was increased from £66 million to £72 million and the cession from Syndicate 33 increased to 33%. There were no significant losses impacting the account.

We have set a profit forecast in the range 25% to 35% return on capacity.

2015 account
The Syndicate capacity was reduced to £65 million for the 2015 year of account and the percentage cession from Syndicate 33 was reduced to 28% with the intention that the level of risk, as measured by Lloyd's Realistic Disaster Scenarios, remains broadly consistent from year to year. Rates softened across most territories as a result of good loss experience and increased competition both from within the industry and from new sources of capital.

There have been no major losses impacting the account to date although there is still significant unexpired exposure. At this early stage we have set the forecast result in the range 10% to 20% return on capacity.

2016 and outlook
To more closely align planned premium with capacity we have reduced capacity to £56 million whilst maintaining the cession at 28%.

Rates continued their downward trend at 1 January 2016. Whilst rates were down 6% on average on US business the expansion of coverage, particularly foreign terrorism, was less bad than feared. International business was worse with rates down 8% on average with Europe particularly bad. The European book is the smallest it has been for the past decade.

The benefits of being able to deploy significant capacity through the Syndicate 33 line, the Hiscox Bermuda line and our writings on behalf of the Hiscox managed Kiskadee ILS funds were evident in the premium signings at 1 January 2016.

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

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

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

By order of the Board

I J Martin
Director
14 March 2016

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

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

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

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

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

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

Independent auditor's report
To members of Syndicate 6104
2013 closed year of account

To members of Syndicate 6104 2013 closed year of account.

We have audited the Syndicate underwriting year accounts for the 2013 year of account of Syndicate 6104 for the three years ended 31 December 2015, as set out on pages 68 to 72. 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 and 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 66, the managing agent is responsible for the preparation of the Syndicate's underwriting year 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 underwriting year 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 underwriting year accounts

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

Opinion on Syndicate underwriting year accounts

In our opinion the Syndicate underwriting year accounts:
- give a true and fair view of the profit for the 2013 closed year of account;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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 (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require us to report to you if, in our opinion:
- adequate accounting records have not been kept; or
- the Syndicate underwriting year accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Timothy Butchart
for and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
London
14 March 2016

2013 underwriting account
Closing at 31 December 2015
Hiscox Syndicate 6104 underwriting accounts

	Notes	at 36 months £000
Syndicate allocated capacity		66,354
Earned premiums, net of reinsurance		
Premiums written:		
Gross amount		53,258
Outward reinsurance premiums		(5,066)
Earned premiums, net of reinsurance		48,192
Reinsurance to close premium received from earlier years of account, net of reinsurance		12,237
		60,429
Allocated investment return transferred from the non-technical account	5	324
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(12,462)
Reinsurers' share		–
Net claims paid		(12,462)
Change in the provision for claims:		
Gross amount		(3,198)
Reinsurers' share		–
Change in the net provision for claims		(3,198)
Balance on the technical account before net operating expenses and profit on exchange		45,093
Net operating expenses	4	(17,876)
Balance on technical account for general business		27,217
Investment income	5	324
Allocated investment return transferred to the technical account	5	(324)
Profit and loss on exchange		1,384
Result before members' agents' fees		28,601
Members' agents' fees	4	(470)
Result for the three years ended 31 December 2015	6	28,131

The notes on pages 70 to 72 form an integral part of these underwriting year accounts.

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

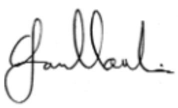
Balance sheet
2013 account at 31 December 2015
Hiscox Syndicate 6104 underwriting accounts

Assets	Notes	at 36 months £000
Reinsurers' share of technical provisions		
Unearned premium		6
Debtors		
Debtors arising out of reinsurance operations	8	36,764
Prepayments and accrued income		
Deferred acquisition costs		–
Other assets		
Cash at bank and in hand		–
Total assets		36,770

Liabilities	Notes	at 36 months £000
Capital and reserves		
Members' balances	7	28,131
Technical provisions		
Reinsurance premium payable to close the account	3	2,825
Creditors		
Creditors arising out of reinsurance operations	9	5,336
Other creditors		478
Total liabilities		36,770

The notes on pages 70 to 72 form an integral part of these underwriting year accounts.

This Annual Report was approved by the Board of Hiscox Syndicates Limited on 14 March 2016 and was signed on its behalf by



I J Martin
Director

Notes to the financial statements
at 31 December 2015
Hiscox Syndicate 6104 underwriting accounts

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

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

With the exception of:

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

3 Reinsurance premium to close the 2013 account

	at 36 months £000
Gross notified outstanding claims	–
Provision for gross claims incurred but not reported (IBNR)	(2,825)
	(2,825)
Reinsurance recoveries anticipated on notified outstanding claims	–
Reinsurance recoveries anticipated on IBNR	–
	–
Reinsurance premium to close the 2013 account	(2,825)

4 Net operating expenses
The cumulative Syndicate expenses charged in the 2013 underwriting account were made up as follows:

Closing account after three years	at 36 months £000
Brokerage and commissions	(17,544)
Members' standard personal expenses	(332)
	(17,876)

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

5 Investment return

Closing account after three years	at 36 months £000
Investment income	324
Investment return	324

Investment return for the 2013 year of account is recognised in the 2013, 2014 and 2015 calendar years. The investment income and yield for these calendar years is disclosed in the investment return notes in each of the respective Syndicate annual financial statements.

6 Balance on technical account

	at 36 months £000
Amount attributable to business allocated to the 2013 year of account	27,397
Surplus on the reinsurance to close for the 2012 year of account	734
Balance on technical account	28,131

7 Members' balances

	at 36 months £000
Profit for the 2013 closing year of account	28,131
	28,131

8 Debtors arising out of reinsurance operations

	at 36 months £000
Due from intermediaries	36,764

All amounts are due within one year.

9 Creditors arising out of reinsurance operations

	at 36 months £000
Amounts due to intermediaries	5,336

All amounts are due within one year.

Seven-year summary
Hiscox Syndicate 6104 underwriting accounts

Year of account	2008	2009	2010	2011	2012	2013
Syndicate allocated capacity in £000	34,475	43,106	45,185	37,174	38,686	**66,354**
Number of underwriting members	1,004	1,098	1,102	1,042	1,077	**1,336**
Net premiums net of brokerage in £000	20,194	34,146	23,787	18,621	26,433	**30,648**
Capacity utilised (%)	63	87	57	55	78	**54**
Net capacity utilised (%)	59	79	53	50	68	**46**
Underwriting ratio (%)	45.6	69.2	12.6	3.1	48.0	**29.4**
Results for an illustrative share of £10,000						
Gross premiums	6,236	8,540	7,019	7,104	10,491	**8,026**
Net premiums	5,840	7,762	6,593	6,632	9,544	**7,262**
Reinsurance to close from an earlier account	–	3,045	1,795	5,363	4,511	**1,844**
Net claims paid	–	(2,988)	(1,750)	(5,501)	(4,496)	**(1,878)**
Reinsurance to close	(3,005)	(1,954)	(4,594)	(4,701)	(3,117)	**(482)**
Profit/(loss) on exchange	822	(242)	(111)	(5)	(51)	**209**
Syndicate operating expenses	17	159	(1,329)	(1,623)	(2,712)	**(2,645)**
Names personal expenses	(50)	(50)	(50)	(50)	(50)	**(50)**
Balance on technical account before investment return	3,624	5,732	554	115	3,629	**4,260**
Investment return	620	736	333	220	267	**49**
Profit after personal expenses	4,244	6,468	887	335	3,896	**4,309**

Notes to the seven-year summary
1. The seven-year summary has been prepared from the audited accounts of the Syndicate. Only six years are shown in this summary, as the Syndicate commenced underwriting in 2008.
2. Personal expenses have been stated at the amount which would be incurred pro-rata by Names writing the illustrative premium income in the Syndicate, irrespective of any minimum charge applicable. Personal expenses include managing agent fees, central fund contributions, Lloyd's subscriptions and profit commissions. These figures exclude members' agents' fees.
3. 'Capacity utilised' represents gross premiums as a percentage of the allocated capacity. 'Net capacity utilised' represents net premiums as a percentage of the allocated capacity. 'Underwriting ratio' represents underwriting result as a percentage of gross premiums. For these calculations, gross and net premiums are net of brokerage. Underwriting result is after brokerage and reinsurers' commissions but before profit/(loss) on exchange, other operating expenses and investment return.
4. Premium figures and Syndicate operating expenses are quoted gross of brokerage.
5. All years of account are presented using transactional rates of exchange.

Hiscox

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

T +44 (0)20 7448 6000
F +44 (0)20 7448 6900
E enquiry@hiscox.com
www.hiscoxgroup.com

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