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Hiscox Syndicate 3624
Report and Accounts
2016

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Directors and administration

Hiscox Syndicate 3624

Managing agent:

Managing agent

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

Directors

R S Childs – Non Executive Chairman
C J Foulger – Non Executive
H A Hussain
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 company number

02590623

Syndicate:

Active underwriter

R C Watson

Bankers

Lloyds Bank PLC
Citibank

Investment manager

Payden & Rygel Global Limited

Registered auditors

PricewaterhouseCoopers LLP

Report of the Directors of the managing agent

Hiscox Syndicate 3624 annual accounts

The Directors of the managing agent present their report for Syndicate 3624 for the year ended 31 December 2016.

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.

Results

The result for Syndicate 3624 in calendar year 2016 is a profit of £15.9 million (2015: £20.7 million). The Syndicate's key financial performance indicators during the year were as follows:

	2016 £m	2015 £m	% change
Gross premiums written	533.5	399.6	34
Gross premiums earned	478.3	353.7	35
Net premiums earned	381.7	281.0	36
Total recognised profit for the year	15.9	20.7	(23)
Claims ratio (%)	56	48	8
Commission ratio (%)	36	39	(3)
Expense ratio (%)	6	6	–
Combined ratio (%)	98	93	5

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

Principal activity

The principal activity of Syndicate 3624 is the transaction of general insurance and reinsurance business in the United Kingdom at Lloyd's of London. Syndicate 3624 trades through the Lloyd's worldwide licences and rating. It also benefits from the Lloyd's brand. Lloyd's has an A (Excellent) rating from A.M. Best, A+ (Strong) rating from S&P's and AA- (Very strong) rating from Fitch.

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

Geographical split of gross premiums written (%)			Gross premiums written settlement currency (%)		
	2016	2015		2016	2015
UK	2	2	Pound Sterling	15	13
Europe	3	7	Euro	7	4
North America	72	38	US Dollar	74	81
Asia	1	5	Canadian Dollar	4	2
Rest of the world	22	48			

Review of the business

The result for the year was a profit of £15.9 million (2015: £20.7 million). The written premium by class of business is shown below:

Division	2016 Gross premiums written £m	2015 Gross premiums written £m
Auto fire, theft and collision	125.9	112.4
Auto extended warranty	79.8	53.5
Portfolios	33.6	10.5
Aviation	26.0	26.3
Hiscox US liability classes	114.8	92.4
Hiscox US property classes	17.3	13.5
Healthcare	34.3	26.6
Technology, media and telecoms	61.6	38.7
Reinsurance	18.7	17.7
Other smaller accounts	21.5	8.0
Total	533.5	399.6

Report of the Directors of the managing agent continued

Hiscox Syndicate 3624 annual accounts

Review of the business continued

Syndicate 3624 was established as an aligned corporate syndicate for the 2009 year of account. Initially all of the Syndicate's business was generated through Hiscox-owned distribution channels, in particular Hiscox Inc., the Group's service company in the US. In subsequent years a number of additional lines of business were added to the portfolio, some of which were sourced through Hiscox-owned service companies and some through normal London Market broking channels. From the period 2009 to 2016 inclusive gross premiums written increased from £68.5 million to £533.5 million.

The principal classes of business written by the Syndicate include:

Auto fire, theft and collision

This account focuses on FTC (fire, theft and collision) business sourced through the White Oak Underwriting Agency Limited in which Hiscox Ltd has a 29.8% shareholding and the Active Underwriter of the Syndicate, Richard Watson, is a Director. The account has a focus on agricultural and forestry equipment. In 2017 we intend to reduce materially this account.

Auto extended warranty

This account is also sourced through the White Oak Underwriting Agency Limited. The account is written on a worldwide basis with significant exposure from exclusive arrangements with manufacturers selling into China. We have not renewed this account in 2017.

Portfolios

This account seeks to utilise alternative distribution approaches including supporting the consortia arrangements of other specialist underwriters in the Lloyd's market.

Aviation

A London Market aviation account including exposure to airlines, products, airports and general aviation. Due to very competitive market conditions the airline element of the account was scaled back in 2016.

Hiscox US liability classes

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

Hiscox US property classes

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

Healthcare

This account provides a range of insurance and reinsurance products for hospitals, allied health organisations and physician groups and is written by a team in Bermuda through Hiscox Agency Ltd (HAL), Hiscox's Bermudian service company. Following a review of the business it was decided that this account would not continue beyond the first few months of 2017.

Technology, media and telecoms

This account provides liability insurance for clients from the technology and media industries and is sourced by the Hiscox-owned service companies in the UK, Europe and US. Cyber insurance makes up a significant part of this account and accounts for much of the growth in the year.

Reinsurance

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

Other smaller accounts

This includes insurance for event cancellation, pilot's loss of licence and the new product recall account.

The Syndicate made a profit of £15.8 million (2015: £20.7 million) in the year driven by an excellent performance from the Hiscox US liability classes.

The 2014 year of account closed with a profit of £17.2 million on the Syndicate's £300 million of capacity.

2017 and the future

For 2017 further growth is anticipated from the liability account (Hiscox US), product recall and the portfolios account although this will not offset the loss of business from the Syndicate's reduced involvement with White Oak Underwriting Agency Limited.

Capital

One of the main advantages of trading through Lloyd's is the considerably lower capital ratios that are available due to the diversification of business written in Syndicate 3624 and in Lloyd's as a whole. The size of the Syndicate is increased or reduced according to the strength of the insurance environment in its main classes.

Solvency II became effective from 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.

Report of the Directors of the managing agent continued

Hiscox Syndicate 3624 annual accounts

Capital continued

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 annual accounts. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses;
3. the central assets are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met from the resources of any member further up the chain.

Lloyd's also retains the right to request a callable contribution equal to 3% of members' overall premium limits.

Lloyd's works in co-operation with insurance regulators in the United States and other parts of the world to strengthen further the security of a Lloyd's policy. This has resulted in significant amounts of the Syndicate's funds being held in various trust funds where they cannot be used as 'working capital' to pay claims, reinsurance premiums or expenses. This places a strain on the Syndicate's working capital. Consequently we may need to make a cash call, at some time in the future, to improve the Syndicate's working capital position.

The Syndicate has £192.6 million (2015: £218.1 million) of liquid assets at 31 December 2016. We have determined that the Syndicate has sufficient levels of liquidity to meet its funding requirements in all likely scenarios.

Investment report

Investment return for Syndicate 3624 was £4.3 million (2015: £1.7 million) equating to a return of 1.1% (2015: 0.7%). The Syndicate's invested assets totalled £459.7 million at 31 December 2016 (2015: £320.3 million) with much of the growth due to the weakness of Sterling over the period. It is hard to think of a financial or political forecast at the beginning of the year that has turned out to be accurate and bond investors have had to endure some challenging moments. We are therefore satisfied with the investment return which matched that of last year and was in line with our expectations.

Bond markets had something of a roller coaster year. Economic weakness was foremost in central bankers' minds for much of the early part of 2016 and yields generally declined. The second half was of course dominated by the unexpected outcomes of the UK referendum and the US presidential election but reactions in government bond markets diverged somewhat. In the UK yields plumbed new lows following the referendum and, in the case of much of Europe, turned increasingly negative. However, in the United States, where stronger economic data prompted the Federal Reserve to make more hawkish statements, the impact did not persist and yields there soon started to rise again. This move was exacerbated following the election of Donald Trump. The potential for his pro-growth policies to fuel inflation made the final few weeks of the year particularly painful for US bond investors.

With over 75% of the fixed income assets invested in US Dollar bonds, our overall returns are heavily dependent on their performance. Given their bias to short duration, they escaped the worst of the post presidential election upheaval and their return for the year of 1.2% represents a healthy margin above the relevant benchmark. The majority of the excess return derived from the allocation to non government bonds as demand for credit remained buoyant in a low return world. In contrast the Sterling and Euro bond markets were largely unmoved by events across the Atlantic. Whilst the trend in longer dated yields was upwards, shorter dated bonds were unaffected with the Bank of England and the European Central Bank continuing or enhancing their respective quantitative easing programmes. The Sterling and Euro assets were insufficient to justify a segregated portfolio and were kept in cash where returns were de minimis. The Canadian Dollar portfolio is also small but added relative value. With the Federal Reserve increasing US interest rates by 0.25% as expected in December and signalling that they expect three more such

Years of account	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m
Capacity	250	250	250	300	350	400	460

Report of the Directors of the managing agent continued

Hiscox Syndicate 3624 annual accounts

increases in 2017, there is currently much debate as to whether the 35-year bull market in US Dollar bonds is finally over. The expectation is that yields are indeed more likely to rise than fall albeit at a gradual pace. Being short duration we are well positioned to take advantage of such a move as cash flows get invested at higher rates. In this environment however capital gains will be harder to come by and income will play a more important role going forward. The preference for corporate credit therefore is likely to remain given the higher coupons available. In Europe and the UK there is little likelihood of official rates being increased but there is some expectation that, if the economic data remains in a positive trend, the ECB in particular is likely to start tapering their purchases.

Political events in 2016 added considerably to the everyday challenges faced by investors and the impact of their possible consequences remains hard to fathom. The fear of a recession however has receded and there is a sense that the recent era of falling interest rates has come to an end. The focus has now switched to the growing evidence of an uptick in inflation and as to how central banks will respond to its emergence. In the US there are signs of wage growth coming through which is likely to push up prices whereas in the UK inflation is likely to be imported via the weaker currency. If the Federal Reserve stick to their plan then bond yields will have further to rise. The benefits however of a move to higher rates would be welcomed and, given our short duration, we should be amongst the first to reap the rewards.

Principal risks and uncertainties

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

Directors' interests

None of the Directors of the managing agent who served during the year ended 31 December 2016 were underwriting Names at Lloyd's for the 2014, 2015, 2016 or 2017 years of account.

R S Childs – Non Executive Chairman
C J Foulger – Non Executive
J S Jones (Resigned 30 September 2016)
H A Hussain (Appointed 2 March 2017)
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

Disclosure of information to the auditors

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

Annual General Meeting

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

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

This year, we therefore give notice that:

- Hiscox Syndicates Limited does not propose to hold an AGM of the members of Syndicate 3624 in 2017;
- PwC will be deemed to be re-appointed as the Syndicate's registered auditor pursuant to the 2008 Regulations;
- members may object to the matters set out above within 21 days of this notice.

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

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

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

By order of the Board



I J Martin
Director
13 March 2017

Statement of managing agent's responsibilities

Hiscox Syndicate 3624 annual accounts

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

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

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

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

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

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

Independent auditor's report

To the members of Syndicate 3624

Report on the Syndicate annual accounts

Our opinion

In our opinion Syndicate 3624's Syndicate annual accounts (the 'Syndicate annual accounts'):

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom 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.

What we have audited

The Syndicate annual accounts for the year ended 31 December 2016, included within the Hiscox Syndicate 3624 Report and Accounts (the 'Annual Report'), comprise:

- profit and loss account and statement of other comprehensive income for the year ended 31 December 2016;
- balance sheet as at 31 December 2016;
- the statement of changes in members' balances;
- the statement of cash flows;
- the notes to the Syndicate annual accounts, which include a summary of significant accounting policies and other explanatory notes.

The financial reporting framework that has been applied in the preparation of the Syndicate annual accounts is United Kingdom Accounting Standards, comprising FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland), and applicable law (United Kingdom Generally Accepted Accounting Practice). In applying the financial reporting framework, the managing agent has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

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

Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Responsibilities for the Syndicate annual accounts and the audit

Our responsibilities and those of the managing agent

As explained more fully in the statement of managing agent's responsibilities set out on page 6, the managing agent is responsible for the preparation of the Syndicate 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) (ISAs (UK and Ireland)). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of Syndicate annual accounts involves

We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the Syndicate annual accounts sufficient to give reasonable assurance that the Syndicate annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Syndicate's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the managing agent; and
- the overall presentation of the Syndicate annual accounts.

We primarily focus our work in these areas by assessing the managing agent's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Syndicate annual accounts.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Syndicate annual accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Paul Pannell
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
London
13 March 2017

Profit and loss account: technical account – general business

Year ended 31 December 2016

Hiscox Syndicate 3624 annual accounts

	Notes	2016 £000	2015 £000
Earned premiums, net of reinsurance			
Gross premiums written	5	533,471	399,561
Outward reinsurance premiums		(121,629)	(81,752)
Net premiums written		411,842	317,809
Change in the provision for unearned premiums:			
Gross amount		(55,138)	(45,883)
Reinsurers' share		25,002	9,081
Change in the net provision for unearned premiums		(30,136)	(36,802)
Earned premiums, net of reinsurance		381,706	281,007
Allocated investment return transferred from the non-technical account		4,318	1,709
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(231,829)	(164,110)
Reinsurers' share		83,865	44,978
Net claims paid		(147,964)	(119,132)
Change in the provision for claims:			
Gross amount		(74,585)	(31,954)
Reinsurers' share		8,302	17,501
Change in the net provision for claims		(66,283)	(14,453)
Claims incurred, net of reinsurance		(214,247)	(133,585)
Net operating expenses	7, 8	(159,699)	(125,638)
Balance on the technical account for general business		12,078	23,493

All operations relate to continuing activities.

The notes on pages 15 to 31 form an integral part of these annual accounts.

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

Year ended 31 December 2016

Hiscox Syndicate 3624 annual accounts

	Notes	2016 £000	2015 £000
Balance on the general business technical account		12,078	23,493
Investment income	6	14,522	3,805
Unrealised gains on investments		766	96
Investment expenses and charges	6	(9,135)	(827)
Unrealised losses on investments		(1,835)	(1,365)
Allocated investment return transferred to general business technical account		(4,318)	(1,709)
Foreign exchange gains or losses		3,790	(2,765)
Profit for the financial year		15,868	20,728

All operations relate to continuing activities.

The notes on pages 15 to 31 form an integral part of these annual accounts.

Statement of other comprehensive income

Year ended 31 December 2016

Hiscox Syndicate 3624 annual accounts

	2016 £000	2015 £000
Profit for the financial year	15,868	20,728
Currency translation adjustments	(3,739)	(1,109)
Total recognised gains and losses for the year	12,129	19,619

The notes on pages 15 to 31 form an integral part of these annual accounts.

Balance sheet – assets

At 31 December 2016

Hiscox Syndicate 3624 annual accounts

	Notes	2016 £000	2015 £000
Investments			
Financial investments	9	382,970	231,991
Reinsurers' share of technical provisions			
Provision for unearned premium	10	107,931	69,908
Claims outstanding	10, 13	125,387	99,307
		233,318	169,215
Debtors			
Debtors arising out of direct insurance operations	11	143,588	95,290
Debtors arising out of reinsurance operations	12	19,842	25,411
Other debtors		1,266	375
		164,696	121,076
Other assets			
Cash at bank and in hand		76,694	88,312
Prepayments and accrued income			
Accrued interest		1,366	1,256
Deferred acquisition costs	10	123,513	92,219
Total assets		982,557	704,069

The notes on pages 15 to 31 form an integral part of these annual accounts.

Balance sheet – liabilities

At 31 December 2016

Hiscox Syndicate 3624 annual accounts

	Notes	2016 £000	2015 £000
Capital and reserves			
Member's balances		(15,616)	(12,318)
Technical provisions			
Provision for unearned premium	¹⁰	392,024	284,780
Claims outstanding	^{10, 13}	535,770	393,088
		927,794	677,868
Creditors			
Creditors arising out of reinsurance operations	¹⁴	42,165	28,400
Other creditors		2,203	2,114
		44,368	30,514
Accruals and deferred income	¹⁵	26,011	8,005
Total liabilities		982,557	704,069

The notes on pages 15 to 31 form an integral part of these annual accounts.

The Syndicate annual accounts on pages 8 to 31 were approved by the board of Hiscox Syndicates Limited on 13 March 2017 and were signed on its behalf by



I J Martin
Director

Statement of changes in member's balances

Year ended 31 December 2016

Hiscox Syndicate 3624 annual accounts

	2016 £000	2015 £000
Member's balances brought forward at 1 January	(12,318)	(25,515)
Total recognised gains and losses for the year	12,129	19,619
Payments of profit to member's personal reserve funds	(15,427)	(6,422)
Member's balances carried forward at 31 December	(15,616)	(12,318)

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.

The notes on pages 15 to 31 form an integral part of these annual accounts.

Statement of cash flows

Year ended 31 December 2016

Hiscox Syndicate 3624 annual accounts

	2016 £000	2015 £000
Net cash flows from operating activities		
Profit for the year	15,868	20,728
Increase in gross technical provisions	249,926	104,714
Increase in reinsurers' share of gross technical provisions	(64,102)	(33,797)
Increase in debtors	(43,631)	(28,816)
Increase/(decrease) in creditors	13,864	(36,553)
Movement in other assets/liabilities	(13,398)	(18,362)
Investment return	(4,318)	(1,709)
Net cash inflows from operating activities	154,209	6,205
Net cash flows from investing activities		
Purchase of debt instruments	(313,337)	(246,309)
Sale of debt instruments	205,983	244,553
Sale of derivatives	696	–
Investment income received	5,387	2,822
Other movements on investments	(57,796)	(11,904)
Net cash flows from financing activities		
Distribution profit	(15,427)	(6,422)
Foreign currency reserve movements	(3,739)	(1,109)
Net decrease in cash and cash equivalents	(24,024)	(12,164)
Effect of exchange rates on cash and cash equivalents	12,406	(228)
Cash and cash equivalents at the beginning of the year	88,312	100,704
Cash and cash equivalents at the end of the year	76,694	88,312

The notes on pages 15 to 31 form an integral part of these annual accounts.

Notes to the accounts

Year ended 31 December 2016

Hiscox Syndicate 3624

annual accounts

1 Basis of preparation and critical accounting policies

These annual accounts have been prepared in accordance with regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable accounting standards in the United Kingdom, Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102), Insurance Contracts (FRS 103) where applicable and the Companies Act 2006.

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

The Directors of the managing agent have prepared the annual accounts on the basis that the Syndicate will continue to write future business.

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

2 Accounting policies

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

2(a) Premiums

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

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

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

2(b) Unearned premiums

The provision for unearned premium comprises the proportion of gross and outwards reinsurance premiums written, which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method.

2(c) Acquisition costs

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

2(d) Claims

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

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

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

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

2(e) Unexpired risk

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

2(f) Investments

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

2(g) Investment return

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

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

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Year ended 31 December 2016 Hiscox Syndicate 3624 annual accounts

2 Accounting policies continued

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

2(h) Foreign currencies

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

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

The results and financial position are presented in Pound Sterling rather than the functional currency of US Dollars. The translation from functional currency to presentational currency is completed as follows:

- all assets and liabilities are translated from the functional currency amount, at the closing rate at the balance sheet date;
- all income and expenses are translated at average exchange rate; and
- all resulting exchange differences are recognised separately as a foreign exchange reserve within capital and reserves.

2(i) Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'other debtors'.

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

2(j) Impairment of assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). For financial assets, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately. Impairment losses recognised in respect of goodwill are not subsequently reversed.

2(k) Bad debts

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

2(l) Reinsurers' commissions and profit participations

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

2(m) Derivative financial instruments

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

2(n) Cash at bank and in hand

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

3 Judgements and key sources of estimation uncertainty

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

Notes to the accounts continued

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3 Judgements and key sources of estimation uncertainty continued

3(a) Valuation of general insurance contract liabilities

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

- the development of previously paid claims, where payments to date are extrapolated for each prior year;
- estimates based upon a projection of claims numbers and average cost;
- incurred claims development, where incurred claims to date for each year are extrapolated based upon observed development of earlier years; and
- expected loss ratios.

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

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

3(b) Premium recognition

Gross written premium includes an estimation for pipeline premiums. Pipeline premium is calculated for each underwriting year of account and is the difference between the written premium expected by the active underwriter less notified premiums at the balance sheet date. Written premium is based

on prior year experience and current year business volume.

3(c) Fair value of financial instruments

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

4 Management of risk

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

The HSL Board exercises oversight of the development and operational implementation of its risk management policies and procedures through the HSL Risk Committee. On-going compliance therewith, through an internal audit function, shared with other Hiscox Ltd subsidiaries, which has operational independence, a charter and clear upwards reporting structures back into the HSL Audit Committee and HSL Board. The Syndicate, in common with the non-life insurance industry generally, is fundamentally driven by a desire to originate, retain and service insurance contracts to maturity. The Syndicate's cash flows are funded mainly through advance premium collections and the timing of such premium inflows is reasonably predictable.

In addition, the majority of material cash outflows are typically triggered by the occurrence of insured events non-correlated to financial markets, and not by the inclination or will of policyholders.

The principal sources of risk relevant to the Syndicate's operations and its annual accounts fall into 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 subcategorised into (i) underwriting risk including the risk of catastrophe and systemic insurance losses and the insurance cycle and competition, and (ii) reserving risk.

(i) Underwriting risk

Underwriting risk is defined as the risk that insurance premiums will not be sufficient to cover future insurance losses and associated expenses.

Notes to the accounts continued

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4 Management of risk continued

Underwriting risk also encompasses people, process and system risks directly related to underwriting.

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

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

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

- regularly updating the Syndicate's risk models;
- documenting, monitoring and reporting against the Syndicate's strategy to manage risk;
- developing systems that facilitate the identification of emerging issues promptly;
- utilising sophisticated computer 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;
- regular monitoring of risk exposures across individual underwriting portfolios and known accumulations of risk;
- examining the aggregated exposures in advance of underwriting further large risks; and
- developing processes that continually factor market intelligence into the pricing process.

The delegation of underwriting authority to specific individuals, both internally and externally, is subject to regular reviews. All underwriting staff and binding agencies are set strict parameters in relation to the levels and types of business they can underwrite, based on individual levels of experience and competence. These parameters cover areas

such as maximum sums insured per insurance contract, maximum gross premiums written and maximum aggregated exposures per geographical zone and risk class. All delegations are strictly controlled through these underwriting guidelines and limits and extensive monitoring, review and auditing of the agencies.

The Syndicate compiles estimates of losses arising from realistic disaster events using statistical models alongside input from its underwriters. They also reflect the areas that represent significant exposures for the Syndicate. The events are extreme and as yet untested, and as such estimates may prove inadequate as a result of incorrect assumptions, model deficiencies, or losses from unmodeled risks. This means that should a realistic disaster actually occur, the Syndicate's final ultimate losses could materially differ from those estimates modeled by management.

The Syndicate's insurance contracts include provisions to contain losses, such as the ability to impose deductibles and demand reinstatement premiums in certain cases. In addition, in order to manage the Syndicate's exposure to repeated catastrophic events, relevant policies frequently contain payment limits to cap the maximum amount payable from these insured events over the contract period.

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

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

Property risks

The Syndicate directly underwrites a diverse range of property risks.

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

For this reason the Syndicate accepts major property insurance risks for periods of mainly one year so that each contract can be repriced on renewal to reflect the continually evolving risk profile. Certain specialist lines such as warranty which can typically have policy periods of between three and seven years.

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Year ended 31 December 2016

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4 Management of risk continued

Casualty risks

The casualty underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of potential hazard, industry and geography. Claims typically arise from incidents such as errors and omissions attributed to the insured, professional negligence and specific losses suffered as a result of electronic or technological failure of software products and websites.

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

(ii) Reserving risk

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

The Syndicate's provision estimates are subject to regular and rigorous review by senior management from all areas of the business including independent actuaries. The final provision is approved by the recommendation of a dedicated reserving committee. The provisions we make are set above the actuarial mid-point to reduce the risk that actual claims exceed the amount that has been set aside.

Property insurance contracts can also take longer than normal to settle. This is because of the length of time required for detailed subsea surveys to be carried out and damage assessments agreed together with difficulties in predicting when the assets can be brought back into full production.

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

Financial risk

The Syndicate is exposed to financial risk through its ownership of financial instruments including

financial liabilities. The Syndicate invests in financial assets in order to fund obligations arising from its insurance contracts and other liabilities.

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

(a) Reliability of fair values

The Syndicate has elected to carry all financial investments at fair value through profit or loss as they are managed and evaluated on a fair value basis in accordance with a documented strategy. All of the financial investments held by the Syndicate are available to trade in markets and the Syndicate therefore seeks to determine fair value by reference to published prices or as derived by pricing vendors using observable quotations in the most active financial markets in which the assets trade. The fair value of financial assets is measured primarily with reference to their closing bid-market prices at the balance sheet date. The ability to obtain quoted bid market prices may be reduced in periods of diminished liquidity. In addition, those quoted prices that may be available may represent an unrealistic proportion of market holdings or individual trade sizes that could not be readily available to the Syndicate. In such instances fair values may be determined or partially supplemented using other observable market inputs such as prices provided by market makers such as dealers and brokers and prices achieved in the most recent regular transaction of identical or closely related instruments occurring before the balance sheet date but updated for relevant perceived changes in market conditions.

At 31 December 2016 and 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 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.

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4 Management of risk continued

(b) Interest rate risk

Fixed income investments represent a significant proportion of the Syndicate's assets and the HSL Board continually monitors investment strategy to minimise the risk of a fall in the portfolio's market value which could affect the amount of business that the Syndicate is able to underwrite or its ability to settle claims as they fall due. The fair value of the Syndicate's investment portfolio of debt and fixed income securities is normally inversely correlated to movements in market interest rates. If market interest rates rise, the fair value of the Syndicate's debt and fixed income investments would tend to fall and vice versa if credit spreads remained constant.

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

The fair value of debt and fixed income assets in the Syndicate's balance sheet at 31 December 2016 is analysed below:

Table a)	31 December 2016 % weighting	31 December 2015 % weighting
Government issued bonds and instruments	27	46
Government supported*	11	6
Asset backed securities	7	4
Mortgage backed instruments – agency	1	1
Mortgage backed securities – non agency	4	1
Corporate bonds	50	42

* Includes supranational debt and agency debt.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates at the reporting date. An increase of 50 basis points in interest yields would result in a charge to members balances of £2.9 million (2015: 1.8 million).

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

(c) Credit risk

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

The concentrations of credit risk exposures held by insurers may be expected to be greater than those associated with other industries, due to the specific nature of reinsurance markets and the extent of investments held in financial markets. In both markets, the Syndicate interacts with a number of counterparties who are engaged in similar activities with similar customer profiles, and often in the same geographical areas and industry sectors. Consequently, as many of these counterparties are themselves exposed to similar economic characteristics, one single localised or macroeconomic change could severely disrupt the ability of a significant number of counterparties to meet the Syndicate's agreed contractual terms and conditions.

Key areas of exposure to credit risk include:

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

The Syndicate's maximum exposure to credit risk is represented by the carrying values of monetary assets and reinsurance assets included in the balance sheet at any given point in time. The Syndicate does not use credit derivatives or other products to mitigate maximum credit risk exposures on reinsurance assets, but collateral may be requested to be held against these assets.

Notes to the accounts continued

Year ended 31 December 2016

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4 Management of risk continued

The Syndicate structures the levels of credit risk accepted by placing limits on their exposure to a single counterparty, or groups of counterparties, and having regard to geographical locations. Such risks are subject to an annual or more frequent review. There is no significant concentration of credit risk with respect to loans and receivables, as the Syndicate has a large number of internationally dispersed debtors with unrelated operations. Reinsurance is used to contain insurance risk. This does not, however, discharge the Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is therefore continually reviewed throughout the year.

The HSL Board assesses the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information detailing their financial strength and performance as well as detailed analysis from a dedicated in-house security consultant. The financial analysis of reinsurers produces an assessment categorised by S&P's rating (or equivalent when not available from S&P).

Despite the rigorous nature of this assessment exercise, and the resultant restricted range of reinsurance counterparties with acceptable strength and credit credentials that emerges therefrom, some degree of credit risk concentration remains inevitable.

The HSL Board considers the reputation of its reinsurance partners and also receives details of recent payment history and the status of any on-going negotiations between other Hiscox entities and these third parties. This information is used to update the reinsurance purchasing strategy. Individual operating units maintain records of the payment history for significant brokers and contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset, where counterparties are both debtors and creditors of the Syndicate, and obtaining collateral from unrated counterparties. Management information reports detail provisions for impairment on loans and receivables and subsequent write-off. Exposures to individual intermediaries and groups of intermediaries are collected within the on-going monitoring of the controls associated with regulatory solvency.

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

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

Table b)					
At 31 December 2016					
	AAA £000	AA £000	A £000	BBB and below £000	Total £000
Financial investments	63,889	200,262	80,464	38,355	382,970
Reinsurers' share of technical provisions:					
claims outstanding	–	33,973	86,751	4,663	125,387
Debtors: reinsurance recoverables	–	742	18,961	139	19,842
Cash at bank and in hand	–	12,617	64,077	–	76,694
Total	63,889	247,594	250,253	43,157	604,893
At 31 December 2015					
	AAA £000	AA £000	A £000	BBB and below £000	Total £000
Financial investments	53,296	103,684	52,965	22,046	231,991
Reinsurers' share of technical provisions:					
claims outstanding	28,304	28,955	40,849	1,199	99,307
Debtors: reinsurance recoverables	11,316	555	1,490	138	13,499
Cash at bank and in hand	49,164	535	26,068	12,545	88,312
Total	142,080	133,729	121,372	35,928	433,109

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

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4 Management of risk continued

At 31 December 2016 and 2015 the Syndicate held no material debt or fixed income assets that were past due or impaired beyond their reported fair values. For the current period and prior period, the Syndicate did not experience any material defaults on debt securities.

(d) Liquidity risk

The Syndicate is exposed to daily calls on its available cash resources, mainly from claims arising from insurance and reinsurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The HSL Board sets limits on the minimum level of cash and maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover unexpected levels of claims and other cash demands. A significant proportion of the Syndicate's investments is in highly liquid assets which could be converted to cash in a prompt fashion and at minimal expense. The deposits with credit institutions largely comprise short-dated certificates for which an active market exists and which the Syndicate can easily access.

The main focus of the investment portfolio is on high-quality short-duration debt and fixed income securities, and cash. There are no significant holdings of investments with specific repricing dates. Notwithstanding the regular interest receipts and also the Syndicate's ability to liquidate these securities and the majority of its other financial instrument assets for cash in a prompt and reasonable manner, the contractual maturity profile of the Financial Assets and Financial Liabilities at 31 December was as follows:

Table c)					
At 31 December 2016	Less than one year £000	Between one and three years £000	Between three and five years £000	Over five years £000	Total £000
Investments	61,991	293,374	4,528	23,077	382,970
Reinsurers' share of technical provisions	38,053	42,674	25,181	19,479	125,387
Debtors	140,466	23,165	1,065	–	164,696
Cash and cash equivalents	76,694	–	–	–	76,694
Prepayments and accrued income	1,366	–	–	–	1,366
Technical provisions	(162,598)	(182,343)	(107,597)	(83,232)	(535,770)
Creditors	(28,035)	(9,283)	(2,339)	(4,711)	(44,368)
Total	127,937	167,587	(79,162)	(45,387)	170,975
At 31 December 2015	Less than one year £000	Between one and three years £000	Between three and five years £000	Over five years £000	Total £000
Investments	33,093	178,072	6,695	14,131	231,991
Reinsurers' share of technical provisions	25,933	34,722	22,449	16,203	99,307
Debtors	104,877	14,921	1,278	–	121,076
Cash and cash equivalents	88,312	–	–	–	88,312
Prepayments and accrued income	1,256	–	–	–	1,256
Technical provisions	(102,653)	(137,439)	(88,859)	(64,137)	(393,088)
Creditors	(23,594)	(5,486)	(1,434)	–	(30,514)
Total	127,224	84,790	(59,871)	(33,803)	118,340

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

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

Table d)	2016 years	2015 years
Pound Sterling	8.6	4.4
US Dollar	2.3	1.5
Euro	–	–
Canadian Dollar	1.7	0.7

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4 Management of risk continued

(e) Currency risk

The majority of the Syndicate's gross written premium is in US Dollars, consequently movements in the Pound Sterling against US Dollar exchange rate may have a material effect on its financial performance and position. The Syndicate's financial assets are denominated in the same currencies as its insurance liabilities, 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 Pound Sterling and US Dollars.

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

Table e) At 31 December 2016	Pound Sterling £000	US Dollar £000	Euro £000	Canadian Dollar £000	Total £000
Financial investments	13,053	348,072	–	21,845	382,970
Reinsurers' share of technical provisions	26,375	181,056	17,971	7,916	233,318
Debtors	16,304	123,939	17,397	7,056	164,696
Cash in hand and at bank	20,840	41,408	13,811	635	76,694
Other assets	–	89,979	34,900	–	124,879
Total assets	76,572	784,454	84,079	37,452	982,557
Technical provisions	(102,554)	(727,870)	(76,953)	(20,417)	(927,794)
Creditors	(714)	(39,278)	(3,215)	(1,161)	(44,368)
Other creditors	(5,709)	(16,938)	(1,726)	(1,638)	(26,011)
Total liabilities	(108,977)	(784,086)	(81,894)	(23,216)	(998,173)
Member's balances by currency	(32,405)	368	2,185	14,236	(15,616)
At 31 December 2015	Pound Sterling £000	US Dollar £000	Euro £000	Canadian Dollar £000	Total £000
Financial investments	10,290	208,186	–	13,515	231,991
Reinsurers' share of technical provisions	10,756	144,321	11,456	2,682	169,215
Debtors	13,874	103,781	3,454	(408)	120,701
Cash in hand and at bank	20,138	53,426	13,352	1,396	88,312
Other assets	10,212	78,438	3,877	1,323	93,850
Total assets	65,270	588,152	32,139	18,508	704,069
Technical provisions	(78,232)	(541,300)	(51,646)	(6,690)	(677,868)
Creditors	(275)	(27,238)	(662)	(225)	(28,400)
Other creditors	(2,678)	(6,801)	(423)	(217)	(10,119)
Total liabilities	(81,185)	(575,339)	(52,731)	(7,132)	(716,387)
Member's balances by currency	(15,915)	12,813	(20,592)	11,376	(12,318)

Sensitivity analysis

The Syndicate performs sensitivity analysis based on a 10% strengthening of Pound Sterling against the US Dollar, Euro and Canadian Dollar. This analysis assumes that all other variables, in particular interest rates, remain constant and that the underlying valuation of assets and liabilities in their base currency is unchanged. During the year, the Syndicate transacted in a number of over-the-counter forward currency derivative contracts. The impact of these contracts on the sensitivity analysis is negligible. A 10% strengthening of the 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:

Table f)	2016 £000	2015 £000
US Dollar	37	(1,281)
Euro	218	2,059
Canadian Dollar	1,424	(1,138)

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4 Management of risk continued

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. HSL devotes considerable resources to meet its regulatory obligations, including compliance, risk management and internal audit functions.

Operational risk

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

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

5 Segmental analysis

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

	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
2016						
Direct insurance						
Accident and health	8,183	7,886	(4,650)	(2,743)	–	493
Motor – third-party liability	4,786	4,009	(3,203)	(1,203)	13	(384)
Motor – other classes	28,718	24,056	(19,219)	(7,218)	79	(2,302)
Marine aviation and transport	93,020	85,950	(73,767)	(24,635)	1,248	(11,204)
Fire and other damage to property	60,360	52,359	(32,801)	(15,115)	(6,461)	(2,018)
Third-party liability	210,103	196,414	(90,028)	(74,629)	863	32,620
Miscellaneous	109,604	90,739	(71,719)	(28,387)	(202)	(9,569)
	514,774	461,413	(295,387)	(153,930)	(4,460)	7,636
Reinsurance	18,697	16,920	(11,027)	(5,769)	–	124
Total	533,471	478,333	(306,414)	(159,699)	(4,460)	7,760
2015						
Direct insurance						
Accident and health	5,596	5,550	(2,659)	(2,699)	–	192
Motor – third-party liability	3,606	2,895	(1,876)	(941)	(86)	(8)
Motor – other classes	21,249	17,303	(11,204)	(5,575)	(518)	6
Marine aviation and transport	75,714	65,170	(42,326)	(19,526)	(4,227)	(909)
Fire and other damage to property	45,457	47,165	(26,729)	(14,517)	(4,762)	1,157
Third-party liability	156,645	146,923	(68,327)	(59,681)	1,167	20,082
Miscellaneous	72,616	59,830	(37,472)	(19,487)	(1,766)	1,105
	380,883	344,836	(190,593)	(122,426)	(10,192)	21,625
Reinsurance	18,678	8,842	(5,471)	(3,212)	–	159
Total	399,561	353,678	(196,064)	(125,638)	(10,192)	21,784

All premiums were concluded in the UK.

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5 Segmental analysis continued

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

	2016 £000	2015 £000
United Kingdom	11,231	6,988
Other European Union member states	16,252	23,572
United States	341,758	132,854
Other	109,092	190,264
Total	478,333	353,678

6 Investment return

	2016 £000	2015 £000
Investment income		
Interest income on financial assets	4,744	3,315
Gains on realisation of investments	9,778	490
Total investment income	14,522	3,805
Investment expenses and charges		
Investment management expenses	(279)	(269)
Losses on realisation of investments	(8,856)	(558)
Total investment expenses and charges	(9,135)	(827)

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

	2016 £000	2015 £000
Average amount of Syndicate funds available for investment during the year		
Pound Sterling	18,614	34,605
Euro	11,722	14,192
US Dollar	329,666	225,122
Canadian Dollar	16,581	19,441
Total funds available for investment	376,583	293,360

	2016 %	2015 %
Annual investment yield		
Pound Sterling	0.6	2.1
Euro	–	–
US Dollar	1.2	0.5
Canadian Dollar	1.0	0.5
Total annual investment yield percentage	1.1	0.7

Syndicate funds include investments and cash.

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7 Net operating expenses

	2016 £000	2015 £000
Brokerage and commissions	168,536	129,486
Other acquisition costs	7,078	6,454
Change in deferred acquisition costs	(15,082)	(14,806)
Administrative expenses	11,175	8,316
Member's standard personal expenses	4,054	2,649
Reinsurers' commissions and profit participations	(16,062)	(6,461)
Total	159,699	125,638

Brokerage and commissions on direct business written was £163.4 million (2015: £124.5 million).
 Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT).

	2016 £000	2015 £000
Auditor's remuneration		
Fees payable to the Syndicate's auditor for the audit of these annual accounts	91	86
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	36	27
Total	127	113

2015 auditor's remuneration was paid to KPMG Audit Plc.

8 Staff costs

The Syndicate and its managing agent have no employees.

The Syndicate did not directly incur staff costs during the year (2015: nil). The following salary and related costs were recharged during the year.

	2016 £000	2015 £000
Wages and salaries	7,269	4,756
Social security costs and other pension costs	1,067	1,085
Total	8,336	5,841

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

	2016 £000	2015 £000
Directors' emoluments	247	189

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

	2016 £000	2015 £000
Underwriter's emoluments	65	74

9 Financial investments

	2016 Fair value £000	2016 Cost £000	2015 Fair value £000	2015 Cost £000
Debt securities and other fixed income securities	382,680	337,967	231,991	233,613
Derivative financial assets	290	–	–	–
Total	382,970	337,967	231,991	233,613

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9 Financial investments continued

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

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

Fair value hierarchy

The Syndicate has adopted FRED 62 draft amendments to FRS 102 – fair value hierarchy disclosures.

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

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

2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Debt securities and other fixed income securities	160,106	222,574	–	382,680
Derivative financial assets	–	290	–	290
Total	160,106	222,864	–	382,970

2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Debt securities and other fixed income securities	97,234	134,757	–	231,991

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.

2016	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	10,838	290	(4)	286

There were no unsettled derivatives in 2015.

Foreign exchange forwards

During 2016 and 2015, the Syndicate entered into a series of conventional forward contracts in order to avoid exchange volatility on Pound Sterling and Euro denominated monetary assets. The contracts required the Syndicate to forward sell a fixed amount of Pound Sterling and Euros for US Dollars at pre-agreed exchange rates.

The investment return in 2016 on these foreign exchange forwards is disclosed in note 6.

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10 Technical provisions

2016	Gross provisions £000	Reinsurance assets £000	Net £000
Claims incurred:			
Balance at 1 January	393,088	(99,307)	293,781
Over-provision in respect of prior claims and claim adjustment expenses	(16,973)	(77)	(17,050)
Expected cost of current year claims	323,387	(92,090)	231,297
Claims paid for claims settled in year	(231,829)	83,865	(147,964)
Effect of movements in exchange rates	68,097	(17,778)	50,319
Balance at 31 December	535,770	(125,387)	410,383
Unearned premiums:			
Balance at 1 January	284,780	(69,908)	214,872
Premium written during the year	533,471	(121,629)	411,842
Premium earned during the year	(478,333)	96,627	(381,706)
Effect of movements in exchange rates	52,106	(13,021)	39,085
Balance at 31 December	392,024	(107,931)	284,093
Deferred acquisition costs:			
Balance at 1 January	92,219	(8,005)	84,214
Acquisition costs written	168,536	(31,335)	137,201
Acquisition costs earned	(153,454)	16,062	(137,392)
Effect of movements in exchange rates	16,212	(2,733)	13,479
Balance at 31 December	123,513	(26,011)	97,502
2015			
Claims incurred:			
Balance at 1 January	346,998	(58,011)	288,987
Over-provision in respect of prior claims and claim adjustment expenses	(26,458)	(5,315)	(31,773)
Expected cost of current year claims	222,522	(57,164)	165,358
Claims paid for claims settled in year	(164,110)	44,978	(119,132)
Effect of movements in exchange rates	14,136	(23,795)	9,659
Balance at 31 December	393,088	(99,307)	293,781
Unearned premiums:			
Balance at 1 January	226,157	(58,011)	168,146
Premium written during the year	399,561	(81,752)	317,809
Premium earned during the year	(353,678)	72,671	(281,007)
Effect of movements in exchange rates	12,740	(2,816)	9,924
Balance at 31 December	284,780	(69,908)	214,872
Deferred acquisition costs:			
Balance at 1 January	73,415	(7,406)	66,009
Acquisition costs written	135,939	(6,778)	129,161
Acquisition costs earned	(121,133)	6,461	(114,672)
Effect of movements in exchange rates	3,998	(282)	3,716
Balance at 31 December	92,219	(8,005)	84,214

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11 Debtors arising out of direct insurance operations

	2016 £000	2015 £000
Amounts due from intermediaries		
Due within one year	122,690	81,271
Due after one year	20,898	14,019
	143,588	95,290

12 Debtors arising out of reinsurance operations

	2016 £000	2015 £000
Amounts due from intermediaries	19,842	25,411

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 Pound Sterling at the closing rate of exchange at 31 December 2016.

Pure underwriting year						
Gross of reinsurance	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000
Estimate of cumulative claims:						
At end of underwriting year one	67,361	104,202	79,914	115,638	127,588	165,688
One year later	157,971	189,862	183,307	221,814	284,991	
Two years later	159,782	202,863	184,093	230,368		
Three years later	148,664	199,403	193,839			
Four years later	145,331	192,586				
Five years later	138,697					
Cumulative payments	(118,195)	(137,276)	(142,884)	(152,231)	(113,957)	(31,420)
Estimated balance to pay	20,502	55,310	50,955	78,137	171,034	134,268
Provision in respect of prior years						25,564
Total gross provision included in the balance sheet						535,770
Net of reinsurance	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000
Estimate of cumulative claims:						
At end of underwriting year one	58,432	72,277	69,468	79,915	98,636	130,113
One year later	138,196	147,805	164,439	157,216	212,399	
Two years later	141,040	153,933	162,429	152,135		
Three years later	127,332	148,765	163,617			
Four years later	121,872	143,250				
Five years later	116,472					
Cumulative payments	(100,214)	(114,650)	(124,452)	(94,800)	(72,919)	(21,496)
Estimated balance to pay	16,258	28,600	39,165	57,335	139,480	108,617
Provision in respect of prior years						20,928
Total net provision included in the balance sheet						410,383

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14 Creditors arising out of reinsurance operations

	2016 £000	2015 £000
Amounts due to intermediaries		
Due within one year	29,200	17,945
Due after one year	12,965	10,455
	42,165	28,400

15 Accruals and deferred income

	2016 £000	2015 £000
Deferred reinsurance commission	26,011	8,005

The balance above relates to deferred reinsurers' commission.

16 Related parties

Related companies

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

HSL is a wholly-owned indirect subsidiary of Hiscox Ltd which is incorporated in Bermuda and listed on the London Stock Exchange .

Hiscox Dedicated Corporate Member Limited, a wholly-owned indirect subsidiary of Hiscox Ltd, is a corporate member within the Hiscox Group which owns the entire capacity of all pure underwriting years of Syndicate 3624.

Hiscox Underwriting Group Services Limited, a wholly-owned indirect subsidiary of Hiscox Ltd, is an employment service company which employs all UK-based staff engaged in Syndicate 3624 activities including underwriters, claims handlers, reinsurance staff and administrative staff. Hiscox Underwriting Group Services Limited charges a fee for the provision of these staff to the Syndicate 3624 on a no profit/no loss basis.

Hiscox Insurance Company (Bermuda) Limited, a wholly-owned direct subsidiary of Hiscox Ltd, is a Class 4 insurer in Bermuda authorised by the Bermuda Monetary Authority. It supplies some risk modeling services to HSL. Syndicate 3624 purchases some reinsurance from Hiscox Insurance Company (Bermuda) Limited; such reinsurances are on an arm's-length basis.

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

Hiscox Underwriting Ltd, a wholly-owned indirect subsidiary of Hiscox Ltd, is an FCA authorised non-life insurance intermediary and Lloyd's Service Company. It places business with Syndicate 3624. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox Underwriting Ltd.

Hiscox Europe Underwriting Limited, a wholly-owned indirect subsidiary of Hiscox Ltd, is an FCA authorised non-life insurance intermediary and Lloyd's Service Company. It places business Syndicate 3624. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox Europe Underwriting Limited.

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

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16 Related parties continued

Hiscox Ltd indirectly 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 Limited which currently places business with various carriers, including Syndicate 3624, and had until 2012 previously placed some business with Syndicate 33. Media Insurance Brokers Limited 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 Limited.

Hiscox Ltd indirectly 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.

Underwriting divisions

Hiscox Ltd and its subsidiaries organises its core underwriting activities into a number of underwriting divisions. Some of these divisions underwrite for multiple entities which are partly or wholly owned by Hiscox Ltd including Syndicate 3624, and some also underwrite for entities not partly nor wholly owned by Hiscox Ltd. This integrated approach is aimed at maximising business opportunities by using combined knowledge to develop new products and markets. There are certain predetermined mechanisms for allocating certain types of insurance risks to these carriers which take into account the licences, business plans and reinsurance programmes of each carrier. These arrangements are structured to take full and proper account of the duties owed to the members of Syndicate 3624 and to manage appropriately any potential conflicts of interest.

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

Balance sheet net assets and (liabilities) outstanding	2016 £000	2015 £000
Other HSL managed Syndicates	(818)	–
Hiscox Ltd subsidiaries (intermediary services)	42,155	18,220
Hiscox Ltd subsidiaries (insurance)	3,765	4,866
Hiscox Ltd subsidiaries (other)	(945)	(914)
	44,157	22,172

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

Net income and (expenses) reflected in the profit and loss	2016 £000	2015 £000
Other HSL managed Syndicates	(158)	–
Hiscox Ltd subsidiaries (intermediary services)	(45,829)	(33,801)
Hiscox Ltd subsidiaries (insurance)	323	2,371
Hiscox Ltd subsidiaries (other)	(12,614)	(10,034)
	(58,278)	(41,464)

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

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

17 Syndicate structure

The managing agent of the Syndicate is Hiscox Syndicates Limited whose immediate parent undertaking is Hiscox Holdings Limited, a company registered in England and Wales. The ultimate parent undertaking of the largest and smallest group of companies for which group accounts are drawn up is Hiscox Ltd, Bermuda. Copies of Hiscox Ltd financial statements can be obtained from Wessex House, 45 Reid Street, Hamilton, Bermuda.

18 Subsequent event

On 27 February 2017 the Lord Chancellor announced a change to the discount rate in relation to compensation claims as a result of personal injury from +2.5% to -0.75%. The impact to the Syndicate has been assessed as not material.

