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HISCOX

Hiscox Syndicates 33 and 6104 Report and Accounts 2016

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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
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

Syndicates 33 and 6104:

Active underwriter

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

Bankers (Syndicate 33)

Lloyds Bank PLC
Citibank
Royal Bank of Canada
Northern Trust

Investment managers (Syndicate 33)

AllianceBernstein Limited
Wellington Management Company LLP
Fiera Capital Corporation

Registered auditors

PricewaterhouseCoopers LLP

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 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.

Separate underwriting year accounts for the closed 2014 account of Syndicate 33 are included following these annual accounts.

Results
The result for Syndicate 33 in calendar year 2016 is a profit of £146.5 million (2015: £154.6 million). The Syndicate's key financial performance indicators during the year were as follows:

	2016 £m	2015 £m	% change
Gross premiums written	1,056.6	846.7	25
Gross premiums earned	971.4	820.6	18
Net premiums earned	600.3	532.8	13
Profit for the financial year	146.5	154.6	(5)
Claims ratio (%)	34	34	–
Commission ratio (%)	20	18	2
Expense ratio (%)	26	21	5
Combined ratio (%)	80	73	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 Pound 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, 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 S&P and AA- (Very strong) rating from Fitch.

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

Geographical split of gross premiums written (%)	2016	2015
UK	1	1
Europe	3	3
North America	58	56
Asia	4	8
Rest of the world	34	32

Gross premiums written settlement currency (%)	2016	2015
Pound Sterling	10	11
Euro	7	8
US Dollar	80	78
Canadian Dollar	3	3

Review of the business
The result for the year was a profit of £146.5 million (2015: profit of £154.6 million). A breakdown of divisional performance is shown below:

Division	2016 Gross premiums written £m	2016 Profit £m	2015 Gross premiums written £m	2015 Profit £m
Reinsurance	300.8	54.5	238.8	50.7
Property	272.8	16.7	225.9	38.9
Aerospace and specialty	175.7	43.8	147.1	29.3
Marine and energy	128.9	27.6	111.0	22.1
Casualty	114.6	(0.5)	68.9	5.2
Art and private client	63.8	4.4	55.0	8.4
Total	1,056.6	146.5	846.7	154.6

Review of the business continued

Property

The division comprises property binding authorities principally focused on the US, insuring household and small commercial risks including a new product covering flood risk, 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 binding authority accounts which now comprise approximately 80% of the division's premium. The division had a good year despite a relatively modest level of natural catastrophe activity following the Alberta wildfires and Hurricane Matthew.

Reinsurance

This division includes the Syndicate's non-marine property reinsurance business (catastrophe including retro, risk excess and pro-rata reinsurance), marine and aviation reinsurance, and growing specialty and casualty accounts. Underlying premium growth came from the catastrophe account, although net premium actually shrank as more premium was ceded to the Syndicate's quota share partners, the specialty account and the transfer of the casualty treaty account from the casualty division. Another year of good profit was achieved with relatively modest losses coming from the Alberta wildfires and Hurricane Matthew in part due to the underwriters' preference not to write the lower layers of catastrophe programmes. Profit was boosted by significant levels of fee income 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 the Syndicate's new cargo account. Stripping out the effects of exchange rate movements premiums were modestly higher with the growth from the cargo account offsetting the reduction in energy premium income due to rate reductions and reduced demand driven by the lower oil price. Profits remained strong driven by the energy and marine liability accounts.

Aerospace and specialty

This division brings together a number of specialist lines such as kidnap and ransom, terrorism, contingency, personal accident (PA) and political risks with the Syndicate's space and aviation war accounts. At constant exchange rates premiums grew at a modest rate driven by the PA account as the new underwriting team continued to gain traction. Profit improved year on year mainly due to the fact that the 2015 result was adversely impacted by a poor performance from the political risks account which was not repeated in 2016.

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, and the developing D&O and general liability accounts which were established following recent hires. The casualty treaty account was transferred to the reinsurance division in the year. General liability and D&O were the main drivers of growth. Despite continued favourable reserve development on the older PI claims the division made a small loss due to a small number of larger D&O claims.

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.

2017 and the future

2016 was the fourth consecutive year of relatively modest catastrophe loss experience. This together with the plentiful availability of traditional and alternative capital has led to a continuation of soft market underwriting conditions. The reinsurance market remains soft with rate reductions (albeit lower than in recent years) prevalent across most territories. European renewals at 1 January were particularly poor. We have sought to adapt the Syndicate's business to this persistent soft market, focusing our efforts on those lines where we see good long-term opportunity. To that end we have decided to withdraw from political risks insurance which is a volatile class with increasingly long policy periods. We are adjusting our appetite in a number of other classes.

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

Capital

One of the main advantages of trading through Lloyd's is the considerably lower capital ratios that are available due to the diversification of business written in Syndicate 33 and in Lloyd's as a whole. The size of the Syndicate is increased or reduced according to the strength of the insurance environment in its main classes. At present, Hiscox owns 72.5% of the Syndicate, with the remainder being owned by non-aligned Names. Hiscox receives a fee, profit-related remuneration and a profit commission on the element it does not own.

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 33 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 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 has £959.8 million (2015: £919.7 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. However, 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.

Investment report
Investment return for Syndicate 33 was £22.6 million (2015: £10.1 million) equating to a return of 1.6% (2015: 0.9%). The Syndicate's invested assets totalled £1,551 million at 31 December 2016 (2015: £1,361 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 pleased with the investment return which represents a significant increase over last year and exceeded our original 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 80% 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 1.6% 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, where we are mostly invested, were unaffected with the Bank of England and the European Central Bank continuing or enhancing their respective quantitative easing programmes. The Sterling assets were insufficient for much of the year to justify a segregated portfolio and the absolute returns were de minimis. The Canadian Dollar portfolio is also small but added relative value. The numbers in Euros are similarly modest but a 0.8% return is certainly acceptable in a world where negative yields persist in the bond markets and banks generally charge for holding cash.

Years of account	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m
Capacity	899	949	949	1,000	1,000	1,000	1,150
Hiscox ownership	653	689	689	725	725	725	834
Hiscox ownership (%)	72.6	72.6	72.6	72.5	72.5	72.5	72.5

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

Investment report continued
With the Federal Reserve increasing US interest rates by 0.25% as expected in December and signalling that they expect three more such 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 of our managers 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
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 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 Syndicates 33 and 6104 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 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 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 33

Report on the Syndicate annual accounts

Our opinion

In our opinion Syndicate 33'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 33 and 6104 Report and Accounts (the 'Annual Report'), comprise:

- profit and loss account 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; and
- the notes to the Syndicate annual accounts, which include a summary of significant accounting policies and other explanatory information.

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 7, 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 33 annual accounts

	Notes	2016 £000	2015 £000
Earned premiums, net of reinsurance			
Gross premiums written	5	1,056,569	846,682
Outward reinsurance premiums		(412,578)	(291,386)
Net premiums written		643,991	555,296
Change in the provision for unearned premiums:			
Gross amount		(85,204)	(26,072)
Reinsurers' share		41,510	3,532
Change in the net provision for unearned premiums		(43,694)	(22,540)
Earned premiums, net of reinsurance		600,297	532,756
Allocated investment return transferred from the non-technical account		22,640	10,118
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(353,145)	(326,403)
Reinsurers' share		85,027	93,960
Net claims paid		(268,118)	(232,443)
Change in the provision for claims:			
Gross amount		(80,248)	78,522
Reinsurers' share		79,908	(44,125)
Change in the net provision for claims		(340)	34,397
Claims incurred, net of reinsurance		(268,458)	(198,046)
Net operating expenses	7	(274,106)	(207,376)
Balance on the technical account for general business		80,373	137,452

All operations relate to continuing activities.

The notes on pages 15 to 32 form an integral part of these annual accounts.

Profit and loss account: non-technical account – general business
Year ended 31 December 2016
Hiscox Syndicate 33 annual accounts

	Notes	2016 £000	2015 £000
Balance on the general business technical account		80,373	137,452
Investment income	6	30,363	27,091
Unrealised gains on investments		4,058	1,103
Investment expenses and charges	6	(6,018)	(10,623)
Unrealised losses on investments		(5,763)	(7,453)
Allocated investment return transferred to the general business technical account		(22,640)	(10,118)
Foreign exchange gains		66,171	17,183
Profit for the financial year		146,544	154,635

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 other comprehensive income has been presented.

The notes on pages 15 to 32 form an integral part of these annual accounts.

Balance sheet – assets
At 31 December 2016
Hiscox Syndicate 33 annual accounts

	Notes	2016 £000	2015 £000
Investments			
Financial investments	9	1,469,854	1,310,021
Reinsurers' share of technical provisions			
Provision for unearned premium	10	149,684	99,839
Claims outstanding	10, 13	406,065	272,521
		555,749	372,360
Debtors			
Debtors arising out of direct insurance operations	11	203,164	162,651
Debtors arising out of reinsurance operations	12	108,734	72,173
Other debtors		10,684	14,630
		322,582	249,454
Other assets			
Cash at bank and in hand		81,280	51,426
Prepayments and accrued income			
Accrued interest		5,468	6,120
Deferred acquisition costs	10	135,750	103,647
Other prepayments and accrued income		362	–
Total assets		2,571,045	2,093,028

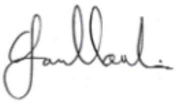
The notes on pages 15 to 32 form an integral part of these annual accounts.

Balance sheet – liabilities
At 31 December 2016
Hiscox Syndicate 33 annual accounts

	Notes	2016 £000	2015 £000
Capital and reserves			
Members' balances		177,520	194,233
Technical provisions			
Provision for unearned premium	10	504,538	392,510
Claims outstanding	10, 13	1,513,556	1,222,159
		2,018,094	1,614,669
Creditors			
Creditors arising out of reinsurance operations	14	249,907	193,230
Other creditors		27,898	9,806
		277,805	203,036
Accruals and deferred income	15	97,626	81,090
Total liabilities		2,571,045	2,093,028

The notes on pages 15 to 32 form an integral part of these annual accounts.

The Syndicate annual accounts on pages 9 to 32 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 members' balances
Year ended 31 December 2016
Hiscox Syndicate 33 annual accounts

	2016 £000	2015 £000
Members' balances brought forward at 1 January	194,233	198,736
Total recognised gains and losses for the year	146,544	154,635
Payments of profit to members' personal reserve funds	(160,943)	(159,804)
Members' agent fees	(2,314)	(2,334)
Members' balances carried forward at 31 December	177,520	194,233

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 32 form an integral part of these annual accounts.

Statement of cash flows
Year ended 31 December 2016
Hiscox Syndicate 33 annual accounts

	2016 £000	2015 £000
Net cash flows from operating activities		
Profit for the year	146,544	154,635
Increase/(decrease) in gross technical provisions	403,426	(1,995)
(Increase)/decrease in reinsurers' share of gross technical provisions	(183,389)	28,925
Increase in debtors	(73,250)	(3,009)
Increase/(decrease) in creditors	74,747	(23,736)
Movement in other assets/liabilities	(15,277)	(9,343)
Investment return	(22,640)	(10,118)
Net cash inflows from operating activities	330,161	135,359
Net cash flows from investing activities		
Purchase of equity and debt instruments	(1,208,826)	(1,246,196)
Sale of equity and debt instruments	1,265,915	1,280,028
Sale of derivatives	174	–
Investment income received	24,344	16,433
Other movements on investments	(224,831)	(39,396)
Net cash flows from financing activities		
Distribution profit	(163,257)	(159,138)
Net increase/(decrease) in cash and cash equivalents	23,680	(12,910)
Effect of exchange rates on cash and cash equivalents	6,174	552
Cash and cash equivalents at the beginning of the year	51,426	63,784
Cash and cash equivalents at the end of the year	81,280	51,426

The notes on pages 15 to 32 form an integral part of these annual accounts.

Notes to the accounts

Year ended 31 December 2016

Hiscox Syndicate 33
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), Financial Reporting Standard 103, Insurance Contracts (FRS 103) where applicable and the Companies Act 2006.

These annual accounts 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.

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 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.

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.

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 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.

2(i) Taxation

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

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

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

2(j) Pension costs

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

2(k) 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(l) Bad debts

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

2(m) Reinsurers' commissions and profit participations

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

2(n) Derivative financial instruments

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

2(o) Cash at bank and in hand

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

3 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.

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

4 Management of risk continued

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 modelled 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: reinsurance inwards, 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.

Reinsurance inwards

The Syndicate's reinsurance inwards acceptances are primarily focused on large commercial property held by other insurance companies predominantly in North America and other developed economies. This business is characterised more by large claims arising from individual events or catastrophes than the high-frequency, low-severity attritional losses associated with certain other business written by the Syndicate. Multiple insured losses can periodically arise out of a single natural or man-made occurrence. The main circumstances that result in claims against the reinsurance inwards book are conventional catastrophes, such as earthquakes or storms, and other events including fires and explosions. The occurrence and impact of these events are very difficult to model over the short term which complicates attempts to anticipate loss frequencies on an annual basis. In those years where there is a low incidence of severe catastrophes, loss frequencies on the reinsurance inwards book can be relatively low.

4 Management of risk continued

Consequently the frequency and severity of reinsurance inwards claims are related not only to the number of significant insured events that occur but also to their individual magnitude. If numerous catastrophes occurred in any one year, but the cedant's individual loss on each was below the minimum stated, then the Syndicate would have no liability under such contracts. Maximum gross line sizes and aggregate exposures are set for each type of programme.

The Syndicate writes reinsurance risks for periods of mainly one year so that contracts can be assessed for pricing and terms and adjusted to reflect any changes in market conditions.

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, artwork, antiques, classic cars and jewellery. 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. Risks covered for periods exceeding one year are certain specialist lines such as marine and offshore construction projects which can typically have building and assembling periods of between three and four years.

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.

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.

Property insurance, 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.

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.

4 Management of risk continued

(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.

(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	26	32
Government supported*	6	6
Asset backed securities	8	11
Mortgage backed instruments – agency	7	4
Mortgage backed securities – non agency	4	8
Corporate bonds	49	39

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

4 Management of risk continued

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 £12.8 million (2015: £8.6 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. 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 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.

4 Management of risk continued

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	237,185	615,135	323,548	293,986	1,469,854
Reinsurers' share of technical provisions:					
claims outstanding	–	110,709	257,519	37,837	406,065
Debtors: reinsurance recoverable	–	8,509	16,262	3,640	28,411
Cash at bank and in hand	–	2,848	78,432	–	81,280
Total	237,185	737,201	675,761	335,463	1,985,610

At 31 December 2015	AAA £000	AA £000	A £000	BBB and below £000	Total £000
Financial investments	285,409	519,352	234,386	270,874	1,310,021
Reinsurers' share of technical provisions:					
claims outstanding	–	80,386	173,310	18,825	272,521
Debtors: reinsurance recoverable	–	6,318	9,884	1,968	18,170
Cash at bank and in hand	44,101	7,029	296	–	51,426
Total	329,510	613,085	417,876	291,667	1,652,138

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.

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.

4 Management of risk continued

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	229,594	943,244	106,588	190,428	1,469,854
Reinsurers' share of technical provisions	172,763	143,172	47,308	42,822	406,065
Debtors	259,455	40,489	10,454	12,184	322,582
Cash and cash equivalents	81,280	–	–	–	81,280
Prepayments and accrued income	5,830	–	–	–	5,830
Technical provisions	(580,521)	(534,881)	(214,718)	(183,436)	(1,513,556)
Creditors	(172,533)	(64,563)	(32,612)	(8,097)	(277,805)
Accrual and deferred income	(40,546)	(16,269)	–	–	(56,815)
Total	(44,678)	511,192	(82,980)	53,901	437,435

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	207,271	750,706	156,442	195,602	1,310,021
Reinsurers' share of technical provisions	100,628	58,731	78,191	34,971	272,521
Debtors	197,121	28,988	10,889	12,457	249,454
Cash and cash equivalents	51,426	–	–	–	51,426
Prepayments and accrued income	6,120	–	–	–	6,120
Technical provisions	(451,281)	(263,388)	(350,657)	(156,833)	(1,222,159)
Creditors	(81,335)	(95,785)	(25,916)	–	(203,036)
Accrual and deferred income	(11,855)	(41,937)	–	–	(53,792)
Total	29,950	479,251	(131,051)	86,197	464,347

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	1.7	1.1
US Dollar	3.7	4.6
Euro	2.5	2.9
Canadian Dollar	1.7	1.8

(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.

4 Management of risk continued

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	55,436	1,284,699	71,886	57,833	1,469,854
Reinsurers' share of technical provisions	32,728	471,962	16,308	34,751	555,749
Debtors	35,070	260,015	17,471	10,026	322,582
Cash in hand and at bank	41,976	21,357	16,011	1,936	81,280
Other assets	21,931	107,435	8,163	4,051	141,580
Total assets	187,141	2,145,468	129,839	108,597	2,571,045
Technical provisions	(171,574)	(1,657,170)	(114,600)	(74,750)	(2,018,094)
Creditors	(55,995)	(201,324)	(10,515)	(9,971)	(277,085)
Accruals and deferred income	(59,463)	(35,124)	(909)	(2,130)	(97,626)
Total liabilities	(287,032)	(1,893,618)	(126,024)	(86,851)	(2,393,525)
Members' balances by currency	(99,891)	251,850	3,815	21,746	177,520

At 31 December 2015	Pound Sterling £000	US Dollar £000	Euro £000	Canadian Dollar £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
Debtors	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)
Creditors	(31,640)	(145,556)	(10,019)	(6,015)	(193,230)
Accruals and deferred income	(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

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	(24,922)	(22,111)
Euro	(382)	(1,996)
Canadian Dollar	(2,175)	(918)

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.

4 Management of risk continued

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:

2016	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	83,032	72,897	(30,159)	(37,712)	(134)	4,892
Marine aviation and transport	89,023	81,250	(46,506)	(27,561)	(441)	6,742
Fire and other damage to property	372,746	340,452	(150,921)	(98,706)	(68,703)	22,122
Third-party liability	127,601	103,189	(84,938)	(33,773)	8,004	(7,518)
Miscellaneous	83,386	89,830	(36,128)	(37,976)	(11,888)	3,838
	755,788	687,618	(348,652)	(235,728)	(73,162)	30,076
Reinsurance	300,781	283,747	(84,741)	(38,378)	(132,971)	27,657
Total	1,056,569	971,365	(433,393)	(274,106)	(206,133)	57,733

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

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:

	2016 £000	2015 £000
United Kingdom	19,861	10,857
Other European Union member states	27,982	26,049
United States	583,277	459,126
Other	340,245	324,578
Total	971,365	820,610

6 Investment return

	2016 £000	2015 £000
Investment income		
Interest income on financial assets	23,726	20,710
Gains on realisation of investments	6,637	6,381
Total investment income	30,363	27,091

Investment expenses and charges		
Investment management expenses	(1,817)	(2,215)
Losses on realisation of investments	(4,201)	(8,408)
Total investment expenses and charges	(6,018)	(10,623)

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	50,156	123,084
Euro	88,484	101,994
US Dollar	1,201,681	1,116,180
Canadian Dollar	40,848	39,974
Total funds available for investment	1,381,169	1,381,232

	2016 %	2015 %
Annual investment yield		
Pound Sterling	0.7	0.9
Euro	0.8	0.4
US Dollar	1.7	0.9
Canadian Dollar	1.1	1.6
Total annual investment yield percentage	1.6	0.9

Syndicate funds include investments and cash.

7 Net operating expenses

	2016 £000	2015 £000
Brokerage and commissions	238,791	186,801
Other acquisition costs	25,707	23,076
Change in deferred acquisition costs	(25,057)	(10,413)
Administrative expenses	82,528	50,616
Members' standard personal expenses	45,249	39,402
Reinsurers' commissions and profit participations	(93,112)	(82,106)
Total	274,106	207,376

Brokerage and commissions on direct business written was £198.5 million (2015: £154.9 million). Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT).

7 Net operating expenses continued

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 over a rolling seven-year period. 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 £20.7 million expense (2015: £10.4 million credit) calculated by the scheme actuary.

	2016 £000	2015 £000
Auditor's remuneration		
Fees payable to the Syndicate's auditor for the audit of the Syndicate annual accounts	210	191
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	74	68
Total	284	259

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	37,203	27,303
Social security costs and pension costs (excluding provision for pension deficit)	5,461	6,225
Total	42,664	33,528

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	1,081	1,216

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

	2016 £000	2015 £000
Underwriters' emoluments	666	694

9 Financial investments

	2016 Fair value £000	2016 Cost £000	2015 Fair value £000	2015 Cost £000
Debt securities and other fixed income securities	1,469,801	1,472,408	1,309,897	1,322,282
Derivative financial assets	53	–	124	–
Total	1,469,854	1,472,408	1,310,021	1,322,282

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.

9 Financial investments continued

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	294,253	1,175,548	–	1,469,801
Derivative financial assets	–	53	–	53
Total	294,253	1,175,601	–	1,469,854

2015	Level 1 £000	Level 2 £000	Level 3 £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

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	6,531	30	(8)	22
Interest rate future contracts	31,086	23	(56)	(33)
Total	37,617	53	(64)	(11)

2015	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 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.

Interest rate future contracts

During 2016 and 2015, the Syndicate used Pound Sterling, Euro and US Dollar government bond futures to informally hedge the interest rate risk on specific corporate bonds.

The investment return in 2016 on these foreign exchange forwards and interest rate future contracts is disclosed in note 6.

10 Technical provisions

2016	Gross provisions £000	Reinsurance assets £000	Net £000
Claims incurred:			
Balance at 1 January	1,222,159	(272,521)	949,638
Over-provision in respect of prior claims and claim adjustment expenses	(173,231)	38,111	(135,120)
Expected cost of current year claims	606,624	(203,046)	403,578
Claims paid for claims settled in year	(353,145)	85,027	(268,118)
Effect of movements in exchange rates	211,149	(53,636)	157,513
Balance at 31 December	1,513,556	(406,065)	1,107,491
Unearned premiums:			
Balance at 1 January	392,510	(99,839)	292,671
Premium written during the year	1,056,569	(412,578)	643,991
Premium earned during the year	(971,365)	371,068	(600,297)
Effect of movements in exchange rates	26,824	(8,335)	18,489
Balance at 31 December	504,538	(149,684)	354,854
Deferred acquisition costs:			
Balance at 1 January	103,647	(27,298)	76,349
Acquisition costs written	238,791	(103,908)	134,883
Acquisition costs earned	(213,734)	93,112	(120,622)
Effect of movements in exchange rates	7,046	(2,408)	4,638
Balance at 31 December	135,750	(40,502)	95,248

2015	Gross provisions £000	Reinsurance assets £000	Net £000
Claims incurred:			
Balance at 1 January	1,251,947	(304,596)	947,351
Over-provision in respect of prior claims and claim adjustment expenses	(207,599)	62,604	(144,995)
Expected cost of current year claims	455,480	(112,439)	343,041
Claims paid for claims settled in year	(326,403)	93,960	(232,443)
Effect of movements in exchange rates	48,734	(12,050)	36,684
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
Deferred acquisition costs:			
Balance at 1 January	92,630	(23,383)	69,247
Acquisition costs written	209,878	(85,032)	124,846
Acquisition costs earned	(199,465)	82,106	(117,359)
Effect of movements in exchange rates	604	(989)	(385)
Balance at 31 December	103,647	(27,298)	76,349

11 Debtors arising out of direct insurance operations

	2016 £000	2015 £000
Amounts due from intermediaries		
Due within one year	162,503	130,822
Due after one year	40,661	31,829
	203,164	162,651

12 Debtors arising out of reinsurance operations

	2016 £000	2015 £000
Amounts due from intermediaries		
Reinsurance recoverable (due within one year)	28,411	18,170
Ceding insurers under reinsurance business (due within one year)	59,046	39,879
Ceding insurers under reinsurance business (due after one year)	21,277	14,124
	108,734	72,173

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	464,603	435,282	290,031	314,743	320,262	400,424
One year later	598,770	508,396	413,905	428,176	477,791	
Two years later	587,557	457,525	346,049	416,928		
Three years later	599,948	436,138	307,498			
Four years later	588,595	424,550				
Five years later	577,068					
Cumulative payments	(480,818)	(329,723)	(237,456)	(207,469)	(151,598)	(41,054)
Estimated balance to pay	96,250	94,827	70,042	209,459	326,193	359,370
Provision in respect of prior years						357,415
Total gross provision included in the balance sheet						1,513,556

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	329,687	263,859	221,636	230,459	229,145	234,668
One year later	403,813	345,589	336,915	332,603	363,170	
Two years later	388,603	317,645	283,899	323,708		
Three years later	390,964	289,478	256,427			
Four years later	388,831	280,905				
Five years later	383,957					
Cumulative payments	(309,072)	(212,520)	(192,497)	(150,579)	(114,192)	(30,046)
Estimated balance to pay	74,885	68,385	63,930	173,129	248,978	204,622
Provision in respect of prior years						273,562
Total net provision included in the balance sheet						1,107,491

14 Creditors arising out of reinsurance operations

	2016 £000	2015 £000
Amounts due to intermediaries		
Due within one year	153,082	120,007
Due after one year	96,825	73,223
	249,907	193,230

15 Accruals and deferred income

	2016 £000	2015 £000
Profit commission	56,815	53,692
Deferred reinsurance commission	40,811	27,398
	97,626	81,090

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

16 Related parties

Related companies

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

Syndicate 6104 is a limited tenancy capacity, Special Purpose Syndicate, that supports the underwriting of Syndicate 33 by providing reinsurance on an arm's-length basis for certain classes of catastrophe exposed reinsurance risks. Syndicate 33 receives an overrider commission and profit commission on the business ceded to Syndicate 6104.

HSL is a wholly-owned indirect subsidiary of Hiscox Ltd which is incorporated in Bermuda and listed on the London Stock Exchange. HSL receives a fixed fee for each pure underwriting year. HSL also receives profit commission and profit related remuneration as detailed in note 7.

Hiscox Dedicated Corporate Member Limited, a wholly-owned indirect subsidiary of Hiscox Ltd, is a corporate member which owns capacity in all pure underwriting years of Syndicate 33.

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 33 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 33 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 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 (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 33; such reinsurances are on an arm's-length basis and are in the interests of all the Names on the Syndicate.

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 33. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox Underwriting Ltd.

16 Related parties continued

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 with Syndicate 33. 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.

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 33, 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 33 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
Hiscox Syndicates Limited	(57,833)	(53,792)
Other HSL managed Syndicates	(47,942)	(58,587)
Hiscox Ltd subsidiaries (intermediary services)	16,336	15,396
Hiscox Ltd subsidiaries (insurance)	17,526	3,699
Hiscox Ltd subsidiaries (other)	6,626	8,043
	(65,287)	(85,241)

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
Hiscox Syndicates Limited	(48,176)	(42,090)
Other HSL managed Syndicates	(18,337)	(19,467)
Hiscox Ltd subsidiaries (intermediary services)	(6,890)	(6,425)
Hiscox Ltd subsidiaries (insurance)	(38,681)	(26,940)
Hiscox Ltd subsidiaries (other)	(84,285)	(53,081)
	(196,369)	(148,003)

Hiscox Syndicates Limited charged managing agent fees and profit commission to Syndicate 33 of £6.0 million (2015: £6.0 million) and £42.2 million (2015: £36.1 million) respectively.

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.

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 at 31 December 2016.

This report comprises the cumulative result to 31 December 2016 for the closed 2014 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

2014 account
The 2014 account has closed with a profit of 17% after all personal expenses (except members' agent's fees).

There was a release of £81.1 million from the closed years of 2013 and prior representing approximately 12% of RITC brought forward at constant exchange rates. The release was spread broadly across many classes of business.

The 2014 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 £1 billion and capacity utilisation was 69% when measured using the premium income monitoring rate of £1 = $1.52.

The 2014 account earned £18.5 million of investment income. The key driver of the investment return for the 2014 account is the performance of the investment portfolio in 2016 calendar year. The calendar year return was 1.6%.

2015 account
Premium income is up approximately 5% on 2014 when measured at constant exchange rates. Capacity utilisation is anticipated at 64% when measured using the premium income monitoring rate of £1 = $1.71. 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 2015 and 2016 and an absence of significant terrorism losses.

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

2016 account
Premium income is forecast to increase by approximately 3% on 2015 when measured at constant foreign exchange rates. Capacity utilisation is forecast to be 72% when measured using the premium income monitoring rate of £1 = $1.57. 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 -5% to +5% of capacity at this early stage.

2017 account and the future
Capacity has been increased to £1,150 million for 2017 entirely due to the weakness of Sterling.

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
13 March 2017

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:

- 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;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- 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 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 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 Syndicate underwriting year accounts may differ from legislation in other jurisdictions.

Independent auditor's report
To the members of Syndicate 33
2014 closed year of account

Report on the Syndicate underwriting year accounts

Our opinion

In our opinion, Syndicate 33's Syndicate underwriting year accounts for the 2014 year of account for the three years ended 31 December 2016 (the 'Syndicate underwriting year accounts'):
- give a true and fair view of the state of the Syndicate's profit for the 2014 closed year of account; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

What we have audited

The Syndicate underwriting year accounts, included within the Hiscox Syndicate 33 and 6104 Report and Accounts (the 'Annual Report'), comprise:
- the profit and loss account for the three years ended 31 December 2016;
- the balance sheet as at 31 December 2016;
- the statement of cash flows for the three years then ended; and
- the notes to the Syndicate underwriting year accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Syndicate underwriting year accounts is applicable law and United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

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.

Other matters on which we are required to report by exception

Under the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) we are required to report to you if, in our opinion:
- the managing agent in respect of the Syndicate has not kept proper accounting records; or
- the Syndicate underwriting year accounts are not in agreement with the accounting records. We have no exceptions to report arising from this responsibility.

Responsibilities for the Syndicate underwriting year 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 35, the managing agent is responsible for the preparation of the Syndicate underwriting year accounts in accordance with the financial reporting framework described above and for being satisfied that they give a true and fair view of the result for the 2014 closed year of account.

Our responsibility is to audit and express an opinion on the Syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland) (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 part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) 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 underwriting year 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 underwriting year accounts sufficient to give reasonable assurance that the Syndicate underwriting year 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 underwriting year 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 disclosures in the Syndicate underwriting year 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 underwriting year 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
For the 36 months ended 31 December 2016
Hiscox Syndicate 33 underwriting accounts

	Notes	£000
Syndicate allocated capacity		999,841
Earned premiums, net of reinsurance		
Gross premiums written		815,597
Outward reinsurance premiums		(276,511)
Earned premiums, net of reinsurance		539,086
Reinsurance to close premium received, net of reinsurance	3	564,736
		1,103,822
Allocated investment return transferred from the non-technical account		18,456
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(309,894)
Reinsurers' share		79,476
Net claims paid		(230,418)
Change in provision for claims:		
Gross amount		(665,700)
Reinsurers' share		139,411
Change in the net provision for claims		(526,289)
Claims incurred, net of reinsurance		(756,707)
Net operating expenses	7	(236,444)
Balance on the technical account for general business		129,127

The notes on pages 41 to 43 form an integral part of these underwriting year accounts.

Profit and loss account: non-technical account – general business
For the 36 months ended 31 December 2016
Hiscox Syndicate 33 underwriting accounts

	Notes	£000
Balance on the non-technical account for general business		129,127
Investment income	6	28,287
Unrealised gains on investments		3,116
Investment expenses and charges	6	(6,902)
Unrealised losses on investments		(6,045)
Allocated investment return transferred to the general business technical account		(18,456)
Foreign exchange gains or losses		40,982
Result before members' agents' fees		170,109
Members' agents' fees		(2,264)
Profit for the underwriting year		167,845

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 other comprehensive income has been presented.

The notes on pages 41 to 43 form an integral part of these underwriting year accounts.

Balance sheet
2014 account at 31 December 2016
Hiscox Syndicate 33 underwriting accounts

Assets	Notes	at 36 months £000
Investments		
Financial investments	8	755,867
Reinsurance recoveries anticipated on gross reinsurance to close premium payable	3	174,103
Debtors		
Debtors arising out of direct insurance operations	9	27,266
Debtors arising out of reinsurance operations	10	30,555
Other debtors		51,506
		109,327
Other assets		
Cash at bank and in hand		60,870
Prepayments and accrued income		
Accrued income		2,878
Other prepayments and accrued income		75
Total assets		1,103,120
Liabilities		
Capital and reserves		
Amounts due to members		167,845
Reinsurance to close premium payable – gross amount	3	827,994
Creditors		
Creditors arising out of reinsurance operations	11	54,268
Other creditors		12,467
		66,735
Accruals and deferred income		40,546
Total liabilities		1,103,120

The notes on pages 41 to 43 form an integral part of these underwriting year accounts.

The underwriting year accounts were approved by the Board of Hiscox Syndicates Limited on 13 March 2017 and was signed on its behalf by

I J Martin
Director

Statement of cash flows
For the 36 months ended 31 December 2016
Hiscox Syndicate 33 underwriting accounts

	£000
Net cash flows from operating activities	
Profit for the closed year of account	170,109
RITC premium payable, net of reinsurance	653,891
Increase in debtors	(109,327)
Increase in creditors	66,735
Movement in other assets/liabilities	37,593
Movement in other balances due from members	(2,264)
Investment return	(18,456)
Net cash inflows from operating activities	798,281
Net cash flows from investing activities	
Purchase of debt instruments	(1,875,983)
Sale of debt instruments	1,265,915
Sale of derivatives	174
Investment income received	21,385
Other movements on investments	(152,872)
Net cash flows from financing activities	–
Net increase in cash and cash equivalents	56,900
Effect of exchange rates on cash and cash equivalents	3,970
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	60,870

The notes on pages 41 to 43 form an integral part of these underwriting year accounts.

Notes to the accounts
At 31 December 2016
Hiscox Syndicate 33 underwriting year 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, comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

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 2014 year of account which has been closed by reinsurance to close at 31 December 2016. Consequently the balance sheet represents the assets and liabilities of the 2014 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 2014 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

2 Accounting policies
The following accounting policies have been applied consistently from 1 January 2014 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 prior 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 prior 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(g) Investment income
The returns on financial investments arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

3 Reinsurance premium to close the 2014 and prior years of account

	Reported £000	IBNR £000	Total £000
Reinsurance to close premium received			
Gross reinsurance to close premium received	356,410	360,891	717,301
Reinsurance recoveries anticipated	(63,981)	(88,584)	(152,565)
Reinsurance to close premium receivable, net of reinsurance	292,429	272,307	564,736
Reinsurance to close premium payable			
Gross reinsurance to close premium payable	401,534	426,460	827,994
Reinsurance recoveries anticipated	(64,127)	(109,976)	(174,103)
Reinsurance to close premium payable, net of reinsurance	337,407	316,484	653,891

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

4 Analysis of underwriting result

	2013 and prior £000	2014 £000	Total £000
Technical account balance before allocated investment return and net operating expenses	78,402	268,713	347,115
Brokerage and commission on gross premium	(23)	(173,842)	(173,865)
Total	78,379	94,871	173,250

5 Segmental analysis

	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Accident and health	50,847	50,847	(14,053)	(29,009)	(1,187)	6,598
Marine aviation and transport	100,377	100,377	(54,074)	(37,272)	(2,678)	6,353
Fire and other damage to property	339,582	339,582	(98,520)	(89,307)	(97,701)	54,054
Third-party liability	74,591	74,591	(54,527)	(25,755)	8,336	2,645
Credit and suretyship	20,099	20,099	(8,442)	(7,752)	(451)	3,454
Reinsurance	230,101	230,101	(28,677)	(47,349)	(116,508)	37,567
Reinsurance to close	717,301	717,301	(717,301)	–	–	–
Total	1,532,898	1,532,898	(975,594)	(236,444)	(210,189)	110,671

6 Investment return

	for the 36 months ended £000
Investment income	
Interest income on financial assets	22,247
Gains on realisation of investments	6,040
Total investment income	28,287
Investment expenses and charges	
Investment management expenses	(1,896)
Losses on realisation of investments	(5,006)
Total investment expenses and charges	(6,902)

Investment return for the 2014 year of account is recognised in the 2014, 2015 and 2016 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 accounts.

7 Net operating expenses

The cumulative Syndicate expenses charged in the 2014 underwriting account were made up as follows:

	for the 36 months ended £000
Brokerage and commissions	173,865
Other acquisition costs	23,128
Members' standard personal expenses	42,578
Administrative expenses	64,000
Auditor's remuneration (PricewaterhouseCoopers LLP)	24
Auditor's remuneration (KPMG Audit Plc)	230
Reinsurers' commissions and profit participations	(67,381)
Total	236,444

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 over a rolling seven-year period. 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, is included within administrative expenses – other.

8 Financial investments

	Fair value £000	Cost £000
Debt securities and other fixed income securities	755,841	757,182
Derivative financial assets	26	–
Total	755,867	757,182

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

	£000
Amounts due from intermediaries	27,266

10 Debtors arising out of reinsurance operations

	£000
Amounts due from intermediaries	30,555

11 Creditors arising out of reinsurance operations

	£000
Amounts due to intermediaries	54,268

12 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.

Seven-year summary
Hiscox Syndicate 33 underwriting accounts

Year of account	2008	2009	2010	2011	2012	2013	2014
Syndicate allocated capacity in £000	699,608	749,764	999,495	899,365	948,840	949,491	**999,841**
Number of underwriting members	1,341	1,342	1,397	1,440	1,505	1,523	**1,532**
Net premiums net of brokerage in £000	453,412	476,626	440,858	363,200	422,077	386,780	**365,221**
Capacity utilised (%)	96	105	70	69	72	69	**64**
Net capacity utilised (%)	65	64	44	40	44	41	**37**
Underwriting ratio (%)	13.5	42.5	18.9	21.9	36.5	40.0	**24.6**

Results for an illustrative share of £10,000							
Gross premiums	12,127	13,250	8,749	8,591	9,026	8,701	**8,157**
Net premiums	9,018	9,063	6,165	5,777	6,246	5,881	**5,392**
Reinsurance to close from an earlier account	10,407	9,725	6,620	7,031	6,071	6,203	**5,648**
Net claims paid	(5,826)	(3,466)	(3,460)	(3,555)	(2,283)	(2,446)	**(2,305)**
Reinsurance to close	(9,769)	(8,886)	(6,648)	(6,444)	(6,039)	(5,719)	**(5,264)**
Profit/(loss) on exchange	647	(44)	(73)	(85)	37	24	**410**
Syndicate operating expenses	(3,415)	(2,984)	(1,961)	(1,845)	(2,115)	(1,913)	**(1,939)**
Names personal expenses	(434)	(718)	(254)	(269)	(409)	(431)	**(426)**
Balance on technical account before investment return	628	2,690	389	610	1,508	1,599	**1,516**
Investment return	902	468	328	175	168	119	**185**
Profit before members' agent's fees	1,530	3,158	717	785	1,676	1,718	**1,701**

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 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 (the 2008 Regulations).

Separate underwriting year accounts for the closed 2014 account of Syndicate 6104 are included following these annual accounts.

Results

The result for Syndicate 6104 in calendar year 2016 is a profit of £18.8 million (2015: £19.1 million). The Syndicate's key financial performance indicators during the year were as follows:

	2016 £m	2015 £m	% change
Gross premiums written	30.4	32.9	(8)
Gross premiums earned	37.9	28.2	34
Net premiums earned	35.3	25.0	41
Profit for the financial year	18.8	19.1	(2)
Claims ratio (%)	12	(20)	32
Commission ratio (%)	38	44	(6)
Expense ratio (%)	1	1	–
Combined ratio (%)	51	25	26

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 Pound 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
2017	56.0

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 S&P and AA- (Very strong) from Fitch. The geographical and currency split of its business is shown below:

Geographical split of gross premiums written (%)	2016	2015
UK	–	1
Europe	1	4
North America	65	66
Asia	3	17
Rest of the world	31	12

Gross premiums written settlement currency (%)	2016	2015
Pound Sterling	26	23
Euro	3	9
US Dollar	66	65
Canadian Dollar	5	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.

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

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

The portfolio is underwritten by the Syndicate 33 reinsurance underwriting team and includes exposures from all territories around the world. Due to the nature of the business the Syndicate is likely to produce a volatile operating performance. A small amount of retrocession protection is purchased, some of which is ILW, with the intention of optimising the risk/reward balance of the Syndicate's portfolio.

Premium income reduced modestly from £33 million in 2015 to £30 million in 2016 driven by lower premium rates. The cession remained constant at 28% between the two years.

The Syndicate made a profit of £18.8 million. Although there was a greater level of catastrophe activity in the year with the Alberta wildfires and Hurricane Matthew the Syndicate incurred modest losses. This was helped by Syndicate 33's underwriting approach of targeting mid and higher layers on programmes avoiding largely un-modeled attritional losses.

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.

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 cash flows. 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 annual accounts 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. 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.

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

Disclosure of information to the auditors continued

In accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 a Syndicate AGM was held in 2015 to appoint PricewaterhouseCoopers LLP (PwC) as the Syndicates' registered auditor. The 2008 Regulations allow managing agents to dispense with the requirement to hold a Syndicate AGM and contain provisions for the reappointment of the auditor providing certain criteria are met.

This year, we therefore give notice that:
- Hiscox Syndicates Limited does not propose to hold an AGM of the members of Syndicates 33 and 6104 in 2017;
- we propose that PwC are re-appointed as the Syndicates' registered auditor for the period of one year from the date of this Annual Report;
- 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:
- 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
- convene an AGM.

By order of the Board

I J Martin
Director
13 March 2017

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 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 6104

Report on the Syndicate annual accounts

Our opinion

In our opinion Syndicate 6104'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 33 and 6104 Report and Accounts (the 'Annual Report'), comprise:

- profit and loss account 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; and
- the notes to the Syndicate annual accounts, which include a summary of significant accounting policies and other explanatory information.

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 49, 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 6104 annual accounts

	Notes	2016 £000	2015 £000
Earned premiums, net of reinsurance			
Gross premiums written		30,414	32,865
Outward reinsurance premiums		(2,515)	(3,238)
Net premiums written		27,899	29,627
Change in the provision for unearned premiums:			
Gross amount		7,439	(4,652)
Reinsurers' share		–	5
Change in the net provision for unearned premiums		7,439	(4,647)
Earned premiums, net of reinsurance		35,338	24,980
Allocated investment return transferred from the non-technical account		1,366	536
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(3,008)	(12,462)
Reinsurers' share		–	–
Net claims paid		(3,008)	(12,462)
Change in the provision for claims:			
Gross amount		(9,263)	14,602
Reinsurers' share		–	–
Change in the net provision for claims		(9,263)	14,602
Claims incurred, net of reinsurance		(12,271)	2,140
Net operating expenses	6, 7	(13,549)	(11,301)
Balance on the technical account for general business		10,884	16,355

All operations relate to continuing activities.

The notes on pages 57 to 61 form an integral part of these annual accounts.

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

Year ended 31 December 2016

Hiscox Syndicate 6104 annual accounts

	2016 £000	2015 £000
Balance on the non-technical account for general business	10,884	16,355
Investment income	1,366	536
Allocated investment return transferred to general business technical account	(1,366)	(536)
Foreign exchange gains	7,889	2,786
Profit for the financial year	18,773	19,141

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 other comprehensive income has been presented.

The notes on pages 57 to 61 form an integral part of these annual accounts.

Balance sheet – assets
At 31 December 2016
Hiscox Syndicate 6104 annual accounts

	Notes	2016 £000	2015 £000
Reinsurers' share of technical provisions			
Provision for unearned premium	8	–	6
Debtors			
Debtors arising out of reinsurance operations	9	89,665	96,283
Other debtors		671	–
		90,336	96,283
Prepayments and accrued income			
Deferred acquisition costs	8	1,658	3,059
Total assets		91,994	99,348

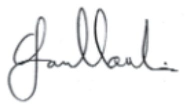
The notes on pages 57 to 61 form an integral part of these annual accounts.

Balance sheet – liabilities
At 31 December 2016
Hiscox Syndicate 6104 annual accounts

	Notes	2016 £000	2015 £000
Capital and reserves			
Members' balances		48,760	58,587
Technical provisions			
Provision for unearned premium		7,917	15,381
Claims outstanding	8, 10	25,445	13,540
		33,362	28,921
Creditors			
Creditors arising out of reinsurance operations	11	8,727	10,270
Other creditors		1,145	1,570
		9,872	11,840
Total liabilities		91,994	99,348

The notes on pages 57 to 61 form an integral part of these annual accounts.

The annual accounts on pages 51 to 61 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 members' balances
Year ended 31 December 2016
Hiscox Syndicate 6104 annual accounts

	2016 £000	2015 £000
Members' balances brought forward at 1 January	58,587	54,757
Total recognised gains and losses for the year	18,773	19,141
Payments of profit to members' personal reserve funds	(28,132)	(14,762)
Members' agent fees	(468)	(549)
Members' balances carried forward at 31 December	48,760	58,587

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 57 to 61 form an integral part of these annual accounts.

Statement of cash flows
Year ended 31 December 2016
Hiscox Syndicate 6104 annual accounts

	2016 £000	2015 £000
Net cash flows from operating activities		
Profit for the year	18,773	19,141
Increase/(decrease) in gross technical provisions	4,441	(9,544)
Decrease/(increase) in reinsurers' share of gross technical provisions	6	(6)
Decrease in debtors	5,947	7,170
Decrease in creditors	(1,968)	–
Movement in other assets/liabilities	1,401	(1,137)
Investment return	(1,366)	(536)
Other	1,366	223
Net cash inflows from operating activities	28,600	15,311
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	(28,600)	(15,311)
Net increase in cash and cash equivalents	–	–
Cash and cash equivalents at the beginning of the year	–	–
Cash and cash equivalents at the end of the year	–	–

The notes on pages 57 to 61 form an integral part of these annual accounts.

Notes to the accounts
Year ended 31 December 2016
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.

These annual accounts 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.

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

Accounting policies not applied by S6104:

2(j) Pension costs

Additional accounting policies applied by S6104:

2(p) Funds withheld
Underlying premiums and claims are settled by Syndicate 33 with policy holders as they fall due. Within Syndicate 6104 these are accounted for on a funds withheld basis.

Debtors and creditors arising between Syndicate 6104 and Syndicate 33 are not settled until the year of account has closed. Up to that time the balances are shown separately. Claims outstanding are also settled when the year of account closes. Other non-technical transactions are settled when the year of account closes. Movements in debtors and creditors are classed as operating activities.

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.

3 Judgements and key sources of estimation uncertainty
The judgements and key sources of estimation uncertainty are the same as those disclosed for Syndicate 33. With the exception of:

3(c) Fair value of financial investments
The Syndicate does not hold any investments.

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:

(a) Reliability of fair values
All assets and liabilities are held at amortised cost and as such there is limited risk arising in this area.

(b) Interest rate risk
No assets and liabilities are subject to interest rate risk.

(c) Credit risk
The credit risk for this syndicate is the same as disclosed for Syndicate 33. All assets carrying credit risk are due from Syndicate 33, which is rated A+ based on S&P.

(d) Liquidity
The liquidity risk for this syndicate is the same as disclosed for Syndicate 33. It is also exposed to Syndicate 33 as all balances are settled by Syndicate 33.

(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.

4 Risk review continued

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

At 31 December 2016	Pound Sterling £000	US Dollar £000	Euro £000	Canadian Dollar £000	Total £000
Reinsurers' share of technical provisions	–	–	–	–	–
Debtors	5,686	74,131	7,056	3,463	90,336
Prepayments and accrued income	1,160	350	94	54	1,658
Total assets	6,846	74,481	7,150	3,517	91,994
Technical provisions	(6,501)	(23,241)	(1,995)	(1,625)	(33,362)
Creditors	–	(9,872)	–	–	(9,872)
Total liabilities	(6,501)	(33,113)	(1,995)	(1,625)	(43,234)
Members' balances by currency	345	41,368	5,155	1,892	48,760

At 31 December 2015	Pound Sterling £000	US Dollar £000	Euro £000	Canadian Dollar £000	Total £000
Reinsurers' share of technical provisions	6	–	–	–	6
Debtors	8,941	76,690	7,819	2,833	96,283
Prepayments and accrued income	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)
Creditors	(1,576)	(10,264)	–	–	(11,840)
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

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 f)	2016 £000	2015 £000
US Dollar	(4,137)	(5,159)
Euro	(516)	(557)
Canadian Dollar	189	(918)

5 Segmental analysis

All business written by the Syndicate is reinsurance. All premiums were concluded in the UK.

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

	2016 £000	2015 £000
United Kingdom	–	154
Other European Union member states	512	1,100
United States	23,748	18,765
Other	13,593	8,194
Total	37,853	28,213

6 Net operating expenses

	2016 £000	2015 £000
Brokerage and commissions	11,870	12,093
Change in deferred acquisition costs	1,401	(1,118)
Members' standard personal expenses	278	326
Total	13,549	11,301

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 Syndicate's auditor for the audit of the Syndicate annual accounts £23,000 (2015: £21,000) and in respect of other services pursuant to legislation £11,000 (2015: £8,000). 2015 fees were payable to KPMG Audit Plc.

7 Staff 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 underwriter's remuneration has been charged to the Syndicate.

8 Technical provisions

2016	Gross provisions £000	Reinsurance assets £000	Net £000
Claims incurred:			
Balance at 1 January	13,540	–	13,540
Over-provision in respect of prior claims and claim adjustment expenses	(2,694)	–	(2,694)
Expected cost of current year claims	14,965	–	14,965
Claims paid for claims settled in year	(3,008)	–	(3,008)
Effect of movements in exchange rates	2,642	–	2,642
Balance at 31 December	25,442	–	25,442
Unearned premiums:			
Balance at 1 January	15,381	(6)	15,375
Premium written during the year	30,414	(2,515)	27,899
Premium earned during the year	(37,853)	2,515	(35,338)
Effect of movements in exchange rates	(25)	6	(19)
Balance at 31 December	7,917	–	7,917
Deferred acquisition costs:			
Balance at 1 January	3,059	–	3,059
Acquisition costs written	11,870	–	11,870
Acquisition costs earned	(13,271)		(13,271)
Effect of movements in exchange rates	–	–	–
Balance at 31 December	1,658	–	1,658

8 Technical provisions continued

2015	Gross provisions £000	Reinsurance assets £000	Net £000
Claims incurred:			
Balance at 1 January	27,796	–	27,796
Over-provision in respect of prior claims and claim adjustment expenses	(18,291)	–	(18,291)
Expected cost of current year claims	16,151	–	16,151
Claims paid for claims settled in year	(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	(1)	58
Balance at 31 December	15,381	(6)	15,375
Deferred acquisition costs:			
Balance at 1 January	1,922	–	1,922
Acquisition costs written	12,093	–	12,093
Acquisition costs earned	(10,975)	–	(10,975)
Effect of movements in exchange rates	19	–	19
Balance at 31 December	3,059	–	3,059

9 Debtors arising out of reinsurance operations

	2016 £000	2015 £000
Amounts due from intermediaries		
Due within one year	**37,123**	36,764
Due after one year	**52,542**	59,519
	89,665	96,283

10 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	20,649	32,872	15,590	10,938	4,267	**14,237**
One year later	22,113	20,293	7,402	7,951	2,547	
Two years later	20,947	16,426	4,856	8,034		
Three years later	20,628	16,285	4,980			
Four years later	19,696	16,986				
Five years later	19,818					
Cumulative payments	(19,696)	(16,285)	(4,856)	–	–	**–**
Estimated balance to pay	122	701	124	8,034	2,547	**14,237**
Provision in respect of prior years						**(320)**
Total gross provision included in the balance sheet						**25,445**

10 Claims development tables continued

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	20,649	32,872	15,590	10,938	4,267	**14,237**
One year later	22,113	20,293	7,402	7,951	2,547	
Two years later	20,947	16,426	4,856	8,034		
Three years later	20,628	16,285	4,980			
Four years later	19,696	16,986				
Five years later	19,818					
Cumulative payments	(19,696)	(16,285)	(4,856)	–	–	**–**
Estimated balance to pay	122	701	124	8,034	2,547	**14,237**
Provision in respect of prior years						(320)
Total gross provision included in the balance sheet						25,445

11 Creditors arising out of reinsurance operations

	2016 £000	2015 £000
Amounts due from intermediaries		
Due within one year	**3,644**	5,336
Due after one year	**5,083**	4,934
	8,727	10,270

12 Related parties

Hiscox Syndicates Limited (HSL) manages Syndicate 6104 as well as Syndicate 33 which purchases some reinsurance from Syndicate 6104 on an arm's-length basis. Syndicate 6104 pays an overrider commission and profit commission on the business received from Syndicate 33. Syndicate 6104 does not sell reinsurance to any other party.

HSL is a wholly-owned indirect subsidiary of Hiscox Ltd which is incorporated in Bermuda and listed on the London Stock Exchange. HSL receives a fixed fee for each pure underwriting year.

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

Balance sheet net assets and (liabilities) outstanding	2016 £000	2015 £000
Hiscox managed Syndicates	**48,760**	58,587

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
Hiscox Syndicates Limited	**(278)**	(326)
Hiscox managed Syndicates	**19,051**	19,467
	18,773	19,141

Hiscox Syndicates Limited charged managing agent fees to Syndicate 6104 of £0.3 million (2015: £0.3 million). Hiscox Syndicate 33 owes the Syndicate the cumulative result due on the quota share reinsurances Syndicate 6104 provides.

13 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.

14 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.

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 at 31 December 2016.

This report comprises the cumulative result to 31 December 2016 for the closed 2014 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 (SPS) 6104 was established for the 2008 year of account to provide quota share reinsurance to Syndicate 33's excess of loss property catastrophe reinsurance account.

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

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

2014 account

In 2014 the cession from Syndicate 33 was 33%. The account has closed with a profit of 36.3% after all personal expenses (except members' agent's fees). This is a another very good result reflecting in part the absence of catastrophe activity in 2014 and 2015.

2015 account

For 2015 the capacity of the Syndicate was trimmed back from £72.1 million to £64.9 million and the cession from Syndicate 33 reduced to 28%. There were no significant losses impacting the account.

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

2016 account

The Syndicate capacity was reduced further to £55.9 million for the 2016 year of account, in part to improve utilisation, and the percentage cession from Syndicate 33 was maintained at 28% with the intention that the level of risk, as measured by Lloyd's RDS, remains broadly consistent from year to year.

Whilst there was a modest increase in catastrophe losses in the year with the Alberta wildfires and Hurricane Matthew the impact on the Syndicate was modest. It should however be noted that there is still significant unexpired exposure. At this early stage we have set the forecast result in the range 5% to 15% return on capacity.

2017 and outlook

We have maintained the 2016 capacity at £56 million and the cession from Syndicate 33 at 28%.

Rates continued their downward trend at 1 January although at a more gradual pace than in previous years. Rates declined by about 3% to 4% on average on US business. International business fared worse with European rates down 5% to 10% outside of Germany and Switzerland which were off 0% to 5%. 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 Insurance Linked Securities (ILS) funds were evident in the premium signings at 1 January 2017.

Syndicate capacity and ownership

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

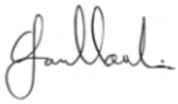
Directors' interests

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
13 March 2017

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:

- 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;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- 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 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 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 Syndicate underwriting year accounts may differ from legislation in other jurisdictions.

Independent auditor's report
To the members of Syndicate 6104
2014 closed year of account

Report on the Syndicate underwriting year accounts

Our opinion

In our opinion, Syndicate 6104's Syndicate underwriting year accounts for the 2014 year of account for the three years ended 31 December 2016 (the 'Syndicate underwriting year accounts'):
- give a true and fair view of the state of the Syndicate's profit for the 2014 closed year of account; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

What we have audited

The Syndicate underwriting year accounts, included within the Hiscox Syndicate 33 and 6104 Report and Accounts (the 'Annual Report'), comprise:
- the profit and loss account for the three years ended 31 December 2016;
- the balance sheet as at 31 December 2016;
- the statement of cash flows for the three years then ended; and
- the notes to the Syndicate underwriting year accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Syndicate underwriting year accounts is applicable law and United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

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.

Other matters on which we are required to report by exception

Under the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) we are required to report to you if, in our opinion:
- the managing agent in respect of the Syndicate has not kept proper accounting records; or
- the Syndicate underwriting year accounts are not in agreement with the accounting records.

  We have no exceptions to report arising from this responsibility.

Responsibilities for the Syndicate underwriting year 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 64, the managing agent is responsible for the preparation of the Syndicate underwriting year accounts in accordance with the financial reporting framework described above and for being satisfied that they give a true and fair view of the result for the 2014 closed year of account.

Our responsibility is to audit and express an opinion on the Syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland) (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 part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) 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 underwriting year 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 underwriting year accounts sufficient to give reasonable assurance that the Syndicate underwriting year 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 underwriting year 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 disclosures in the Syndicate underwriting year 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 underwriting year 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
For the 36 months ended 31 December 2016
Hiscox Syndicate 6104 underwriting accounts

	Notes	£000
Syndicate allocated capacity		72,089
Earned premiums, net of reinsurance		
Gross premiums written		43,913
Outward reinsurance premiums		(2,669)
Earned premiums, net of reinsurance		41,244
Reinsurance to close premium received, net of reinsurance		2,825
		44,069
Allocated investment return transferred from the non-technical account	6	1,545
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(3,008)
Reinsurers' share		–
Net claims paid		(3,008)
Change in provision for claims:		
Gross amount		(7,025)
Reinsurers' share		–
Change in the net provision for claims		(7,025)
Claims incurred, net of reinsurance		(10,033)
Net operating expenses	7	(15,679)
Balance on the technical account for general business		19,902

The notes on pages 70 to 71 form an integral part of these underwriting year accounts.

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

For the 36 months ended 31 December 2016

Hiscox Syndicate 6104 underwriting accounts

	Notes	£000
Balance on the non-technical account for general business		19,902
Investment income	6	1,545
Allocated investment return transferred to the general business technical account		(1,545)
Foreign exchange gains or losses		6,103
Result before members' agents' fees		26,005
Members' agents' fees		(567)
Profit for the underwriting year		25,438

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 other comprehensive income has been presented.

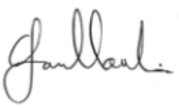
The notes on pages 70 to 71 form an integral part of these underwriting year accounts.

Balance sheet
2014 account at 31 December 2016
Hiscox Syndicate 6104 underwriting accounts

Assets	Notes	at 36 months £000
Reinsurance recoveries anticipated on gross reinsurance to close premium payable	3	–
Debtors		
Debtors arising out of reinsurance operations	8	37,123
Other debtors		673
Total assets		**37,796**
Liabilities		
Capital and reserves		
Amounts due to members		25,438
Reinsurance to close premium payable – gross amount	3	8,660
Creditors		
Creditors arising out of reinsurance operations	9	3,644
Other creditors		54
Total liabilities		**37,796**

The notes on pages 70 to 71 form an integral part of these underwriting year accounts.

The underwriting year accounts were approved by the Board of Hiscox Syndicates Limited on 13 March 2017 and was signed on its behalf by



I J Martin
Director

Statement of cash flows
For the 36 months ended 31 December 2016
Hiscox Syndicate 6104 underwriting accounts

	£000
Net cash flows from operating activities	
Profit for the closed year of account	25,438
RITC premium payable, net of reinsurance	8,660
Increase in debtors	(37,796)
Increase in creditors	3,698
Movement in other assets/liabilities	–
Investment return	1,545
Other	(1,545)
Net cash inflows from operating activities	–
Net cash flows from investing activities	
Purchase of debt instruments	–
Sale of debt instruments	–
Investment income received	–
Other movements on investments	–
Net cash flows from financing activities	–
Net increase in cash and cash equivalents	–
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	–

The notes on pages 70 to 71 form an integral part of these underwriting year accounts.

Notes to the accounts
At 31 December 2016
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.

3 Reinsurance premium to close the 2014 account

	Reported £000	IBNR £000	Total £000
Reinsurance to close premium received			
Gross reinsurance to close premium received	–	2,825	2,825
Reinsurance recoveries anticipated	–	–	–
Reinsurance to close premium receivable, net of reinsurance	–	2,825	2,825
Reinsurance to close premium payable			
Gross reinsurance to close premium payable	–	8,660	8,660
Reinsurance recoveries anticipated	–	–	–
Reinsurance to close premium payable, net of reinsurance	–	8,660	8,660

4 Analysis of underwriting result

	2013 and prior £000	2014 £000	Total £000
Technical account balance before allocated investment return and net operating expenses	(1,204)	35,240	34,036
Brokerage and commission on gross premium	325	(15,643)	(15,318)
Total	(879)	19,597	18,718

5 Segmental analysis
All business written by the Syndicate is reinsurance. All premiums were concluded in the UK.

6 Investment return

	for the 36 months ended £000
Investment income	1,545

Investment return for the 2014 year of account is recognised in the 2014, 2015 and 2016 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 accounts.

7 Net operating expenses

The cumulative Syndicate expenses charged in the 2014 underwriting account were made up as follows:

	for the 36 months ended £000
Brokerage and commissions	15,318
Members' standard personal expenses	361
Total	15,679

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

Syndicate 33 has been charged on behalf of the Syndicate, fees payable to the auditors and its associates (exclusive of VAT) of £28,000, (PricewaterhouseCoopers LLP: £2,000, KPMG Audit Plc: £26,000).

8 Debtors arising out of reinsurance operations

	£000
Due from intermediaries	37,123

9 Creditors arising out of reinsurance operations

	£000
Amounts due to intermediaries	3,644

10 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.

Seven-year summary
Hiscox Syndicate 6104 underwriting accounts

Year of account	2008	2009	2010	2011	2012	2013	2014
Syndicate allocated capacity in £000	34,475	43,106	45,185	37,174	38,686	66,354	72,089
Number of underwriting members	1,004	1,098	1,102	1,042	1,077	1,336	1,524
Net premiums net of brokerage in £000	20,194	34,146	23,787	18,621	26,433	30,648	25,926
Capacity utilised (%)	63	87	57	55	78	54	40
Net capacity utilised (%)	59	79	53	50	68	46	36
Underwriting ratio (%)	45.6	69.2	12.6	3.1	48.0	29.4	42.6

Results for an illustrative share of £10,000							
Gross premiums	6,236	8,540	7,019	7,104	10,491	8,026	6,091
Net premiums	5,840	7,762	6,593	6,632	9,544	7,262	5,721
Reinsurance to close from an earlier account	–	3,045	1,795	5,363	4,511	1,844	392
Net claims paid	–	(2,988)	(1,750)	(5,501)	(4,496)	(1,878)	(417)
Reinsurance to close	(3,005)	(1,954)	(4,594)	(4,701)	(3,117)	(482)	(974)
Profit/(loss) on exchange	822	(242)	(111)	(5)	(51)	209	847
Syndicate operating expenses	17	159	(1,329)	(1,623)	(2,712)	(2,645)	(2,125)
Names personal expenses	(50)	(50)	(50)	(50)	(50)	(50)	(50)
Balance on technical account before investment return	3,624	5,732	554	115	3,629	4,260	3,394
Investment return	620	736	333	220	267	49	214
Profit after personal expenses	4,244	6,468	887	335	3,896	4,309	3,608

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. Premium figures and Syndicate operating expenses are quoted gross of brokerage.
5. All years of account are presented using transactional rates of exchange.

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