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HISCOX

Hiscox Syndicates 33 and 6104 Report and Accounts 2017

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Contents

Directors and administration
Hiscox Syndicates 33 and 6104

Managing agent:

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

Directors
R S Childs – Non Executive Chairman
C J Foulger – Non Executive
H A Hussain
H Kam
H C V Keeling – Non Executive
M C S Krefta
P A Lawrence
K J M Markham
I J Martin
B E Masojada
J Pinchin
R C Watson
A C Winther – Non Executive

Company secretary
D J Gormley

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 – P A Lawrence and M McConnell
Syndicate 6104 – M McConnell

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 2017.

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 Syndicate continues to adopt the going concern basis in preparing the syndicate annual accounts.

Separate underwriting year accounts for the closed 2015 account of Syndicate 33 are included following these annual accounts.

Results

The result for Syndicate 33 in calendar year 2017 is a profit of £5.0 million (2016: £146.5 million). The Syndicate's key financial performance indicators during the year were as follows:

	2017 £m	2016 £m	% change
Gross premiums written	1,156.5	1,056.6	9
Gross premiums earned	1,117.7	971.4	15
Net premiums earned	634.9	600.3	6
Profit for the financial year	5.0	146.5	(97)
Claims ratio (%)	61	34	27
Commission ratio (%)	21	20	1
Expense ratio (%)	20	26	(6)
Combined ratio (%)	102	80	22

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 predominantly 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 (%)	2017	2016
UK	4	1
Europe	6	3
North America	56	58
Asia	4	4
Rest of the world	30	34

Gross premiums written settlement currency (%)	2017	2016
Pound Sterling	15	10
Euro	9	7
US Dollar	74	80
Canadian Dollar	2	3

Review of the business

The result for the year was a profit of £5.0 million (2016: profit of £146.5 million). A breakdown of divisional performance is shown below:

Division	2017 Gross premiums written £m	2017 Profit/ (loss) £m	2016 Gross premiums written £m	2016 Profit/ (loss) £m
Reinsurance	357.0	5.4	300.8	54.5
Property	264.8	(67.4)	272.8	16.7
Aerospace and specialty	170.0	26.8	175.7	43.8
Marine and energy	141.3	21.8	128.9	27.6
Casualty	154.5	8.6	114.6	(0.5)
Art and private client	68.9	9.8	63.8	4.4
Total	1,156.5	5.0	1,056.6	146.5

Review of the business continued

2017 hurricanes
The year was severely affected by natural catastrophes, with net claims for Hurricanes Harvey, Irma and Maria being booked at $215 million. Hurricane losses in this the most expensive year for natural losses ever, hit the reinsurance and property insurances classes most heavily with the majority of losses being borne by the 2017 year of account.

Reinsurance
This division includes the Syndicate's non-marine property reinsurance business (catastrophe including retrocession, risk excess and pro-rata reinsurance), marine and aviation reinsurance, together with the specialty and casualty accounts. The Syndicate underwrites business for its own account and for third-party capital providers whether they are insurance companies, other syndicates (in particular Syndicate 6104) and capital market investors. This strategy is working well and generates significant amounts of fee income for the Syndicate. Premium growth was driven by the catastrophe accounts in part due to the level of inwards reinstatement premium related to the hurricane losses. Net premium shrank as a greater proportion of gross premium was ceded to reinsurance partners. To make a profit writing a property catastrophe-focused reinsurance account in a year with $140 billion of insured natural catastrophe losses is an excellent achievement. This was achieved by very good gross underwriting, fees earned from third parties and some releases from catastrophes from prior years. Catastrophe reinsurance pricing into the key 1 January renewal season saw average prices increase by 9%. There were clear variations within this, with loss-affected accounts seeing larger increases. The increases were less than we had expected and our aggregate book will grow less than initially planned. It is clear though that rate decreases are few and far between, so 2018 should offer a better risk/reward trade-off than 2017.

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). The year started in a soft and softening market so we reduced our big-ticket property account while maintaining the binding authority account (approximately 85% of the division's premium) where rates were under less pressure. The division suffered a substantial loss which was to be expected in a year in which insured natural catastrophe losses exceeded $140 billion. Hurricane Harvey which caused extensive flooding in Houston was the most significant event for the division. We believe these losses will lead to increased opportunities for our FloodPlus product, a commercial market alternative to the government backed National Flood Insurance Programme, which we will seek to grow in part through a Hiscox-led Lloyd's consortium.

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. The division shrank modestly principally due to the decision taken early in the year to stop writing political risks. Terrorism remains a profitable class for the Syndicate in part due to our market-leading position and was the key driver of the division's profit for the year.

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. Premiums grew modestly driven by the cargo account achieving scale and some good wins from the marine liability team. Profits remained strong with a number of favourable claim settlements on the energy account offsetting a small number of hurricane-related cargo losses. So far in 2018 rate increases in hull and cargo have been less than expected so we will need to remain disciplined.

Casualty
The division includes the directors and officers', cyber, professional indemnity and general liability lines. We have reduced healthcare and miscellaneous professional indemnity, focusing instead on our investments lines of directors and officers', general liability and cyber where our market-leading teams and products are having a positive effect. The division made a good profit driven by reserve releases from a number of older professional indemnity claims. Directors and officers' and general liability are seeing a welcome uptick in pricing, and the cyber market continues to grow substantially as global demand increases.

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

2018 and the future
The $140 billion of catastrophe losses across the sector led to capital destruction and reserve deficits, and as a result the market is turning. In expectation of such a turn we pre-empted the

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

Review of the business continued
Syndicate's capacity to £1,600 million. Experience so far in 2018 has been better than 2017 with the majority of classes experiencing increased rates. However, these rate increases are less than planned and as such it is unlikely that the volume of premium budgeted in the 2018 plan will be achieved. We will exercise underwriting discipline and ensure that profit is prioritised over premium.

The Syndicate is well reserved, has a strong reinsurance programme with good security and a conservative investment portfolio. From 1 January 2018 the functional accounting currency of the Syndicate has changed from GB Pounds to US Dollars and the presentational currency of the Syndicate accounts will change to US Dollars in 2018.

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 72.6% 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 the Hiscox Syndicates Limited (HSL) internal capital model is 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. During the year HSL received approval from Lloyd's for a major model change application which involved a new modeling platform together with the Syndicates becoming part of an integrated group model. There was no material change to the modeling assumptions or capital requirements calculated. 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 further strengthen 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.

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 income for Syndicate 33 was £17.3 million (2016: £22.6 million) equating to a return of 1.4% (2016: 1.6%). The Syndicate's invested assets totalled £1,261 million at 31 December 2017 (2016: £1,551 million) with the weaker Dollar and an increased level of claims payments accounting for the decline over the year. Investors took the variety of political outcomes and heightened geopolitical tensions during the year in their stride focusing instead on the positive element of global growth which was generated without any real signs of inflation. While this provided a supportive background for risk assets, it led to a more challenging environment for bond investors.

Years of account	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	**2018 £m**
Capacity	949	949	1,000	999	999	1,147	**1,600**
Hiscox ownership	689	689	725	725	725	834	**1,161**
Hiscox ownership (%)	72.6	72.6	72.5	72.6	72.6	72.7	**72.6**

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

Investment report continued
As central banks made further moves towards normalising monetary policy the headwinds grew stronger in the final quarter but the return for the year was a respectable one in line with our original forecasts.

Our portfolios in 2017 increasingly had to contend with central bankers withdrawing their monetary stimulus to varying degrees. In the US, Canada and the UK there were a series of official rate rises. The Federal Reserve increased the fed funds rate three times as expected, while the Bank of Canada and the Bank of England surprised markets somewhat with their respective increases. Additionally there was a move by major central banks, apart from the Bank of Japan, to prepare investors for a reduction in their balance sheets – so called quantitative tightening. This prompted short-term bond yields to move higher, particularly in the second half of the year, as the two-year US treasury yield jumped from 1.3% to 1.9%. Against this background our short-dated government benchmarks in Euros and Canadian Dollars delivered negative returns for the year while the one- to three-year US government benchmark returned just 0.4%. For the first time in many years returns on US cash exceeded the bond benchmark. A positive result of 1.5% from our bond portfolios therefore can be seen as a good one, relative to the yardstick's 0.3%.

The fixed income returns were driven by our holdings in the US bond markets, and our managers there performed well with gains of 1.7%. With, in the case of Euros, negative yields at the start of the year there was essentially no income cushion to protect that portfolio against rising yields. The best that the Euro manager could do was lose less than the benchmark while Canadian Dollars delivered a small positive return. Outperformance of our benchmarks across the board has been due to a focus on income and the allocation to non government bonds where a further compression in credit spreads added value. While the move up in yields has crimped returns recently, it is encouraging for the future as new money will be invested at higher rates.

Given the forecast that last year's synchronised global growth will continue into 2018, the expectation is that the authorities will maintain their hawkish stance, preparing investors for further reduction in their balance sheets and, in the case of the Federal Reserve, raising interest rates three or four times as conditions permit. Despite the recent increase in yields this implies that a short duration strategy remains appropriate and that the time to lengthen will likely come into view in the second half of the year. In the meantime we remain wary that inflation may surprise on the upside and that the central banks will tighten monetary policy faster than prices currently assume. Insurance events in 2017 have emphasised the importance of maintaining good liquidity in the portfolio and our conservative stance has held us in good stead. Portfolios such as ours will be beneficiaries if interest rates increase in 2018 as we expect and in particular we are investing our US Dollar cash flow at much higher yields than we have been used to for some time. The so-called risk- free returns that we enjoyed pre-crisis are still some way away but at least we are taking steps in the right direction. In the meantime we continue to resist the temptation to take more risk and lower the quality of the portfolio.

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 2017 were underwriting Names at Lloyd's for the 2015, 2016, 2017 or 2018 years of account.

R S Childs – Non Executive Chairman
C J Foulger – Non Executive
H A Hussain (Appointed 2 March 2017)
H Kam (Appointed 20 March 2017)
H C V Keeling – Non Executive
M C S Krefta
P A Lawrence
K J M Markham (Appointed 26 February 2018)
I J Martin
B E Masojada
J Pinchin
R C Watson
A C Winther – Non Executive

D J Gormley became Company Secretary on 3 April 2017, when he replaced J K Taylor.

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 2018;
- 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
16 March 2018

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

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 2017 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, (United Kingdom Accounting Standards comprising FRS 102 'The Financial Reporting Standard' applicable in the UK and Republic of Ireland); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Hiscox Syndicates 33 and 6104 Report and Accounts (the 'Annual Report'), which comprise: the profit and loss account for the year ended 31 December 2017, the balance sheet as at 31 December 2017, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the syndicate annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the Syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the syndicate annual accounts are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Syndicate's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the managing agent's report, we also considered whether the disclosures required by Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Managing agent's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the managing agent's report for the year ended 31 December 2017 is consistent with the syndicate annual accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

In light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the managing agent's report.

Independent auditor's report continued
To the members of Syndicate 33

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the managing agent for the syndicate annual accounts

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the Syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the Syndicate to cease operations, or it has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

A further description of our responsibilities for the audit of the syndicate annual accounts is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

Use of this report

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, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 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.

Other required reporting

Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, 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
- certain disclosures of managing agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors London
16 March 2018

Profit and loss account: technical account – general business
Year ended 31 December 2017
Hiscox Syndicate 33 annual accounts

	Notes	2017 £000	2016 £000
Earned premiums, net of reinsurance			
Gross premiums written	5	1,156,469	1,056,569
Outward reinsurance premiums		(526,933)	(412,578)
Net premiums written		629,536	643,991
Change in the provision for unearned premiums:			
Gross amount		(38,720)	(85,204)
Reinsurers' share		44,082	41,510
Change in the net provision for unearned premiums		5,362	(43,694)
Earned premiums, net of reinsurance		634,898	600,297
Allocated investment return transferred from the non-technical account		17,279	22,640
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(581,536)	(353,145)
Reinsurers' share		166,370	85,027
Net claims paid		(415,166)	(268,118)
Change in the provision for claims:			
Gross amount		(475,195)	(80,248)
Reinsurers' share		494,442	79,908
Change in the net provision for claims		19,247	(340)
Claims incurred, net of reinsurance		(395,919)	(268,458)
Net operating expenses	7	(257,063)	(274,106)
Balance on the technical account for general business		(805)	80,373

The notes on pages 16 to 34 form an integral part of these annual accounts.

Profit and loss account: non-technical account – general business
Year ended 31 December 2017
Hiscox Syndicate 33 annual accounts

	Notes	2017 £000	2016 £000
Balance on the technical account for general business		(805)	80,373
Investment income	6	32,023	30,363
Unrealised gains on investments		1,232	4,058
Investment expenses and charges	6	(9,797)	(6,018)
Unrealised losses on investments		(6,179)	(5,763)
Allocated investment return transferred to the general business technical account		(17,279)	(22,640)
Foreign exchange gains		5,756	66,171
Profit for the financial year		4,951	146,544

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 16 to 34 form an integral part of these annual accounts.

Balance sheet – assets
At 31 December 2017
Hiscox Syndicate 33 annual accounts

	Notes	2017 £000	2016 £000
Investments			
Financial investments	9	1,185,067	1,469,854
Reinsurers' share of technical provisions			
Provision for unearned premium	10	175,868	149,684
Claims outstanding	10, 13	849,847	406,065
		1,025,715	555,749
Debtors			
Debtors arising out of direct insurance operations	11	168,794	203,164
Debtors arising out of reinsurance operations	12	212,819	108,734
Other debtors		8,995	10,684
		390,608	322,582
Other assets			
Cash at bank and in hand		75,803	81,280
Prepayments and accrued income			
Accrued interest		5,453	5,468
Deferred acquisition costs	10	138,077	135,750
Other prepayments and accrued income		179	362
Total assets		2,820,902	2,571,045

The notes on pages 16 to 34 form an integral part of these annual accounts.

Balance sheet – liabilities
At 31 December 2017
Hiscox Syndicate 33 annual accounts

	Notes	2017 £000	2016 £000
Capital and reserves			
Members' balances		12,636	177,520
Technical provisions			
Provision for unearned premium	10	487,278	504,538
Claims outstanding	10, 13	1,866,606	1,513,556
		2,353,884	2,018,094
Creditors			
Creditors arising out of reinsurance operations	14	305,478	249,907
Other creditors		57,315	27,898
		362,793	277,805
Accruals and deferred income	15	91,589	97,626
Total liabilities		2,820,902	2,571,045

The notes on pages 16 to 34 form an integral part of these annual accounts.

The syndicate annual accounts on pages 3 to 15 were approved by the board of Hiscox Syndicates Limited on 16 March 2018 and were signed on its behalf by

I J Martin
Director

Statement of changes in members' balances
Year ended 31 December 2017
Hiscox Syndicate 33 annual accounts

	2017 £000	2016 £000
Members' balances brought forward at 1 January	177,520	194,233
Total recognised gains and losses for the year	4,951	146,544
Payments of profit to members' personal reserve funds	(167,845)	(160,943)
Members' agent fees	(1,990)	(2,314)
Members' balances carried forward at 31 December	12,636	177,520

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

Statement of cash flows
Year ended 31 December 2017
Hiscox Syndicate 33 annual accounts

	2017 £000	2016 £000
Net cash flows from operating activities		
Profit for the year	4,951	146,544
Increase in gross technical provisions	335,789	403,426
Increase in reinsurers' share of gross technical provisions	(469,965)	(183,389)
Increase in debtors	(67,805)	(73,250)
Increase in creditors	84,769	74,747
Movement in other assets/liabilities	(8,182)	(15,277)
Investment return	(17,279)	(22,640)
Net cash (outflows)/inflows from operating activities	(137,722)	330,161
Net cash flows from investing activities		
Purchase of equity and debt instruments	(537,469)	(1,208,826)
Sale of equity and debt instruments	724,260	1,265,915
Settlement of derivatives	(124)	174
Investment income received	23,882	24,344
Other movements on investments	92,750	(224,831)
Net cash flows from financing activities		
Distribution of profits	(169,835)	(163,257)
Net (decrease)/increase in cash and cash equivalents	(4,258)	23,680
Effect of exchange rates on cash and cash equivalents	(1,219)	6,174
Cash and cash equivalents at the beginning of the year	81,280	51,426
Cash and cash equivalents at the end of the year	75,803	81,280

Notes to the accounts
Year ended 31 December 2017
Hiscox Syndicate 33
annual accounts

1 Basis of preparation
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 gross 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 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 are charged to profit or loss as incurred, based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Syndicate. The Syndicate does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Syndicate and statistical analysis for the claims incurred but not reported, and an estimate of the expected ultimate cost of more complex claims that may be affected by external factors, for example, court decisions.

Claims paid are transactions in the period which have been signed through Lloyd's Central Accounting or Lloyd's Direct Reporting. The timing difference between cash paid and claims signed is held on the balance sheet as a debtor.

Reinsurers' share of claims paid are all transactions in the period which have been signed through London Outwards Reinsurance System adjusted to include an accrual for the balances which have been billed, but unsettled at the balance sheet date.

While 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 benefits to which the Syndicate is entitled under outwards reinsurance contracts are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within assets) as well as longer-term receivables (classified within assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

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

2 Accounting policies continued

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) Financial assets and liabilities including loans and receivables

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

i. Financial assets at fair value through profit and loss

A financial asset is classified into this category at inception if it is managed and evaluated on a fair value basis in accordance with a documented strategy, if acquired principally for the purpose of selling in the short term, or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Receivables arising from insurance contracts are included in this category and are reviewed for impairment as part of the impairment review of loans and receivables. Loans and receivables are carried at amortised cost less any provision for impairment in value.

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Syndicate reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in the profit or loss account.

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.

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 Group recharges 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.

2 Accounting policies continued

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(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;
- the development of claims based on seasonally adjusted exposure curves;
- 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 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

4 Management of risk continued

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.

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

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

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

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

The delegation of underwriting authority to specific individuals, both internally and externally, is subject to regular reviews. All underwriting staff and binding agencies are set strict parameters in relation to the levels and types of business they can underwrite, based on individual levels of experience and competence. These parameters cover areas such as maximum sums insured per insurance contract, maximum gross premiums written and maximum aggregated exposures per geographical zone and risk class. All delegations are strictly controlled through these underwriting guidelines and limits and extensive monitoring, review and auditing of the agencies.

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

4 Management of risk continued

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

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.

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 the reserving committee.

4 Management of risk continued

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.

(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 2017 and 2016, 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.

4 Management of risk continued

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

Table a)	31 December 2017 % weighting	31 December 2016 % weighting
Government issued bonds and instruments	35	26
Government supported*	5	6
Asset backed securities	2	8
Mortgage backed instruments – agency	6	7
Mortgage backed securities – non agency	3	4
Corporate bonds	49	49

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

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 £9.3 million (2016: £12.8 million).

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

(c) Credit risk

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

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

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

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

4 Management of risk continued

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.

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 2017	AAA £000	AA £000	A £000	BBB and below £000	Total £000
Financial investments	111,385	522,331	282,985	268,366	1,185,067
Reinsurers' share of technical provisions:					
claims outstanding	–	78,345	728,148	43,354	849,847
Debtors: reinsurance recoverable	–	5,530	19,971	3,020	28,521
Cash at bank and in hand	–	4,490	66,524	4,789	75,803
Total	111,385	610,696	1,097,628	319,529	2,139,238

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

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 2017 and 2016 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.

4 Management of risk continued

(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. Limits on the minimum level of cash and maturing funds available to meet such calls are set to cover unexpected levels of claims and other cash demands. A significant proportion of the Syndicate's investments is in highly liquid assets which could be converted to cash in a prompt fashion and at minimal expense. The deposits with credit institutions largely comprise short-dated certificates for which an active market exists and which the Syndicate can easily access.

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

Table c) At 31 December 2017	Less than one year £000	Between one and three years £000	Between three and five years £000	Over five years £000	Total £000
Investments	293,912	721,190	50,487	119,478	1,185,067
Reinsurers' share of technical provisions	313,108	408,219	91,446	37,074	849,847
Debtors	335,706	53,139	1,732	31	390,608
Cash at bank and in hand	75,803	–	–	–	75,803
Prepayments and accrued income	5,632	–	–	–	5,632
Technical provisions	(822,660)	(725,359)	(209,301)	(109,286)	(1,866,606)
Creditors	(272,657)	(82,744)	(7,359)	(33)	(362,793)
Accruals and deferred income	(43,130)	(888)	–	–	(44,018)
Total	(114,286)	373,557	(72,995)	47,264	233,540

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 at bank and in hand	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)
Accruals and deferred income	(40,546)	(16,269)	–	–	(56,815)
Total	(44,678)	511,192	(82,980)	53,901	437,435

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)	2017 years	2016 years
Pound Sterling	1.4	1.7
US Dollar	2.8	3.7
Euro	2.4	2.5
Canadian Dollar	1.7	1.7

4 Management of risk continued

(e) Currency risk

The majority of the Syndicate's gross written premium is in US Dollars, consequently movements in the Pound Sterling against US Dollar exchange rate may have a material effect on its financial performance and position. The Syndicate's financial assets are denominated in the same currencies as its insurance liabilities, in order to reduce currency exchange volatility from the balance sheet. This profit and loss is distributed in accordance with Lloyd's rules using a combination of Pound Sterling and US Dollars.

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

Table e) At 31 December 2017	Pound Sterling £000	US Dollar £000	Euro £000	Canadian Dollar £000	Total £000
Financial investments	51,442	1,001,999	68,347	63,279	1,185,067
Reinsurers' share of technical provisions	45,449	939,150	22,007	19,109	1,025,715
Debtors	70,684	282,364	32,572	4,988	390,608
Cash in hand and at bank	20,778	43,125	8,090	3,810	75,803
Other assets	27,511	97,279	14,323	4,596	143,709
Total assets	215,864	2,363,917	145,339	95,782	2,820,902
Technical provisions	(182,103)	(1,999,875)	(120,040)	(51,866)	(2,353,884)
Creditors	(39,209)	(295,216)	(21,252)	(7,116)	(362,793)
Accruals and deferred income	(85,064)	(2,862)	(1,865)	(1,798)	(91,589)
Total liabilities	(306,376)	(2,297,953)	(143,157)	(60,780)	(2,808,266)
Members' balances by currency	(90,512)	65,964	2,182	35,002	12,636

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)	(277,805)
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

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 for the financial year by the amounts shown below:

Table f)	2017 £000	2016 £000
US Dollar	(6,596)	(25,185)
Euro	(218)	(382)
Canadian Dollar	(3,500)	(2,175)

4 Management of risk continued

Regulatory issues

The Syndicate is required to comply with the requirements of the Prudential Regulation Authority, Financial Conduct Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. HSL devotes considerable resources to meet its regulatory obligations, including compliance, risk management and internal audit functions.

Operational risk

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

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

5 Segmental analysis

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

2017	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	44,940	44,903	(36,392)	(16,386)	(667)	(8,542)
Motor – third-party liability	666	635	(381)	(216)	–	38
Motor – other classes	1,889	1,784	(2,333)	(461)	95	(915)
Marine aviation and transport	68,553	71,107	(39,292)	(20,295)	(8,019)	3,501
Fire and other damage to property	399,589	394,317	(401,093)	(89,298)	60,049	(36,025)
Third-party liability	143,073	117,804	(75,744)	(38,325)	(402)	3,333
Miscellaneous	135,223	135,600	(25,359)	(65,774)	(26,399)	18,068
	793,933	766,150	(580,594)	(230,755)	24,657	(20,542)
Reinsurance	362,536	351,599	(476,137)	(26,308)	153,304	2,458
Total	1,156,469	1,117,749	(1,056,731)	(257,063)	177,961	(18,084)

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	41,195	33,739	(26,264)	(14,155)	1,317	(5,363)
Motor – third-party liability	708	625	(428)	(214)	(1)	(18)
Motor – other classes	1,530	1,191	5,115	(418)	(8)	5,880
Marine aviation and transport	110,829	105,466	(50,934)	(38,418)	(8,399)	7,715
Fire and other damage to property	426,798	397,948	(196,468)	(121,371)	(75,420)	4,689
Third-party liability	104,097	81,493	(65,121)	(25,710)	5,094	(4,244)
Miscellaneous	64,587	60,321	(13,694)	(31,635)	648	15,640
	749,744	680,783	(347,794)	(231,921)	(76,769)	24,299
Reinsurance	306,825	290,582	(85,598)	(42,185)	(129,364)	33,435
Total	1,056,569	971,365	(433,392)	(274,106)	(206,133)	57,734

All premiums were concluded in the UK.

5 Segmental analysis continued

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

	2017 £000	2016 £000
United Kingdom	44,710	19,861
Other European Union member states	67,065	27,982
United States	593,338	583,277
Other	412,636	340,245
Total	1,117,749	971,365

6 Investment return

	2017 £000	2016 £000
Investment income		
Interest income on financial assets	23,682	23,726
Gains on realisation of investments	8,341	6,637
Total investment income	32,023	30,363

Investment expenses and charges		
Investment management expenses	(2,514)	(1,817)
Losses on realisation of investments	(7,283)	(4,201)
Total investment expenses and charges	(9,797)	(6,018)

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

	2017 £000	2016 £000
Average amount of Syndicate funds available for investment during the year		
Pound Sterling	65,899	50,156
Euro	85,697	88,484
US Dollar	1,187,879	1,201,681
Canadian Dollar	63,156	40,848
Total Syndicate funds available for investment	1,402,631	1,381,169

	2017 %	2016 %
Annual investment yield		
Pound Sterling	0.7	0.7
Euro	(0.4)	0.8
US Dollar	1.6	1.7
Canadian Dollar	0.5	1.1
Total annual investment yield percentage	1.4	1.6

Syndicate funds include investments and cash.

7 Net operating expenses

	2017 £000	2016 £000
Brokerage and commissions	267,670	238,791
Other acquisition costs	27,175	25,707
Change in deferred acquisition costs	(16,415)	(25,057)
Administrative expenses	61,932	82,528
Members' standard personal expenses	36,100	45,249
Reinsurers' commissions and profit participations	(119,399)	(93,112)
Total	257,063	274,106

7 Net operating expenses continued

Brokerage and commissions on direct business written was £220.8 million (2016: £198.5 million). Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT).

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 £4.6 million expense (2016: £20.7 million expense) calculated by the scheme actuary.

	2017 £000	2016 £000
Auditor's remuneration		
Fees payable to the Syndicate's auditor for the audit of the syndicate annual accounts	263	210
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	74	74
Total	337	284

8 Staff costs

The Syndicate and its managing agent have no employees. Staff are employed by Hiscox Underwriting Group Services Limited (HUGS).

The Syndicate did not directly incur staff costs during the year (2016: nil). The following salary and related costs were recharged during the year:

	2017 £000	2016 £000
Wages and salaries	38,833	37,203
Social security costs and pension costs (excluding provision for pension deficit)	5,701	5,461
Total	44,534	42,664

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

	2017 £000	2016 £000
Directors' emoluments	1,088	1,081

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

	2017 £000	2016 £000
Underwriters' emoluments	488	666

9 Financial investments

	2017 Fair value £000	2017 Cost £000	2016 Fair value £000	2016 Cost £000
Debt securities and other fixed income securities	1,184,933	1,193,926	1,469,801	1,472,408
Derivative financial assets	134	–	53	–
Derivative financial liabilities	(21)	–	(64)	–

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.

9 Financial investments continued

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

Fair value hierarchy

The Syndicate has classified its financial investments using the fair value hierarchy in accordance with the FRS 102.

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.

2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Debt securities and other fixed income securities	383,021	801,912	–	1,184,933
Derivative financial assets	–	134	–	134
Derivative financial liabilities	–	(21)	–	(21)

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
Derivative financial liabilities	–	(64)	–	(64)

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.

2017	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	4,618	–	(21)	(21)
Interest rate future contracts	46,159	134	–	134
Total	50,777	134	(21)	113

2016	Gross contract notional amount £000	Fair value of assets £000	Fair value of liabilities £000	Net balance sheet position (liability)/asset £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)

Foreign exchange forwards

During 2017 and 2016, 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 2017 and 2016, the Syndicate used Pound Sterling, Euro and US Dollar government bond futures to informally hedge the interest rate risk on specific corporate bonds.

10 Technical provisions

2017	Gross provisions £000	Reinsurance assets £000	Net £000
Claims incurred:			
Balance at 1 January	1,513,556	(406,065)	1,107,491
Over-provision in respect of prior claims and claim adjustment expenses	(264,369)	93,156	(171,213)
Expected cost of current year claims	1,321,100	(753,968)	567,132
Claims paid for claims settled in year	(581,536)	166,370	(415,166)
Effect of movements in exchange rates	(122,145)	50,660	(71,485)
Balance at 31 December	1,866,606	(849,847)	1,016,759
Unearned premiums:			
Balance at 1 January	504,538	(149,684)	354,854
Premium written during the year	1,156,469	(526,933)	629,536
Premium earned during the year	(1,117,749)	482,851	(634,898)
Effect of movements in exchange rates	(55,980)	17,898	(38,082)
Balance at 31 December	487,278	(175,868)	311,410
Deferred acquisition costs:			
Balance at 1 January	135,750	(40,502)	95,248
Acquisition costs written	267,670	(130,608)	137,062
Acquisition costs earned	(252,600)	119,399	(133,201)
Effect of movements in exchange rates	(12,743)	5,144	(7,599)
Balance at 31 December	138,077	(46,567)	91,510

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

11 Debtors arising out of direct insurance operations

	2017 £000	2016 £000
Amounts due from intermediaries		
Due within one year	148,308	162,503
Due after one year	20,486	40,661
	168,794	203,164

12 Debtors arising out of reinsurance operations

	2017 £000	2016 £000
Amounts due from intermediaries		
Reinsurance recoverable (due within one year)	28,521	28,411
Ceding insurers under reinsurance business (due within one year)	166,728	59,046
Ceding insurers under reinsurance business (due after one year)	17,570	21,277
	212,819	108,734

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 2017. The table is produced on a year of account basis. Some business is not off risk after the first 12 months, therefore we would anticipate cumulative claims to increase in the second year as this business is earned.

Pure underwriting year Gross of reinsurance	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000
Estimate of cumulative claims:							
At end of underwriting year one	432,792	406,072	271,444	293,976	299,229	374,702	839,815
One year later	562,942	475,034	389,195	399,877	447,707	685,473	
Two years later	551,828	428,127	324,382	389,838	445,774		
Three years later	563,730	408,016	288,847	360,653			
Four years later	552,405	396,960	281,504				
Five years later	541,592	389,415					
Six years later	518,758						
Cumulative payments	(466,338)	(320,004)	(231,555)	(253,688)	(247,403)	(244,960)	(128,498)
Estimated balance to pay	52,420	69,411	49,949	106,965	198,371	440,513	711,317
Provision in respect of prior years							237,660
Total gross provision included in the balance sheet							1,866,606
Net of reinsurance							
Estimate of cumulative claims:							
At end of underwriting year one	307,621	246,442	207,269	215,064	214,262	219,943	260,301
One year later	380,576	323,250	317,325	310,705	341,157	441,354	
Two years later	365,500	297,433	266,279	302,879	351,679		
Three years later	368,127	271,088	240,927	272,860			
Four years later	365,599	262,789	230,392				
Five years later	360,890	260,575					
Six years later	347,891						
Cumulative payments	(302,365)	(207,699)	(187,816)	(183,197)	(189,241)	(169,922)	(84,342)
Estimated balance to pay	45,526	52,876	42,576	89,663	162,438	271,432	175,959
Provision in respect of prior years							176,289
Total net provision included in the balance sheet							1,016,759

14 Creditors arising out of reinsurance operations

	2017 £000	2016 £000
Amounts due to intermediaries		
Due within one year	218,154	153,082
Due after one year	87,324	96,825
	305,478	249,907

15 Accruals and deferred income

	2017 £000	2016 £000
Profit commission	44,018	56,815
Deferred reinsurance commission	46,567	40,502
Accrued expenses	1,004	309
	91,589	97,626

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 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 Inc., a wholly-owned indirect subsidiary of Hiscox Ltd incorporated in USA (Delaware), is a US 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 Inc..

Hiscox Insurance Services Inc., a wholly-owned indirect subsidiary of Hiscox Ltd, is a US 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 Insurance Services Inc..

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	2017 £000	2016 £000
Hiscox Syndicates Limited	(44,018)	(57,833)
Other HSL managed Syndicates	(9,013)	(47,942)
Hiscox Ltd subsidiaries (intermediary services)	25,293	16,336
Hiscox Ltd subsidiaries (insurance)	123,596	17,526
Hiscox Ltd subsidiaries (other)	(3,028)	6,626
	92,830	(65,287)

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

Net income and (expenses) reflected in the profit and loss	2017 £000	2016 £000
Hiscox Syndicates Limited	(34,648)	(48,176)
Other HSL managed Syndicates	13,964	(18,337)
Hiscox Ltd subsidiaries (intermediary services)	(8)	(6,890)
Hiscox Ltd subsidiaries (insurance)	55,879	(38,681)
Hiscox Ltd subsidiaries (other)	(75,130)	(84,285)
	(39,943)	(196,369)

Hiscox Syndicates Limited charged managing agent fees and profit commission to Syndicate 33 of £6.9 million (2016: £6.0 million) and £27.7 million (2016: £42.2 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 events

From 1 January 2018 the functional currency of the Syndicate changed from Pound Sterling to US Dollars. This is as a result of the managing agent, Hiscox Syndicates Limited, changing its functional currency from Pound Sterling to US Dollars. The presentational currency of the Syndicate annual and underwriting accounts will change to US Dollars in 2018.

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 2017.

This report comprises the cumulative result to 31 December 2017 for the closed 2015 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. The Syndicate continues to adopt the going concern basis in preparing the syndicate underwriting year accounts.

Principal activity and review of the business

2015 account

The 2015 account has closed with a profit of 17.8% after all personal expenses (except members' agent's fees).

There was a release of £119.4 million from the closed years of 2014 and prior representing approximately 18% of RITC brought forward at constant exchange rates. The release was spread broadly across many classes of business.

The 2015 pure year made a good profit with a particularly strong contribution from the reinsurance account which experienced benign loss activity in 2015 and 2016 calendar years. The Syndicate's capacity was set at £1 billion and capacity utilisation was 64% when measured using the premium income monitoring rate of £1 = $1.71.

The 2015 account earned £17.9 million of investment income. The key driver of the investment return for the 2015 account is the performance of the investment portfolio in 2017 calendar year. The 2017 calendar year return was 1.4%.

2016 account

Premium income is up approximately 9% on 2015 when measured at constant exchange rates. Capacity utilisation is anticipated at 73% when measured using the premium income monitoring rate of £1 = $1.57. Growth came from a number of new classes of business to the Syndicate including directors and officers', marine cargo and US general liability following the recruitment of market-leading underwriting teams.

While the majority of the 2017 hurricane losses arising from reinsurance business impacted the 2017 year of account, the direct property losses (much of which arose from business written under binding authority) impacted both the 2016 and 2017 years of account.

We are forecasting a result in the range -7.5% to +2.5% of capacity.

2017 account

Premium income is forecast to increase by approximately 1% on 2016 when measured at constant FX rates. Capacity utilisation is forecast to be 74% when measured using the premium income monitoring rate of £1 = $1.34. Growth in gross premium was driven by the catastrophe reinsurance accounts with all of the increase ceded to reinsurers. This growth in gross inwards reinsurance premium was offset by our withdrawal from political risks and a pull-back in the big-ticket property account.

The 2017 account will pick up almost all of the reinsurance loss from the 2017 hurricanes together with a share of direct property loss.

We are forecasting a result in the range -15% to -5% at this early stage. There remains uncertainty around the ultimate loss the Syndicate will suffer from the 2017 hurricanes.

2018 account and the future

In anticipation of improved market conditions and a desire to have sufficient capacity to participate in a widespread market turn the Syndicate's capacity was increased to £1,600 million. In addition the aviation and portfolios accounts were transferred from Syndicate 3624 for the 2018 year of account.

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
16 March 2018

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

2015 closed year of account

Report on the syndicate underwriting year accounts

Opinion

In our opinion, Syndicate 33's syndicate underwriting year accounts for the 2015 year of account for the 36 months ended 31 December 2017 (the 'syndicate underwriting year accounts'):

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2017 and of its profit for the 2015 closed year of account;
- have been properly prepared in accordance with United Kingdom Accounting Standards comprising FRS 102 'The Financial Reporting Standard' applicable in the United Kingdom and Republic of Ireland', 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); 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).

We have audited the syndicate underwriting year accounts included within the Hiscox Syndicates 33 and 6104 Report and Accounts (the 'Annual Report'), which comprise: the profit and loss account for the 36 months ended 31 December 2017, the balance sheet as at 31 December 2017, the statement of cash flows for the 36 months then ended and the notes to the syndicate underwriting year accounts, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the syndicate underwriting year accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate underwriting year accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting year accounts any identified material uncertainties that may cast significant doubt about the Syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the syndicate annual accounts are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Syndicate's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate underwriting year accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate underwriting year accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate underwriting year accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the managing agent's report, we also considered whether the disclosures required by Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Managing agent's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the managing agent's report for the year ended 31 December 2017 is consistent with the syndicate underwriting year accounts and has been prepared

Independent auditor's report continued

To the members of Syndicate 33 2015 closed year of account

Managing agent's report continued

in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). In light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the managing agent's report.

Responsibilities for the syndicate underwriting year accounts and the audit

Responsibilities of the managing agent for the syndicate underwriting year accounts

As explained more fully in the statement of managing agent's responsibilities set out on page 37, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2015 closed year of account. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting year accounts, the managing agent is responsible for assessing the Syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Syndicate is unable to continue to realise its assets and discharge its liabilities in the ordinary course of business.

Auditors' responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate underwriting year accounts.

A further description of our responsibilities for the audit of the syndicate underwriting year accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 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.

Other required reporting

Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), 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
- certain disclosures of managing agent remuneration specified by law are not made; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors London
16 March 2018

Profit and loss account: technical account – general business
For the 36 months ended 31 December 2017
Hiscox Syndicate 33 underwriting accounts

	Notes	£000
Syndicate allocated capacity		999,359
Earned premiums, net of reinsurance		
Gross premiums written		891,710
Outward reinsurance premiums		(298,776)
Earned premiums, net of reinsurance		592,934
Reinsurance to close premium received, net of reinsurance	3	653,891
		1,246,825
Allocated investment return transferred from the non-technical account		17,878
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(370,992)
Reinsurers' share		86,295
Net claims paid		(284,697)
Change in provision for claims:		
Gross amount		(726,934)
Reinsurers' share		146,521
Change in the net provision for claims		(580,413)
Claims incurred, net of reinsurance		(865,110)
Net operating expenses	7	(249,677)
Balance on the technical account for general business		149,916

The notes on pages 44 to 46 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 2017
Hiscox Syndicate 33 underwriting accounts

	Notes	£000
Balance on the technical account for general business		149,916
Investment income	6	30,834
Unrealised gains on investments		1,991
Investment expenses and charges	6	(8,818)
Unrealised losses on investments		(6,129)
Allocated investment return transferred to the general business technical account		(17,878)
Foreign exchange gains or losses		28,210
Result before members' agents' fees		178,126
Members' agents' fees		(2,330)
Profit for the underwriting year		175,796

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 44 to 46 form an integral part of these underwriting year accounts.

Balance sheet
2015 account at 31 December 2017
Hiscox Syndicate 33 underwriting accounts

Assets	Notes	at 36 months £000
Investments		
Financial investments	8	688,349
Reinsurance recoveries anticipated on gross reinsurance to close premium payable	3	145,408
Debtors		
Debtors arising out of direct insurance operations	9	816
Debtors arising out of reinsurance operations	10	72,589
Other debtors		47,828
		121,233
Other assets		
Cash at bank and in hand		50,515
Prepayments and accrued income		
Accrued income		3,205
Total assets		1,008,710
Liabilities		
Capital and reserves		
Amounts due to members		175,796
Reinsurance to close premium payable – gross amount	3	714,775
Creditors		
Creditors arising out of reinsurance operations	11	36,198
Other creditors	12	38,811
		75,009
Accruals and deferred income		43,130
Total liabilities		1,008,710

The notes on pages 44 to 66 form an integral part of these underwriting year accounts.

The underwriting year accounts were approved by the Board of Hiscox Syndicates Limited on 16 March 2018 and were signed on its behalf by

I J Martin
Director

Statement of cash flows
For the 36 months ended 31 December 2017
Hiscox Syndicate 33 underwriting accounts

	£000
Net cash flows from operating activities	
Profit for the closed year of account	178,126
RITC premium payable, net of reinsurance	569,367
Increase in debtors	(121,233)
Increase in creditors	75,009
Movement in other assets/liabilities	39,925
Movement in other balances due from members	(2,330)
Investment return	(17,878)
Net cash inflows from operating activities	720,986
Net cash flows from investing activities	
Purchase of debt instruments	(1,605,423)
Sale of debt instruments	914,255
Settlement of derivatives	(35)
Investment income received	22,016
Other movements on investments	(2,163)
Net cash flows from financing activities	–
Net increase in cash and cash equivalents	49,636
Effect of exchange rates on cash and cash equivalents	879
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	50,515

Notes to the accounts
At 31 December 2017
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 2015 year of account which has been closed by reinsurance to close at 31 December 2017. Consequently the balance sheet represents the assets and liabilities of the 2015 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 2015 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 2015 in dealing with items which are considered material in relation to the syndicate underwriting year accounts.

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

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

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

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

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.

2(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.

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

Notes to the accounts continued
At 31 December 2017
Hiscox Syndicate 33 underwriting accounts

3 Reinsurance premium to close the 2015 and prior years of account

	Reported £000	IBNR £000	Total £000
Reinsurance to close premium received			
Gross reinsurance to close premium received	401,534	426,460	827,994
Reinsurance recoveries anticipated	(64,127)	(109,976)	(174,103)
Reinsurance to close premium receivable, net of reinsurance	337,407	316,484	653,891
Reinsurance to close premium payable			
Gross reinsurance to close premium payable	372,072	342,703	714,775
Reinsurance recoveries anticipated	(61,070)	(84,338)	(145,408)
Reinsurance to close premium payable, net of reinsurance	311,002	258,365	569,367

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

4 Analysis of underwriting result

	2014 and prior £000	2015 £000	Total £000
Technical account balance before allocated investment return and net operating expenses	126,520	255,195	381,715
Brokerage and commission on gross premium	(583)	(204,140)	(204,723)
Total	125,937	51,055	176,992

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	33,227	33,227	(22,070)	(12,881)	(728)	(2,452)
Motor – third-party liability	630	630	(367)	(225)	–	38
Motor – other classes	1,164	1,164	(846)	(331)	(33)	(46)
Marine aviation and transport	93,513	93,513	(33,037)	(32,982)	(17,771)	9,723
Fire and other damage to property	394,320	394,320	(140,684)	(119,133)	(79,691)	54,812
Third-party liability	63,957	63,957	(19,716)	(23,929)	(5,245)	15,067
Credit and suretyship	55,401	55,401	(11,612)	(29,636)	(3,620)	10,533
Reinsurance	249,498	249,498	(41,600)	(30,560)	(132,978)	44,360
Reinsurance to close	827,994	827,994	(827,994)	–	–	–
Total	1,719,704	1,719,704	(1,097,926)	(249,677)	(240,066)	132,035

6 Investment return

	for the 36 months ended £000
Investment income	
Interest income on financial assets	23,039
Gains on realisation of investments	7,795
Total investment income	30,834
Investment expenses and charges	
Investment management expenses	(2,370)
Losses on realisation of investments	(6,448)
Total investment expenses and charges	(8,818)

Investment return for the 2015 year of account is recognised in the 2015, 2016 and 2017 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 2015 underwriting account were made up as follows:

	for the 36 months ended £000
Brokerage and commissions	204,723
Other acquisition costs	25,238
Members' standard personal expenses	44,160
Administrative expenses	63,984
Auditor's remuneration (PricewaterhouseCoopers LLP)	71
Auditor's remuneration (KPMG Audit PLC)	199
Reinsurers' commissions and profit participations	(88,698)
Total	249,677

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.

8 Financial investments

	Fair value £000	Cost £000
Debt securities and other fixed income securities	688,278	693,501
Derivative financial assets	71	–
Derivative financial liabilities	(12)	–

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	816

10 Debtors arising out of reinsurance operations

	£000
Amounts due from intermediaries	72,589

11 Creditors arising out of reinsurance operations

	£000
Amounts due to intermediaries	36,198

12 Other creditors

	£000
Derivative financial liability	12
Other	38,799
Total	38,811

Seven-year summary
Hiscox Syndicate 33 underwriting accounts

Year of account	2009	2010	2011	2012	2013	2014	2015
Syndicate allocated capacity in £000	749,764	999,495	899,365	948,840	949,491	999,841	**999,359**
Number of underwriting members	1,342	1,397	1,440	1,505	1,523	1,532	**1,525**
Net premiums net of brokerage in £000	476,626	440,858	363,200	422,077	386,780	365,221	**388,211**
Capacity utilised (%)	105	70	69	72	69	64	**69**
Net capacity utilised (%)	64	44	40	44	41	37	**39**
Results for an illustrative share of £10,000							
Gross premiums	13,250	8,749	8,591	9,026	8,701	8,157	**8,923**
Net premiums	9,063	6,165	5,777	6,246	5,881	5,392	**5,933**
Reinsurance to close from an earlier account	9,725	6,620	7,031	6,071	6,203	5,648	**6,543**
Net claims paid	(3,466)	(3,460)	(3,555)	(2,283)	(2,446)	(2,305)	**(2,849)**
Reinsurance to close	(8,886)	(6,648)	(6,444)	(6,039)	(5,719)	(5,264)	**(5,808)**
(Loss)/profit on exchange	(44)	(73)	(85)	37	24	410	**282**
Syndicate operating expenses	(2,984)	(1,961)	(1,845)	(2,115)	(1,913)	(1,939)	**(2,056)**
Names personal expenses	(718)	(254)	(269)	(409)	(431)	(426)	**(442)**
Balance on technical account before investment return	2,690	389	610	1,508	1,599	1,516	**1,603**
Investment return	468	328	175	168	119	185	**179**
Profit before members' agent's fees	3,158	717	785	1,676	1,718	1,701	**1,782**

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. For these calculations, gross and net premiums are net of brokerage.
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 2017.

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). The Syndicate continues to adopt the going concern basis in preparing the syndicate annual accounts.

Separate underwriting year accounts for the closed 2015 account of Syndicate 6104 are included following these annual accounts.

Results

The result for Syndicate 6104 in calendar year 2017 is a loss of £14.6 million (2016: £18.8 million profit). The Syndicate's key financial performance indicators during the year were as follows:

	2017 £m	2016 £m	% change
Gross premiums written	42.2	30.4	39
Gross premiums earned	40.7	37.9	7
Net premiums earned	38.7	35.3	10
(Loss)/profit for the financial year	(14.6)	18.8	(178)
Claims ratio (%)	104	12	92
Commission ratio (%)	36	38	(2)
Expense ratio (%)	1	1	–
Combined ratio (%)	141	51	90

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 predominantly 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
2011	37.2
2012	38.7
2013	66.4
2014	72.1
2015	64.9
2016	55.5
2017	54.5
2018	56.1

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 (%)	2017	2016
UK	–	–
Europe	1	1
North America	63	65
Asia	2	3
Rest of the world	34	31

Gross premiums written settlement currency (%)	2017	2016
Pound Sterling	28	26
Euro	7	3
US Dollar	62	66
Canadian Dollar	3	5

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

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

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

The Syndicate 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 Syndicate only writes one contract per year, a reinsurance of Syndicate 33. This contract operates on a funds-withheld basis with Syndicate 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.

Premium income increased from £30 million in 2016 to £42 million in 2017 of which £4 million represents increased inward reinstatement premiums following hurricanes Harvey, Irma and Maria. The cession from Syndicate 33 remained constant at 28% between the two years.

The Syndicate made a loss of £14.6 million. The impact of hurricanes Harvey, Irma and Maria was $48 million gross and net before inwards reinstatements. The Syndicate benefitted from a good level of releases from reserves established for catastrophes in earlier years.

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 2017 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. During the year HSL received approval from Lloyd's for a major model change application which involved a new modeling platform together with the Syndicates becoming part of an integrated group model. There was no material change to the modeling assumptions or capital requirements calculated.

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 annual accounts of Syndicate 33 (note 4).

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.

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

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) 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 2018;
- 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
16 March 2018

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

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 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, (United Kingdom Accounting Standards comprising FRS 102 'The Financial Reporting Standard' applicable in the UK and Republic of Ireland); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Hiscox Syndicates 33 and 6104 Report and Accounts (the 'Annual Report'), which comprise: the profit and loss account for the year ended 31 December 2017, the balance sheet as at 31 December 2017, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the syndicate annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the Syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the syndicate annual accounts are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Syndicate's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the managing agent's report, we also considered whether the disclosures required by Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Managing agent's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the managing agent's report for the year ended 31 December 2017 is consistent with the syndicate annual accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

In light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the managing agent's report.

Independent auditor's report continued

To the members of Syndicate 6104

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the managing agent for the syndicate annual accounts

As explained more fully in the statement of managing agent's responsibilities set out on page 52, the managing agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the Syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the Syndicate to cease operations, or it has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

A further description of our responsibilities for the audit of the syndicate annual accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 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.

Other required reporting

Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, 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
- certain disclosures of managing agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors London
16 March 2018

Profit and loss account: technical account – general business
Year ended 31 December 2017
Hiscox Syndicate 6104 annual accounts

	Notes	2017 £000	2016 £000
Earned premiums, net of reinsurance			
Gross premiums written		42,184	30,414
Outward reinsurance premiums		(1,974)	(2,515)
Net premiums written		40,210	27,899
Change in the provision for unearned premiums:			
Gross amount		(1,510)	7,439
Reinsurers' share		–	–
Change in the net provision for unearned premiums		(1,510)	7,439
Earned premiums, net of reinsurance		38,700	35,338
Allocated investment return transferred from the non-technical account		1,100	1,366
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(8,472)	(3,008)
Reinsurers' share		–	–
Net claims paid		(8,472)	(3,008)
Change in the provision for claims:			
Gross amount		(31,260)	(9,263)
Reinsurers' share		–	–
Change in the net provision for claims		(31,260)	(9,263)
Claims incurred, net of reinsurance		(39,732)	(12,271)
Net operating expenses	6, 7	(14,356)	(13,549)
Balance on the technical account for general business		(14,288)	10,884

The notes on pages 61 to 66 form an integral part of these annual accounts.

Profit and loss account: non-technical account – general business
Year ended 31 December 2017
Hiscox Syndicate 6104 annual accounts

	Notes	2017 £000	2016 £000
Balance on the technical account for general business		(14,288)	10,884
Investment income		1,100	1,366
Allocated investment return transferred to general business technical account		(1,100)	(1,366)
Foreign exchange (losses)/gains		(328)	7,889
(Loss)/profit for the financial year		(14,616)	18,773

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.

Balance sheet – assets
At 31 December 2017
Hiscox Syndicate 6104 annual accounts

	Notes	2017 £000	2016 restated £000
Reinsurers' share of technical provisions			
Provision for unearned premium	8	–	–
Debtors			
Debtors arising out of reinsurance operations	9	76,266	89,665
Other debtors		217	671
		76,483	90,336
Prepayments and accrued income			
Deferred acquisition costs	8	1,810	1,658
Total assets		78,293	91,994

The notes on pages 61 to 66 form an integral part of these annual accounts.

Balance sheet – liabilities
At 31 December 2017
Hiscox Syndicate 6104 annual accounts

	Notes	2017 £000	2016 restated £000
Capital and reserves			
Members' balances		9,373	49,710
Technical provisions			
Provision for unearned premium	8	8,801	7,917
Claims outstanding	8, 10	53,782	25,445
		62,583	33,362
Creditors			
Creditors arising out of reinsurance operations	11	5,565	7,777
Other creditors		772	1,145
		6,337	8,922
Total liabilities		78,293	91,994

The notes on pages 61 to 66 form an integral part of these annual accounts.

The annual accounts on pages 49 to 60 were approved by the board of Hiscox Syndicates Limited on 16 March 2018 and were signed on its behalf by

I J Martin
Director

Statement of changes in members' balances
Year ended 31 December 2017
Hiscox Syndicate 6104 annual accounts

	2017 £000	2016 restated £000
Members' balances brought forward at 1 January	49,710	59,537
Total recognised gains and losses for the year	(14,616)	18,773
Payments of profit to members' personal reserve funds	(25,436)	(28,132)
Members' agent fees	(285)	(468)
Members' balances carried forward at 31 December	9,373	49,710

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

Statement of cash flows
Year ended 31 December 2017
Hiscox Syndicate 6104 annual accounts

	2017 £000	2016 £000
Net cash flows from operating activities		
(Loss)/profit for the year	(14,616)	18,773
Increase in gross technical provisions	29,221	4,441
Decrease in reinsurers' share of gross technical provisions	–	6
Decrease in debtors	13,853	5,947
Decrease in creditors	(2,585)	(1,968)
Movement in other assets/liabilities	(152)	1,401
Investment return	(1,100)	(1,366)
Other	1,100	1,366
Net cash inflows from operating activities	25,721	28,600
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 of profits	(25,721)	(28,600)
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	–	–

Notes to the accounts
Year ended 31 December 2017
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
Syndicate 6104 is not recharged for any 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.

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, in order to reduce currency exchange volatility from the balance sheet. 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:

Table e) At 31 December 2017	Pound Sterling £000	US Dollar £000	Euro £000	Canadian Dollar £000	Total £000
Reinsurers' share of technical provisions	–	–	–	–	–
Debtors	10,364	57,391	6,240	2,488	76,483
Prepayments and accrued income	878	760	127	45	1,810
Total assets	11,242	58,151	6,367	2,533	78,293
Technical provisions	(7,422)	(52,336)	(1,594)	(1,231)	(62,583)
Creditors	–	(6,337)	–	–	(6,337)
Total liabilities	(7,422)	(58,673)	(1,594)	(1,231)	(68,920)
Members' balances by currency	3,820	(522)	4,773	1,302	9,373

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	–	(8,922)	–	–	(8,922)
Total liabilities	(6,501)	(32,163)	(1,995)	(1,625)	(42,284)
Members' balances by currency	345	42,318	5,155	1,892	49,710

Sensitivity analysis

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

Table f)	2017 £000	2016 £000
US Dollar	52	(4,232)
Euro	(477)	(515)
Canadian Dollar	(130)	(189)

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:

	2017 £000	2016 £000
United Kingdom	16	–
Other European Union member states	553	512
United States	24,546	23,748
Other	15,559	13,593
Total	40,674	37,853

6 Net operating expenses

	2017 £000	2016 £000
Brokerage and commissions	14,366	11,870
Change in deferred acquisition costs	(289)	1,401
Members' standard personal expenses	279	278
Total	14,356	13,549

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 £26,000 (2016: £23,000) and in respect of other services pursuant to legislation £11,000 (2016: £11,000).

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

2017	Gross provisions £000	Reinsurance assets £000	Net £000
Claims incurred:			
Balance at 1 January	25,445	–	25,445
Over-provision in respect of prior claims and claim adjustment expenses	(8,936)	–	(8,936)
Expected cost of current year claims	48,668	–	48,668
Claims paid for claims settled in year	(8,472)	–	(8,472)
Effect of movements in exchange rates	(2,923)	–	(2,923)
Balance at 31 December	53,782	–	53,782
Unearned premiums:			
Balance at 1 January	7,917	–	7,917
Premium written during the year	42,184	(1,974)	40,210
Premium earned during the year	(40,674)	1,974	(38,700)
Effect of movements in exchange rates	(626)	–	(626)
Balance at 31 December	8,801	–	8,801
Deferred acquisition costs:			
Balance at 1 January	1,658	–	1,658
Acquisition costs written	14,366	–	14,366
Acquisition costs earned	(14,077)	–	(14,077)
Effect of movements in exchange rates	(137)	–	(137)
Balance at 31 December	1,810	–	1,810

8 Technical provisions continued

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	25,445	–	25,445
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

9 Debtors arising out of reinsurance operations

	2017 £000	2016 £000
Amounts due from intermediaries		
Due within one year	**22,529**	37,123
Due after one year	**53,737**	52,542
	76,266	89,665

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 2017. The table is produced on a year of account basis. Some business is not off risk after the first 12 months, therefore we would anticipate cumulative claims to increase in the second year as this business is earned.

Pure underwriting year Gross of reinsurance	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000
Estimate of cumulative claims:							
At end of underwriting year one	19,257	30,307	14,614	10,308	4,127	13,333	46,548
One year later	20,764	18,694	7,108	7,520	2,374	9,109	
Two years later	19,975	15,122	4,734	7,616	2,533		
Three years later	19,557	14,990	4,859	7,291			
Four years later	18,723	15,623	4,917				
Five years later	18,683	13,608					
Six years later	17,406						
Cumulative payments	(18,683)	(15,623)	(4,859)	(7,616)	–	–	–
Estimated balance to pay	(1,277)	(2,015)	58	(325)	2,533	9,109	46,548
Provision in respect of prior years							(849)
Total gross provision included in the balance sheet							53,782
Net of reinsurance							
Estimate of cumulative claims:							
At end of underwriting year one	19,257	30,307	14,614	10,308	4,127	13,333	46,548
One year later	20,764	18,694	7,108	7,520	2,374	9,109	
Two years later	19,975	15,122	4,734	7,616	2,533		
Three years later	19,557	14,990	4,859	7,291			
Four years later	18,723	15,623	4,917				
Five years later	18,683	13,608					
Six years later	17,406						
Cumulative payments	(18,683)	(15,623)	(4,859)	(7,616)	–	–	–
Estimated balance to pay	(1,277)	(2,015)	58	(325)	2,533	9,109	46,548
Provision in respect of prior years							(849)
Total net provision included in the balance sheet							53,782

11 Creditors arising out of reinsurance operations

	2017 £000	2016 £000
Amounts due from intermediaries		
Due within one year	1,705	2,694
Due after one year	3,860	5,083
	5,565	7,777

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	2017 £000	2016 £000
Hiscox managed Syndicates	9,373	48,760

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

Net income and (expenses) reflected in the profit and loss	2017 £000	2016 £000
Hiscox Syndicates Limited	(279)	(278)
Hiscox managed Syndicates	(14,337)	19,051
	(14,616)	18,773

Hiscox Syndicates Limited charged managing agent fees to Syndicate 6104 of £0.3 million (2016: £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 HM 12, Bermuda.

14 Subsequent events

From 1 January 2018 the functional currency of the Syndicate changed from Pound Sterling to US Dollars. This is as a result of the managing agent, Hiscox Syndicates Limited, changing its functional currency from Pound Sterling to US Dollars. The presentational currency of the Syndicate annual and underwriting accounts will change to US Dollars in 2018.

15 Prior year restatement

During the year an error was identified in relation to outwards reinsurance premium. The premium was not booked correctly in previous periods and as a consequence these annual accounts have been restated. The impact to the 2016 opening members' balances is an increase of £1.0 million, with a corresponding reduction to creditors. As a result the 2017 opening members' balances has also increased by £1.0 million, with a corresponding reduction to creditors. Hiscox's position relative to the members' has not been affected by this restatement.

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 2017.

This report comprises the cumulative result to 31 December 2017 for the closed 2015 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. The Syndicate continues to adopt the going concern basis in preparing the syndicate underwriting year accounts.

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

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

The Syndicate 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 Syndicate 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.

2015 account
In 2015 the cession from Syndicate 33 was 28%. The account has closed with a profit of 36.1% after all personal expenses (except members' agent's fees). This is a another very good result reflecting in part the absence of major catastrophe activity in 2015 and 2016 and a good level of releases from reserves established in earlier years.

2016 account
For 2016 the capacity of the Syndicate was trimmed back from £65 million to £56 million to improve utilisation and to take account of the movement in the premium income monitoring rate from $1.71 million to $1.57 million. The cession from Syndicate 33 was maintained at 28%. There were no significant losses impacting the account. Losses from Hurricanes Harvey, Irma and Maria was almost entirely in the 2017 year of account.

We have set a profit forecast in the range 20% to 30% return on capacity.

2017 account
The Syndicate capacity was £54.5 million for the 2017 year of account and the cession from Syndicate 33 maintained at 28%.

Hurricanes Harvey, Irma and Maria were the only significant losses materially impacting the account.

We are forecasting a loss in the range of 45% to 55% on capacity. 2017 is likely to be the Syndicate's first loss making year since inception.

2018 and outlook
The Syndicate capacity was £56 million and the cession from Syndicate 33 was maintained at 28% with the expectation of a higher level of capacity utilisation.

Catastrophe reinsurance pricing into the key 1 January renewal season saw average prices increase by 9%. There were clear variations within this, with loss-affected accounts seeing larger increases. The increases were less than we had expected and our book will grow less than initially planned. It is clear though that rate decreases are few and far between, so we think 2018 will offer a better risk/reward trade off than 2017.

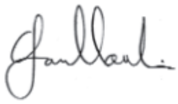
The benefits of being able to deploy significant capacity through the Syndicate 33 line, the Hiscox Bermuda line and our writings on behalf of the Hiscox managed ILS funds were evident in the premium signings at 1 January 2018.

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
16 March 2018

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
2015 closed year of account

Report on the syndicate underwriting year accounts

Opinion

In our opinion, Syndicate 6104's syndicate underwriting year accounts for the 2015 year of account for the 36 months ended 31 December 2017 (the 'syndicate underwriting year accounts'):

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2017 and of its profit for the 2015 closed year of account;
- have been properly prepared in accordance with United Kingdom Accounting Standards comprising FRS 102 'The Financial Reporting Standard' applicable in the United Kingdom and Republic of Ireland', 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); 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).

We have audited the syndicate underwriting year accounts included within the Hiscox Syndicates 33 and 6104 Report and Accounts (the 'Annual Report'), which comprise: the profit and loss account for the 36 months ended 31 December 2017, the balance sheet as at 31 December 2017, the statement of cash flows for the 36 months then ended and the notes to the syndicate underwriting year accounts, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the syndicate underwriting year accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate underwriting year accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting year accounts any identified material uncertainties that may cast significant doubt about the Syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the syndicate annual accounts are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Syndicate's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate underwriting year accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate underwriting year accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate underwriting year accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the managing agent's report, we also considered whether the disclosures required by Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Managing agent's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the managing agent's report for the year ended 31 December 2017 is consistent with the syndicate underwriting year accounts

Independent auditor's report continued

To the members of Syndicate 6104

2015 closed year of account

Managing agent's report continued

and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the managing agent's report.

Responsibilities for the syndicate underwriting year accounts and the audit

Responsibilities of the managing agent for the syndicate underwriting year accounts

As explained more fully in the statement of managing agent's responsibilities set out on page 69, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2015 closed year of account. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting year accounts, the managing agent is responsible for assessing the Syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Syndicate is unable to continue to realise its assets and discharge its liabilities in the ordinary course of business.

Auditors' responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate underwriting year accounts.

A further description of our responsibilities for the audit of the Syndicate underwriting year accounts is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

Use of this report

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, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 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.

Other required reporting

Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), 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
- certain disclosures of managing agent remuneration specified by law are not made; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors London
16 March 2018

Profit and loss account: technical account – general business
For the 36 months ended 31 December 2017
Hiscox Syndicate 6104 underwriting accounts

	Notes	£000
Syndicate allocated capacity		64,927
Earned premiums, net of reinsurance		
Gross premiums written		35,402
Outward reinsurance premiums		(1,400)
Earned premiums, net of reinsurance		34,002
Reinsurance to close premium received, net of reinsurance		8,660
		42,662
Allocated investment return transferred from the non-technical account	6	1,090
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(8,472)
Reinsurers' share		–
Net claims paid		(8,472)
Change in provision for claims:		
Gross amount		2,244
Reinsurers' share		–
Change in the net provision for claims		2,244
Claims incurred, net of reinsurance		(6,228)
Net operating expenses	7	(16,254)
Balance on the technical account for general business		21,270

The notes on pages 76 to 77 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 2017
Hiscox Syndicate 6104 underwriting accounts

	Notes	£000
Balance on the technical account for general business		21,270
Investment income	6	1,090
Allocated investment return transferred to the general business technical account		(1,090)
Foreign exchange gains or losses		2,194
Result before members' agents' fees		23,464
Members' agents' fees		(546)
Profit for the underwriting year		22,918

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.

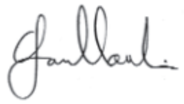
The notes on pages 76 to 77 form an integral part of these underwriting year accounts.

Balance sheet
2015 account at 31 December 2017
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	22,529
Other debtors		218
Total assets		**22,747**
Liabilities		
Capital and reserves		
Amounts due to members		22,918
Reinsurance to close premium payable – gross amount	3	(1,876)
Creditors		
Creditors arising out of reinsurance operations	9	1,705
Total liabilities		**22,747**

The notes on pages 76 to 77 form an integral part of these underwriting year accounts.

The underwriting year accounts were approved by the Board of Hiscox Syndicates Limited on 16 March 2018 and were signed on its behalf by



I J Martin
Director

Statement of cash flows
For the 36 months ended 31 December 2017
Hiscox Syndicate 6104 underwriting accounts

	£000
Net cash flows from operating activities	
Profit for the closed year of account	22,918
RITC premium payable, net of reinsurance	(1,876)
Increase in debtors	(22,747)
Increase in creditors	1,705
Movement in other assets/liabilities	–
Investment return	1,090
Other	(1,090)
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	–

Notes to the accounts
At 31 December 2017
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 2015 and prior years of account

	Reported £000	IBNR £000	Total £000
Reinsurance to close premium received			
Gross reinsurance to close premium received	–	8,660	8,660
Reinsurance recoveries anticipated	–	–	–
Reinsurance to close premium receivable, net of reinsurance	–	8,660	8,660
Reinsurance to close premium payable			
Gross reinsurance to close premium payable	–	(1,876)	(1,876)
Reinsurance recoveries anticipated	–	–	–
Reinsurance to close premium payable, net of reinsurance	–	(1,876)	(1,876)

4 Analysis of underwriting result

	2014 and prior £000	2015 £000	Total £000
Technical account balance before allocated investment return and net operating expenses	7,502	28,932	36,434
Brokerage and commission on gross premium	(3,705)	(12,224)	(15,929)
Total	3,797	16,708	20,505

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	1,090

Investment return for the 2015 year of account is recognised in the 2015, 2016 and 2017 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 2015 underwriting account were made up as follows:

	for the 36 months ended £000
Brokerage and commissions	15,929
Members' standard personal expenses	325
Total	16,254

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 their associates (exclusive of VAT) of £29,000, (PricewaterhouseCoopers LLP: £7,000, KPMG: £22,000).

8 Debtors arising out of reinsurance operations

	£000
Due from intermediaries	22,529

9 Creditors arising out of reinsurance operations

	£000
Amounts due to intermediaries	1,705

Seven-year summary
Hiscox Syndicate 6104 underwriting accounts

Year of account	2009	2010	2011	2012	2013	2014	2015
Syndicate allocated capacity in £000	43,106	45,185	37,174	38,686	66,354	72,089	**64,927**
Number of underwriting members	1,098	1,102	1,042	1,077	1,336	1,524	**1,435**
Net premiums net of brokerage in £000	34,146	23,787	18,621	26,433	30,648	25,926	**18,073**
Capacity utilised (%)	87	57	55	78	54	40	**30**
Net capacity utilised (%)	79	53	50	68	46	36	**28**

Results for an illustrative share of £10,000							
Gross premiums	8,540	7,019	7,104	10,491	8,026	6,091	**5,453**
Net premiums	7,762	6,593	6,632	9,544	7,262	5,721	**5,236**
Reinsurance to close from an earlier account	3,045	1,795	5,363	4,511	1,844	392	**1,334**
Net claims paid	(2,988)	(1,750)	(5,501)	(4,496)	(1,878)	(417)	**(1,305)**
Reinsurance to close	(1,954)	(4,594)	(4,701)	(3,117)	(482)	(974)	**346**
Profit/(loss) on exchange	(242)	(111)	(5)	(51)	209	847	**338**
Syndicate operating expenses	159	(1,329)	(1,623)	(2,712)	(2,645)	(2,125)	**(2,453)**
Names personal expenses	(50)	(50)	(50)	(50)	(50)	(50)	**(50)**
Balance on technical account before investment return	5,732	554	115	3,629	4,260	3,394	**3,446**
Investment return	736	333	220	267	49	214	**168**
Profit after personal expenses	6,468	887	335	3,896	4,309	3,608	**3,614**

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. For these calculations, gross and net premiums are net of brokerage.
4. Premium figures and Syndicate operating expenses are quoted gross of brokerage.
5. All years of account are presented using transactional rates of exchange.

Notes

Notes

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