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Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd’s website, which have been filed with Lloyd’s in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd’s, and Lloyd’s has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd’s or membership on any syndicate of Lloyd’s, and no offer to join Lloyd’s or any syndicate is being made hereby. Members of Lloyd’s are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate’s performance in any subsequent syndicate year.

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HISCOX

Hiscox Syndicate 3624 Report and Accounts 2018

18

Contents

Directors and administration
Hiscox Syndicate 3624

Managing agent:

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

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

Company secretary
B F E Hunt
K M Hubber

Managing agent's registered office
1 Great St Helen's
London
EC3A 6HX

Managing agent's company number
02590623

Syndicate:

Active underwriter
J R Musselle

Bankers
Lloyds Bank PLC
Citibank

Investment manager
Payden & Rygel Global Limited

Registered auditors
PricewaterhouseCoopers LLP

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

The Directors of the managing agent present their report for Syndicate 3624 for the year ended 31 December 2018.

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.

Results
The result for Syndicate 3624 in calendar year 2018 is a profit of $13.1 million (2017: $58.5 million loss). The Syndicate's key financial performance indicators during the year were as follows:

	2018 $m	2017 (restated)* $m	% change
Gross premiums written	**451.7**	527.3	(14)
Gross premiums earned	**551.7**	637.7	(13)
Net premiums earned	**428.5**	530.2	(19)
Total recognised (loss)/profit for the year	**13.1**	(58.5)	122
Claims ratio (%)	**53**	72	(19)
Commission ratio (%)	**43**	34	9
Expense ratio (%)	**5**	5	–
Combined ratio (%)	**101**	111	(10)

*See note 2(o) for further details. These accounts have been restated to show prior year figures in US Dollars, previously reported in Sterling.

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

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

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

Geographical split of gross premiums written (%)	2018	2017
UK	**5**	5
Europe	**3**	5
North America	**89**	84
Asia	**1**	1
Rest of the world	**2**	5

Gross premiums written settlement currency (%)	2018	2017
Sterling	**5**	8
Euro	**1**	1
US Dollar	**93**	90
Canadian Dollar	**1**	1

Review of the business
The result for the year was a profit of $13.1 million (2017: $58.5 million loss). The written premium by class of business is shown below:

Division	2018 Gross premiums written $m	2017 (restated)* Gross premiums written $m
Auto fire, theft, collision and extended warranty	**(2.9)**	57.3
Cyber	**77.6**	76.9
Portfolios	**1.0**	42.1
US general liability	**63.7**	57.2
US liability classes	**205.2**	162.2
US property classes	**17.5**	23.0
Product recall	**26.0**	23.7
Technology, media and telecoms	**17.7**	13.2
Reinsurance	**27.0**	30.8
Other smaller accounts	**18.9**	40.9
Total	451.7	527.3

*See note 2(o) for further details.

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

Review of the business continued
Syndicate 3624 was established as an aligned corporate syndicate for the 2009 year of account. Initially all of the Syndicate's business was generated through Hiscox owned distribution channels, in particular Hiscox Inc., the Group's service company in the USA. In subsequent years a number of additional lines of business were added to the portfolio, some of which were sourced through Hiscox owned service companies and some through normal London Market broking channels. However, more recently, the portfolio has reverted to its original constitution (albeit much larger) as all of the big-ticket lines of business have either been discontinued or transferred to Syndicate 33 for reasons of management and operational efficiency.

The principal classes of business written by the Syndicate include:

Auto fire, theft and collision and extended warranty
This account focused on FTC (fire, theft and collision) and auto extended warranty business sourced through the White Oak Underwriting Agency Limited in which Hiscox has a 29.8% shareholding and the previous active underwriter of the Syndicate, Richard Watson, is a Director. Towards the end of 2016 we took a decision to scale this account back which we did in 2017 and we have ceased writing this business entirely in 2018. The negative premium in the year arose from the downward revisions to binding authority premium estimates during 2018.

Portfolios
This account seeks to utilise alternative distribution approaches including supporting the consortia arrangements of other specialist underwriters in the Lloyd's market. This account was transferred to Syndicate 33 for 2018 year of account although risks continued to attach to 2017 year of account binding authorities in 2018.

Liability (Hiscox USA)
This account is written through Hiscox Inc., Hiscox USA's service company. The Syndicate pays a commission to Hiscox Inc. to source smaller premium allied healthcare, errors and emissions, directors and officers', and financial lines business from the Hiscox offices on the ground in the USA.

Cyber (Hiscox USA)
This account covers privacy, data and network exposures and is sourced through Hiscox Inc..

General liability (Hiscox USA)
This account covers a broad spectrum of protection including unexpected and unintentional bodily injury, property damage and property/advertising injury.

Property (Hiscox USA)
This account, sourced through Hiscox Inc., includes commercial property business written through wholesale brokers in the USA and a construction account which is now in run-off. Effective 1 May 2018 this account was written by a new Hiscox owned MGA on behalf of Syndicate 33 and other Lloyd's syndicates.

Technology, media and telecoms
This account provides liability insurance for clients from the technology and media and entertainment industries, together with the growing cyber insurance account and is sourced by the Hiscox owned service companies in the USA, Europe and UK.

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

Other
This includes insurance for event cancellation, pilot's loss of licence and some smaller classes that are in run-off including the healthcare account.

The Syndicate made a profit of $13.1 million (2017: $58.5 million loss) in the year with the USA liability lines and the product recall account more than offsetting some reserve strengthening on the healthcare account and a modest loss from Hurricanes Florence and Michael.

2019 and the future
2019 will see the Syndicate complete its transition to a pure retail syndicate with all of it business being sourced from the Hiscox owned service companies, in particular Hiscox Inc. in the USA which is planned to account for 95% of premium. We anticipate further growth from these retail operations. During the year, a loss portfolio transfer reinsurance treaty for a run-off casualty portfolio completed ceding any future payments on losses arising from claims developments related to policies written from 2010 to 2016, with premiums earned of $57.4 million and claims adjustments expenses net of reinsurance of $57.5 million.

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

Solvency II became effective from 1 January 2016 and the 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.

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

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

1. all premiums received by syndicates are held in trust as the first resource for paying policyholders' claims;
2. every member is required to hold capital at Lloyd's which is held in trust and known 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 USA and other parts of the world to strengthen further the security of a Lloyd's policy. This has resulted in significant amounts of the Syndicate's funds being held in various trust funds where they cannot be used as 'working capital' to pay claims, reinsurance premiums or expenses. This places a strain on the Syndicate's working capital. Consequently we may need to make a cash call, at some time in the future, to improve the Syndicate's working capital position.

Investment report
Investment income for Syndicate 3624 was $9.7 million (2017: $5.6 million) equating to a return of 1.6% (2017: 1.1%). These returns were broadly in line with budget for the year. The Syndicate's invested assets totalled $617.1 million at 31 December 2018 (2017: $629.6 million) which was a little lower over the year.

2018 proved to be different from the calm and low volatility of the preceding year. Disappointing performance in early 2018 was driven largely by a change in expectations around the tightening of US monetary policy. Concerns over inflation, and thus interest rates rising faster than expected, led to increased volatility and losses on bond portfolios as yields rose. By contrast, in the fourth quarter, comments by US Federal Reserve Chairman Jerome Powell that rates remained well below neutral triggered another round of volatility, although this time bond yields fell as concerns were more over growth than inflation.

2018 also saw the fortunes of North American and European bond markets diverge. The US economy benefited from the long-term impacts of its quick and decisive action following the 'credit crunch' and the short-term impacts of the President's recent fiscal injection. As a result, US one-month interest rates increased by almost 1% to reach 2.5%, while two-year government rates ultimately rose by 0.6% to 2.5% after a strong end to the year. Canadian interest rates also rose, with three moves by the Bank of Canada over the year lifting interest rates to 1.75%. However, two-year Canadian government bond yields gained 0.4% before falling back a little. By contrast, UK and European economies were constrained by widespread political uncertainty including Brexit and Italy's budgetary brinkmanship with the EU. UK two-year government bond yields rose by only 0.3% and German two-year bund yields were unchanged.

Rising interest rates, while clearly beneficial to our portfolios over the medium term, do negatively impact short-term performance as increasing rates lead to lower values and mark-to-market losses. Returns from coupon income were strong and we expect to recover the mark-to-market losses as bonds mature. We are now re-investing cash at rates over 3% for the first time since 2009.

The return on our bond portfolio was 1.7%, with our 93% holding of US Dollar bonds comprising 1.7%, 1.9% came from our holdings of Canadian bonds, 1.6% from our overseas deposits and 1.3% from cash. Overseas deposits were our best performing assets in 2018, returning over 1.5%. Over the year, we reduced the maturity of our portfolios, which limited our mark-to-market losses with no materially adverse impact on expected income. We therefore see our bond return as quite strong in the circumstances.

Syndicate 3624 continues to hold no risk assets, such as equities. This was helpful as 2018 was a particularly difficult year for risk assets with global equity markets falling around 10% and a broad range of risk assets making losses.

Years of account	2013	2014	2015	2016	2017	2018	2019
Capacity (£m)	250	300	350	400	460	400	**360**
Capacity ($m)*	318	382	446	509	586	509	**459**

*Converted at the closing rate at 31 December 2018.

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

Investment report continued
In addition to our sensible, tactical asset allocation position, our selection of asset managers benefited our return; each manager either outperformed or equalled its respective index. 2018 has demonstrated the value of active management in volatile markets.

Clearly, markets have entered a new phase and we expect to have to weather more bouts of volatility as growth slows and liquidity is drained from the market. We have started to incrementally increase the risk in our bond portfolios by investing in shorter-dated, high-quality, non-government bonds. This will increase our medium-term expected return with only a modest increase in risk.

We remain underweight on all risk metrics, maintaining a prudent stance in the face of volatility to support the core Hiscox business. Nevertheless, we remain ready for a healthier investment climate.

2019 will also see an increase in focus on responsible investing as well as a specific focus on the impact of our investments on climate change.

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

Directors' interests
None of the Directors of the managing agent who served during the year ended 31 December 2018 were underwriting Names at Lloyd's for the 2016, 2017, 2018 or 2019 years of account.

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 (Resigned 9 July 2018)
P A Lawrence
K J M Markham (Appointed 26 February 2018)
M H McConnell (Appointed 21 June 2018)
I J Martin
J R Musselle (Appointed 19 July 2018)
B E Masojada
J Pinchin
R C Watson
A C Winther – Non Executive

K M Hubber became Company Secretary on 21 December 2018. B F E Hunt became Company Secretary on 22 March 2018. D J Gormley resigned as Company Secretary on 22 March 2018.

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 2017 to appoint PricewaterhouseCoopers LLP (PwC) as the Syndicate's registered auditor. The 2008 Regulations contain provisions for the re-appointment of the Syndicate's registered auditor. Lloyd's requirements allow managing agents to dispense with the requirement to hold a Syndicate AGM, providing certain criteria are met.

This year, we therefore give notice that:
- Hiscox Syndicates Limited does not propose to hold an AGM of the members of Syndicate 3624 in 2019;
- 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
22 March 2019

Statement of managing agent's responsibilities
Hiscox Syndicate 3624 annual accounts

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

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

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

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

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

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

Independent auditor's report
To the members of Syndicate 3624

Report on the syndicate annual accounts

Opinion
In our opinion, Syndicate 3624's syndicate annual accounts (the syndicate annual accounts):
- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2018 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 Syndicate 3624 Report and Accounts 2018 (the Annual Report), which comprise: the balance sheet – assets at 31 December 2018, the balance sheet – liabilities at 31 December 2018, the profit and loss account: technical account – general business for the year then ended, the profit and loss account: non-technical account – general business for the year then ended, the statement of changes in members' balances for the year then ended, the statement of cash flows for the year then ended, 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 auditor's 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
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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Syndicate's business and the wider economy.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditor's 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 report of the Directors of the managing agent, 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 on page 8.

Independent auditor's report continued
To the members of Syndicate 3624

Report of the Directors of the managing agent
In our opinion, based on the work undertaken in the course of the audit, the information given in the report of the Directors of the managing agent for the year ended 31 December 2018 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 report of the Directors of the managing agent.

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 6, 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 auditor's 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 auditor's 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
22 March 2019

Profit and loss account: technical account – general business
Year ended 31 December 2018
Hiscox Syndicate 3624 annual accounts

	Notes	2018 $000	2017 (restated)* $000
Earned premiums, net of reinsurance			
Gross premiums written	5	451,710	527,346
Outward reinsurance premiums		(92,916)	(46,039)
Net premiums written		358,794	481,307
Change in the provision for unearned premiums:			
Gross amount		99,940	110,320
Reinsurers' share		(30,276)	(61,458)
Change in the net provision for unearned premiums		69,664	48,862
Earned premiums, net of reinsurance		428,458	530,169
Allocated investment return transferred from the non-technical account		9,686	5,619
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(307,747)	(388,837)
Reinsurers' share		77,260	120,935
Net claims paid		(230,487)	(267,902)
Change in the provision for claims:			
Gross amount		(42,816)	(96,323)
Reinsurers' share		54,985	(16,026)
Change in the net provision for claims		12,169	(112,349)
Claims incurred, net of reinsurance		(218,318)	(380,251)
Net operating expenses	7, 8	(205,330)	(207,244)
Balance on the technical account for general business		14,496	(51,707)

*See note 2(o) for further details.

The notes on pages 15 to 33 form an integral part of these annual accounts.

Profit and loss account: non-technical account – general business
Year ended 31 December 2018
Hiscox Syndicate 3624 annual accounts

	Notes	2018 $000	2017 (restated)* $000
Balance on the technical account for general business		14,496	(51,707)
Investment income	6	14,225	17,068
Unrealised (losses) and gains on investments		(16)	596
Investment expenses and charges	6	(4,523)	(10,643)
Unrealised losses on investments		–	(1,402)
Allocated investment return transferred to general business technical account		(9,686)	(5,619)
Foreign exchange (losses)		(1,435)	(6,814)
Profit/(loss) for the financial year		13,061	(58,521)

*See note 2(o) for further details.

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

The notes on pages 15 to 33 form an integral part of these annual accounts.

Balance sheet – assets
At 31 December 2018
Hiscox Syndicate 3624 annual accounts

	Notes	2018 $000	2017 (restated)* $000
Investments			
Financial investments	9	502,259	526,515
Reinsurers' share of technical provisions			
Provision for unearned premium	10	44,127	75,373
Claims outstanding	10, 13	193,479	141,712
		237,606	217,085
Debtors			
Debtors arising out of direct insurance operations	11	58,281	111,136
Debtors arising out of reinsurance operations	12	47,945	54,313
Other debtors		1	2,241
		106,227	167,690
Other assets			
Cash at bank and in hand		114,791	103,067
Prepayments and accrued income			
Accrued interest		3,337	2,186
Deferred acquisition costs	10	101,812	127,022
Total assets		1,066,032	1,143,565

*See note 2(o) for further details.

The notes on pages 15 to 33 form an integral part of these annual accounts.

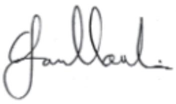
Balance sheet – liabilities
At 31 December 2018
Hiscox Syndicate 3624 annual accounts

	Notes	2018 $000	2017 (restated)* $000
Capital and reserves			
Member's balances		(91,997)	(99,190)
Technical provisions			
Provision for unearned premium	10	282,340	385,884
Claims outstanding	10, 13	811,023	774,714
		1,093,363	1,160,598
Creditors			
Creditors arising out of insurance operations		220	653
Creditors arising out of reinsurance operations	14	53,011	53,955
Other creditors		2,980	8,910
		56,211	63,518
Accruals and deferred income	15	8,455	18,639
Total liabilities		1,066,032	1,143,565

*See note 2(o) for further details.

The notes on pages 15 to 33 form an integral part of these annual accounts.

The syndicate annual accounts on pages 2 to 14 were approved by the board of Hiscox Syndicates Limited on 22 March 2019 and were signed on its behalf by



I J Martin
Director

Statement of changes in member's balances
Year ended 31 December 2018
Hiscox Syndicate 3624 annual accounts

	2018 $000	2017 (restated)* $000
Member's balances brought forward at 1 January	(99,190)	(19,364)
Total recognised gains/(losses) for the year	13,061	(58,521)
Payments of profit to member's personal reserve funds	(5,868)	(21,305)
Member's balances carried forward at 31 December	(91,997)	(99,190)

*See note 2(o) for further details.

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 2018
Hiscox Syndicate 3624 annual accounts

	2018 $000	2017 (restated)* $000
Net cash flows from operating activities		
Profit/(loss) for the year	13,061	(58,521)
(Decrease)/increase in gross technical provisions	(67,235)	10,133
(Increase)/decrease in reinsurers' share of gross technical provisions	(20,521)	72,229
Decrease in debtors	59,223	37,204
(Decrease)/increase in creditors	(1,377)	2,323
Movement in other assets/liabilities	10,185	17,533
Investment return	(9,686)	(5,619)
Net cash inflows from operating activities	(16,350)	75,282
Net cash flows from investing activities		
Purchase of debt instruments	(611,490)	(1,142,721)
Sale of debt instruments	629,471	1,121,124
Settlement of derivatives	(49)	415
Investment income received	12,353	18,118
Foreign exchange	3,668	(45,607)
Net cash flows from financing activities		
Distribution of profits	(5,868)	(21,304)
Net increase in cash and cash equivalents	11,735	5,307
Effect of exchange rates on cash and cash equivalents	(11)	2,659
Cash and cash equivalents at the beginning of the year	103,067	95,101
Cash and cash equivalents at the end of the year	114,791	103,067

*See note 2(o) for further details.

Cash flows from operating activities for 2017 has been recalculated based on an opening balance sheet converted to US Dollars compared to a closing balance sheet presented in US Dollars.

Notes to the accounts
Year ended 31 December 2018
Hiscox Syndicate 3624 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), Insurance Contracts (FRS 103) where applicable and the Companies Act 2006.

These annual accounts are presented in US Dollars, which is the Syndicate's functional currency. Some disclosure items e.g. Syndicate capacity are presented in Sterling as it is denominated in this currency, US Dollar amounts are converted at the closing rate at 31 December 2018. 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, adjusted for any material backlogs which may occur between cash paid and the claims being signed through.

Reinsurers' share of claims paid are all transactions in the period which have been signed through the 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 Accounting policies continued

2(e) Unexpired risk

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

2(f) Financial assets and liabilities including loans and receivables

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

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

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 US Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'other debtors'.

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

2(j) Impairment of assets

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

For financial assets, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no

2 Accounting policies continued

impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately. Impairment losses recognised in respect of goodwill are not subsequently reversed.

2(k) Bad debts

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

2(l) Reinsurers' commissions and profit participations

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

2(m) Derivative financial instruments

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

2(n) Cash at bank and in hand

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

2(o) Changes in presentation currency

With effect from 1 January 2018, the Syndicate's presentation currency changed from Sterling to US Dollars, given that a significant majority of earnings are denominated in US Dollars. The Directors believe that the presentation currency change will give stakeholders a clearer understanding of Syndicate 3624's financial performance and financial position over time. Following this change in accounting policy, the prior year figures have been translated into US Dollars using the procedures below:

- assets and liabilities are translated into US Dollars at the closing rates of exchange. At 31 December 2017 the closing rate was Sterling/US Dollars 1.35.
- trading results are translated into US Dollars at the average rates of exchange. At 31 December 2017 the average rate was Sterling/US Dollars 1.29.
- differences resulting from the retranslation of the opening net assets and the results for the period have been presented in the foreign exchange gains or losses, a component within the profit and loss account: non-technical account.

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 premiums written 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

3 Judgements and key sources of estimation uncertainty continued

premiums at the balance sheet date. Written premium is based on prior year experience and current year business volume.

3(c) Fair value of financial instruments

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

4 Management of risk

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

The HSL Board exercises oversight of the development and operational implementation of its risk management policies and procedures through the HSL Risk Committee. Ongoing 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 benefit from 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,

4 Management of risk continued
based on individual levels of experience and competence. These parameters cover areas such as maximum sums insured per insurance contract, maximum gross premiums written and maximum aggregated exposures per geographical zone and risk class. All delegations are strictly controlled through these underwriting guidelines and limits and extensive monitoring, review and auditing of the agencies.

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

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

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

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

Property risks
The Syndicate directly underwrites a diverse range of property risks.

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

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

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 are 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. The provisions we make are set above the actuarial mid-point to reduce the risk that actual claims exceed the amount that has been set aside.

Property insurance contracts can 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

4 Management of risk continued

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 2018 and 2017, 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 2018 % weighting	31 December 2017 % weighting
Government issued bonds and instruments	31	35
Government supported*	3	8
Asset backed securities	5	7
Mortgage backed instruments – agency	–	–
Mortgage backed securities – non agency	1	2
Corporate bonds	60	48

* Includes supranational debt and agency debt.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument 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 $3.6 million (2017: $3.7 million).

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

(c) Credit risk

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

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

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

The Syndicate's maximum exposure to credit risk is represented by the carrying values of monetary assets and reinsurance assets included in the balance sheet at any given point in time. The Syndicate does not use credit derivatives or other products to mitigate maximum credit risk exposures on reinsurance assets, but collateral may be requested to be held against these assets. The Syndicate structures the levels of credit risk accepted by placing limits on their exposure to a single counterparty, or groups of counterparties, and having regard to geographical locations. Such risks are subject to an annual or more frequent review. There is no significant concentration of credit risk with respect to loans and receivables, as the Syndicate has a large number of internationally dispersed debtors with unrelated operations. Reinsurance is used to contain insurance risk. This does not, however, discharge the Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is therefore continually reviewed throughout the year.

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

4 Management of risk continued

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 ongoing 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 ongoing 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 2018	AAA $000	AA $000	A $000	BBB and below $000	Total $000
Financial investments	71,163	181,641	165,484	83,971	502,259
Reinsurers' share of technical provisions:					
claims outstanding	–	48,805	144,674	–	193,479
Debtors: reinsurance recoverables	–	2,474	13,641	–	16,115
Cash at bank and in hand	–	24,994	89,797	–	114,791
Total	71,163	257,914	413,596	83,971	826,644
At 31 December 2017 (restated)*					
Financial investments	96,158	202,230	139,969	88,158	526,515
Reinsurers' share of technical provisions:					
claims outstanding	–	48,294	93,418	_	141,712
Debtors: reinsurance recoverables	–	1,666	17,852	_	19,518
Cash at bank and in hand	–	23,830	79,237	_	103,067
Total	96,158	276,020	330,476	88,158	790,812

*See note 2(o) for further details.

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 2018 and 2017 the Syndicate held no material debt or fixed income assets that were past due or impaired beyond their reported fair values. For the current period and prior period, the Syndicate did not experience any material defaults on debt securities.

(d) Liquidity risk

The Syndicate is exposed to daily calls on its available cash resources, mainly from claims arising from insurance and reinsurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. 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.

4 Management of risk continued

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 2018	Less than one year $000	Between one and three years $000	Between three and five years $000	Over five years $000	Total $000
Investments	86,595	377,696	26,482	11,486	502,259
Reinsurers' share of technical provisions	73,695	83,137	22,670	13,977	193,479
Debtors	91,641	14,586	–	–	106,227
Cash at bank and in hand	114,791	–	–	–	114,791
Prepayments and accrued income	3,337	–	–	–	3,337
Technical provisions	(297,546)	(340,797)	(102,872)	(69,808)	(811,023)
Creditors	(54,006)	(2,505)	–	–	(56,211)
Total	18,507	132,417	(53,720)	(44,345)	52,859

At 31 December 2017 (restated)*	Less than one year $000	Between one and three years $000	Between three and five years $000	Over five years $000	Total $000
Investments	29,707	415,009	51,512	30,287	526,515
Reinsurers' share of technical provisions	57,656	54,313	17,797	11,946	141,712
Debtors	143,819	23,871	–	–	167,690
Cash at bank and in hand	103,067	–	–	–	103,067
Prepayments and accrued income	2,186	–	–	–	2,186
Technical provisions	(315,191)	(296,919)	(97,296)	(65,308)	(774,714)
Creditors	(53,379)	(10,139)	-	-	(63,518)
Total	(32,135)	186,135	(27,987)	(23,075)	102,938

*See note 2(o) for further details.

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)	2018 years	2017 years
Sterling	2.1	1.2
US Dollar	2.3	2.8
Euro	–	–
Canadian Dollar	1.8	1.5

(e) Currency risk

The majority of the Syndicate's gross written premium is in US Dollars, consequently movements in the Sterling, Euro and Canadian Dollar 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 US Dollars.

4 Management of risk continued

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

Table e) At 31 December 2018	US Dollar $000	Pound Sterling $000	Euro $000	Canadian Dollar $000	Total $000
Financial investments	468,226	8,005	–	26,028	502,259
Reinsurers' share of technical provisions	157,414	57,297	20,825	2,070	237,606
Debtors	92,246	6,988	4,860	2,133	106,227
Cash in hand and at bank	85,125	12,135	9,039	8,492	114,791
Other assets	91,597	9,410	2,983	1,159	105,149
Total assets	894,608	93,835	37,707	39,882	1,066,032
Technical provisions	(938,907)	(67,866)	(71,621)	(14,969)	(1,093,363)
Creditors	(43,948)	8,269	(18,939)	(1,593)	(56,211)
Other creditors	(3,085)	(4,224)	(1,312)	166	(8,455)
Total liabilities	(985,940)	(63,821)	(91,872)	(16,396)	(1,158,029)
Member's balances by currency	(91,332)	30,014	(54,165)	23,486	(91,997)

At 31 December 2017 (restated)*	US Dollar $000	Pound Sterling $000	Euro $000	Canadian Dollar $000	Total $000
Financial investments	478,702	14,893	–	32,920	526,515
Reinsurers' share of technical provisions	172,402	23,325	19,112	2,246	217,085
Debtors	145,951	6,692	10,082	4,965	167,690
Cash in hand and at bank	66,502	16,215	13,541	6,809	103,067
Other assets	100,883	17,210	7,637	3,478	129,208
Total assets	964,440	78,335	50,372	50,418	1,143,565
Technical provisions	(938,817)	(105,424)	(101,739)	(14,618)	(1,160,598)
Creditors	(48,156)	(11,527)	(1,042)	(2,793)	(63,518)
Other creditors	(5,808)	(9,847)	(2,722)	(262)	(18,639)
Total liabilities	(992,781)	(126,798)	(105,503)	(17,673)	(1,242,755)
Member's balances by currency	(28,341)	(48,463)	(55,131)	32,745	(99,190)

*See note 2(o) for further details.

Sensitivity analysis

The Syndicate performs sensitivity analysis based on a 10% strengthening of the US Dollar against Sterling, Euro and the 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 US Dollar against the following currencies at 31 December would have increased/(decreased) members' balances for the financial year by the amounts shown below:

Table f)	2018 $000	2017 (restated)* $000
Sterling	3,001	(4,846)
Euro	(5,417)	5,513
Canadian Dollar	2,349	(3,275)

*See note 2(o) for further details.

Regulatory issues

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

4 Management of risk continued

Operational risk

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

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

5 Segmental analysis

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

2018	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	7,196	6,688	(5,631)	(3,237)	–	(2,180)
Motor – third-party liability	(36)	2,056	(1,173)	(690)	(162)	31
Motor – other classes	(218)	12,333	(7,040)	(4,144)	(966)	183
Marine aviation and transport	1,340	43,108	(24,187)	(13,035)	(8,128)	(2,242)
Fire and other damage to property	17,738	41,299	(36,196)	(10,188)	(152)	(5,237)
Third-party liability	368,376	352,403	(225,453)	(143,464)	22,350	5,836
Credit and suretyship	30,313	67,616	(30,753)	(21,999)	(4,729)	10,135
	424,709	525,503	(330,433)	(196,757)	8,213	6,526
Reinsurance	27,001	26,147	(20,130)	(8,573)	840	(1,716)
Total	451,710	551,650	(350,563)	(205,330)	9,053	4,810

2017 (restated)*	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	9,202	9,578	(8,839)	(3,766)	–	(3,027)
Motor – third-party liability	1,987	4,453	(3,517)	(1,069)	(255)	(388)
Motor – other classes	11,923	26,715	(21,098)	(6,418)	(1,527)	(2,328)
Marine aviation and transport	46,516	88,209	(65,849)	(23,773)	(6,244)	(7,657)
Fire and other damage to property	40,884	61,729	(74,411)	(15,205)	7,802	(20,085)
Third-party liability	318,719	304,753	(187,153)	(117,509)	1,068	1,159
Credit and suretyship	67,305	112,737	(102,395)	(28,935)	(2,859)	(21,452)
	496,536	608,174	(463,262)	(196,675)	(2,015)	(53,778)
Reinsurance	30,810	29,492	(21,898)	(10,569)	(573)	(3,548)
Total	527,346	637,666	(485,160)	(207,244)	(2,588)	(57,326)

*See note 2(o) for further details.

All premiums were concluded in the UK.

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

	2018 $000	2017 (restated)* $000
United Kingdom	26,204	28,868
Other European Union member states	17,451	33,272
United States	485,452	522,885
Other	22,543	52,640
Total	551,650	637,665

*See note 2(o) for further details.

6 Investment return

	2018 $000	2017 (restated)* $000
Investment income		
Interest income on financial assets	13,293	8,772
Gains on realisation of investments	932	8,296
Total investment income	14,225	17,068
Investment expenses and charges		
Investment management expenses	(530)	(517)
Losses on realisation of investments	(3,993)	(10,126)
Total investment expenses and charges	(4,523)	(10,643)

*See note 2(o) for further details.

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

	2018 $000	2017 (restated)* $000
Average amount of Syndicate funds available for investment during the year		
Sterling	33,430	33,737
Euro	12,026	17,458
US Dollar	556,273	493,235
Canadian Dollar	37,214	31,753
Total Syndicate funds available for investment	638,943	576,183

	2018 %	2017 %
Annual investment yield		
Sterling	1.1	1.0
Euro	–	–
US Dollar	1.7	1.1
Canadian Dollar	1.7	0.5
Total annual investment yield percentage	1.6	1.0

*See note 2(o) for further details.

Syndicate funds include investments and cash.

7 Net operating expenses

	2018 $000	2017 (restated)* $000
Brokerage and commissions	171,641	180,144
Other acquisition costs	6,199	9,429
Change in deferred acquisition costs	24,020	29,336
Administrative expenses	12,300	14,791
Member's standard personal expenses	3,407	4,329
Reinsurers' commissions and profit participations	(12,237)	(30,785)
Total	205,330	207,244

*See note 2(o) for further details.

Brokerage and commissions on direct business written was $176.1 million (2017: $170.7 million).
Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT).

7 Net operating expenses continued

	2018 $000	2017 (restated)* $000
Auditor's remuneration		
Fees payable to the Syndicate's auditors for the audit of these annual accounts	146	143
Fees payable to the Syndicate's auditors and its associates in respect of other services pursuant to legislation	51	46
Total	197	189

*See note 2(o) for further details.

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 (2017: nil). The following salary and related costs were recharged during the year.

	2018 $000	2017 (restated)* $000
Wages and salaries	7,605	9,716
Social security costs and other pension costs	1,116	1,427
Total	8,721	11,143

*See note 2(o) for further details.

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

	2018 $000	2017 (restated)* $000
Directors' emoluments	442	338

*See note 2(o) for further details.

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

	2018 $000	2017 (restated)* $000
Underwriter's emoluments	43	84

*See note 2(o) for further details.

9 Financial investments

	2018		2017 (restated)*	
	Fair value $000	Cost $000	Fair value $000	Cost $000
Debt securities and other fixed income securities	502,259	504,188	526,503	528,420
Derivative financial assets	–	–	12	–
Derivative financial liabilities	(22)	–	(85)	–

*See note 2(o) for further details.

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

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

9 Financial investments continued

Fair value hierarchy

The Syndicate has classified its financial investments using the fair value hierarchy in accordance with the FRS 102 amendments on 'Fair value hierarchy disclosures' issued by the Financial Reporting Council on 8 March 2016.

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.

2018	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Debt securities and other fixed income securities	131,665	370,594	–	502,259
Derivative financial assets	–	–	–	–
Derivative financial liabilities	–	(22)	–	(22)

2017 (restated)*	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Debt securities and other fixed income securities	149,255	377,248	–	526,503
Derivative financial assets	–	12	–	12
Derivative financial liabilities	–	(85)	–	(85)

*See note 2(o) for further details.

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.

2018	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	7,333	–	(22)	(22)
Total	7,333	–	(22)	(22)

2017 (restated)*	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	802	5	(85)	(80)
Interest rate future contracts	14,685	7	–	7
Total	15,487	12	(85)	(73)

*See note 2(o) for further details.

Foreign exchange forwards

During 2018 and 2017, the Syndicate entered into a series of conventional forward contracts in order to avoid exchange volatility on Sterling and Euro denominated monetary assets. The contracts required the Syndicate to forward sell a fixed amount of Sterling and Euros for US Dollars at pre-agreed exchange rates.

The investment return in 2018 on these foreign exchange forwards is disclosed in note 6.

10 Technical provisions

2018	Gross provisions $000	Reinsurance assets $000	Net $000
Claims incurred:			
Balance at 1 January	774,714	(141,712)	633,002
Over-provision in respect of prior claims and claim adjustment expenses	(21,778)	(75,289)	(97,067)
Expected cost of current year claims	372,341	(56,956)	315,385
Claims paid for claims settled in year	(307,747)	77,260	(230,487)
Effect of movements in exchange rates	(6,507)	3,218	(3,289)
Balance at 31 December	811,023	(193,479)	617,544
Unearned premiums:			
Balance at 1 January	385,884	(75,373)	310,511
Premium written during the year	451,710	(92,916)	358,794
Premium earned during the year	(551,650)	123,192	(428,458)
Effect of movements in exchange rates	(3,604)	970	(2,634)
Balance at 31 December	282,340	(44,127)	238,213
Deferred acquisition costs:			
Balance at 1 January	127,022	(18,163)	108,859
Acquisition costs written	171,641	(2,742)	168,899
Acquisition costs earned	(195,465)	12,237	(183,228)
Effect of movements in exchange rates	(1,386)	213	(1,173)
Balance at 31 December	101,812	(8,455)	93,357

2017 (restated)*	Gross provisions $000	Reinsurance assets $000	Net $000
Claims incurred:			
Balance at 1 January	664,355	(155,480)	508,875
Over-provision in respect of prior claims and claim adjustment expenses	(7,710)	(1,139)	(8,849)
Expected cost of current year claims	492,870	(103,770)	389,100
Claims paid for claims settled in year	(388,837)	120,935	(267,902)
Effect of movements in exchange rates	14,036	(2,258)	11,778
Balance at 31 December	774,714	(141,712)	633,002
Unearned premiums:			
Balance at 1 January	486,110	(133,834)	352,276
Premium written during the year	527,346	(46,039)	481,307
Premium earned during the year	(637,665)	107,497	(530,168)
Effect of movements in exchange rates	10,093	(2,997)	7,096
Balance at 31 December	385,884	(75,373)	310,511
Deferred acquisition costs:			
Balance at 1 January	153,156	(32,254)	120,902
Acquisition costs written	180,143	(16,467)	163,676
Acquisition costs earned	(209,337)	30,785	(178,552)
Effect of movements in exchange rates	3,060	(227)	2,833
Balance at 31 December	127,022	(18,163)	108,859

*See note 2(o) for further details.

11 Debtors arising out of direct insurance operations

	2018 $000	2017 (restated)* $000
Amounts due from intermediaries		
Due within one year	45,487	89,554
Due after one year	12,794	21,582
	58,281	111,136

*See note 2(o) for further details.

12 Debtors arising out of reinsurance operations

	2018 $000	2017 (restated)* $000
Amounts due from intermediaries		
Reinsurance recoverable (due within one year)	16,115	32,508
Ceding insurers under reinsurance business (due within one year)	30,038	19,517
Ceding insurers under reinsurance business (due after one year)	1,792	2,288
Amounts due from intermediaries	47,945	54,313

*See note 2(o) for further details.

13 Claims development tables

The claims development tables below have been calculated by converting estimated claims and cumulative payments in Canadian Dollars, Sterling and Euros to US Dollars at the closing rate of exchange at 31 December 2018. 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	2018 $000
Estimate of cumulative claims:								
At end of underwriting year one	84,049	129,896	99,742	143,891	159,019	206,651	102,410	165,972
One year later	198,012	237,369	229,411	276,324	355,506	492,116	346,738	
Two years later	200,797	254,207	230,377	287,209	344,811	460,367		
Three years later	186,993	249,997	242,701	301,471	380,447			
Four years later	183,136	241,559	249,124	310,012				
Five years later	174,840	230,563	256,611					
Six years later	183,298	227,265						
Seven years later	189,583							
Cumulative payments	(161,319)	(203,361)	(226,293)	(263,794)	(291,333)	(302,686)	(102,410)	(5,543)
Estimated balance to pay	28,264	23,904	30,318	46,218	89,114	157,681	244,328	160,429
Provision in respect of prior years								30,767
Total gross provision included in the balance sheet								811,023

13 Claims development tables continued

Pure underwriting year Net of reinsurance	2011 $000	2012 $000	2013 $000	2014 $000	2015 $000	2016 $000	2017 $000	2018 $000
Estimate of cumulative claims:								
At end of underwriting year one	72,969	90,302	86,774	99,604	122,930	162,286	160,952	132,554
One year later	173,264	185,214	205,839	195,821	264,804	376,099	300,105	
Two years later	177,348	193,346	203,429	189,623	254,315	344,843		
Three years later	160,255	186,942	205,018	195,901	275,634			
Four years later	153,454	180,079	207,579	200,232				
Five years later	146,683	176,120	202,314					
Six years later	154,962	165,359						
Seven years later	138,750							
Cumulative payments	(136,465)	(153,427)	(188,176)	(170,011)	(200,823)	(210,733)	(86,596)	(4,154)
Estimated balance to pay	2,285	11,932	14,138	30,221	74,811	134,110	213,509	128,400
Provision in respect of prior years								8,138
Total net provision included in the balance sheet								617,544

14 Creditors arising out of reinsurance operations

	2018 $000	2017 (restated)* $000
Amounts due to intermediaries		
Due within one year	50,806	43,816
Due after one year	2,205	10,139
	53,011	53,955

*See note 2(o) for further details.

15 Accruals and deferred income

	2018 $000	2017 (restated)* $000
Deferred reinsurance commission	8,455	18,163
Accrued expenses	–	476
	8,455	18,639

*See note 2(o) for further details.

The balance above relates to deferred reinsurers' commission.

16 Related parties

Related companies

Hiscox Syndicates Limited (HSL) manages Syndicate 3624 as well as Syndicate 33 and Syndicate 6104. Syndicate 33 provides some reinsurance to Syndicate 3624 on an arm's-length basis.

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

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

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

16 Related parties continued

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

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

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

Hiscox 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 3624. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox Inc..

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

Hiscox Assure SAS is a regulated French insurance intermediary subject to the supervision of the French Prudential Supervisory Authority ACPR (Autorité de contrôle prudentiel et de résolution) and Lloyd's Coverholder. Hiscox Assure SAS is duly authorised to conduct insurance intermediation activities in other Member States of the European Union and the European Economic Area. 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 Assure SAS.

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

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

Hiscox Ltd indirectly owns a 35.4% holding in Media Insurance Brokers International Limited, the holding company of an FCA authorised non-life insurance intermediary Media Insurance Brokers Limited which currently places business with various carriers, including Syndicate 3624. Media Insurance Brokers Limited is not obliged to place business with any particular carrier and these arrangements are subject to review from time to time by Media Insurance Brokers Limited.

Hiscox Ltd indirectly owns a 29.81% holding in White Oak Underwriting Agency Limited, a FCA authorised non-life insurance intermediary, which previously placed business with Syndicate 3624. White Oak Underwriting Agency Limited is not obliged to place business with any particular carrier and these arrangements are subject to review from time to time by White Oak Underwriting Agency Limited.

Underwriting divisions

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

16 Related parties continued

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

Balance sheet net assets and (liabilities) outstanding	2018 $000	2017 (restated)* $000
Other HSL managed Syndicates	–	100
Hiscox Ltd subsidiaries (intermediary services)	44,420	47,331
Hiscox Ltd subsidiaries (insurance)	3,844	(4,213)
Hiscox Ltd subsidiaries (other)	(1,417)	(3,606)
	46,847	39,612

*See note 2(o) for further details.

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

Net income and (expenses) reflected in the profit and loss	2018 $000	2017 (restated)* $000
Other HSL managed Syndicates	–	63
Hiscox Ltd subsidiaries (intermediary services)	(78,697)	(63,954)
Hiscox Ltd subsidiaries (insurance)	1,778	837
Hiscox Ltd subsidiaries (other)	(13,746)	(18,773)
	(90,665)	(81,827)

*See note 2(o) for further details.

Hiscox Syndicates Limited charges no managing agent fees or profit commission to Syndicate 3624 (2017: nil).

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 HM 12, Bermuda.

18 Post balance sheet event

In response to the UK's decision to leave the European Union, HSL and Lloyd's made some necessary changes to its business. These will ensure continuity of cover and settlement of existing claims to all its customers with European risks, so that it can continue to service its policyholders and claimants across Europe post-Brexit. Syndicate 3624 will use the Lloyd's Brussels platform to transact European Union risks. Lloyd's Brussels benefits from the market's financial strength through the Central Fund and has the same financial ratings as Lloyd's, A.M. Best A (Excellent), S&P A+ (Strong) and Fitch AA- (Very strong). The company is authorised and regulated by the National Bank of Belgium and capitalised under Solvency II rules.

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