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Hiscox Syndicates 33 and 6104 Report and Accounts 2018

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Directors and administration
Hiscox Syndicates 33 and 6104

Managing agent:

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

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

Syndicates 33 and 6104:

Active underwriter
Syndicate 33 – P A Lawrence and M H McConnell
Syndicate 6104 – M H McConnell

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

Investment managers (Syndicate 33)
AllianceBernstein Limited
Wellington Management Company LLP
Fiera Capital Corporation

Registered auditors
PricewaterhouseCoopers LLP

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

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

Separate underwriting year accounts for the closed 2016 account of Syndicate 33 are included following these annual accounts.

Results

The result for Syndicate 33 in calendar year 2018 is a profit of $132.0 million (2017: $6.4 million). The Syndicate's key financial performance indicators during the year were as follows:

	2018 $m	2017 (restated)* $m	% change
Gross premiums written	**1,849.4**	1,491.8	24
Gross premiums earned	**1,693.0**	1,441.9	17
Net premiums earned	**899.3**	819.0	10
Profit for the financial year	**132.0**	6.4	1,967
Claims ratio (%)	**46**	61	(15)
Commission ratio (%)	**23**	21	2
Expense ratio (%)	**19**	20	(1)
Combined ratio (%)	**88**	102	(14)

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

Principal activity

The principal activity of Syndicate 33 remains the transaction of general insurance and reinsurance business in the United Kingdom at Lloyd's of London. Syndicate 33 is one of the largest composite Syndicates at Lloyd's, and has an A.M. Best syndicate rating of A (Excellent). Syndicate 33 underwrites a mixture of reinsurance, property and energy business, as well as a range of specialty lines. The business is mainly property related short-tail business, together with a growing casualty account. Syndicate 33 trades through the Lloyd's worldwide licences and rating. It also benefits from the Lloyd's brand. Lloyd's has an A (Excellent) rating from A.M. Best, A+ (Strong) rating from S&P and AA- (Very strong) rating from Fitch.

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

Geographical split of gross premiums written (%)	2018	2017
UK	**5**	4
Europe	**6**	6
North America	**64**	56
Asia	**4**	4
Rest of the world	**21**	30

Gross premiums written settlement currency (%)	2018	2017
Sterling	**14**	15
Euro	**7**	9
US Dollar	**75**	74
Canadian Dollar	**4**	2

Review of the business

The result for the year was a profit of $132.0 million (2017: profit of $6.4 million). A breakdown of divisional performance is shown below:

	2018		2017 (restated)*	
Division	Gross premiums written $m	Profit/ (loss) $m	Gross premiums written $m	Profit/ (loss) $m
Reinsurance	**473.8**	**(12.7)**	460.5	7.0
Property	**536.8**	**33.8**	341.6	(86.9)
Aerospace and specialty	**300.6**	**45.8**	219.3	34.6
Marine and energy	**197.9**	**48.8**	182.3	28.1
Casualty	**246.2**	**1.7**	199.3	11.1
Art and private client	**94.1**	**14.6**	88.8	12.5
Total	**1,849.4**	**132.0**	1,491.8	6.4

*See note 2(p) for further details.

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

Review of the business continued

Property
The division comprises property binding authorities principally focused on the USA, insuring household and small commercial risks including a new product covering flood risk (FloodPlus), the big-ticket property and power and mining accounts (both US and international) the latter of which have reduced in size in recent years. Following the losses from Hurricanes Harvey, Irma and Maria in 2017 we began the year anticipating substantially higher rates. Whilst rates did improve across the division, particularly for the bigger-ticket risks, they did not respond as much as we feel they should have. However, where they did improve we grew premium by 57%. 2018 was another active year for catastrophe claims with Hurricanes Florence and Michael impacting the division with a relatively modest loss coming from the Californian wildfires. Despite these catastrophes the division made a profit due to some good underwriting decisions and reserve releases from the 2017 hurricanes.

US flood remains a significant opportunity and our FloodPlus products use proprietary technology and advanced analytics to provide better cover at a fairer price for customers, backed by capacity from the flood consortium we lead. FloodPlus performed well in another major US flood event, and during the year we broadened our offering with a FloodPlus commercial product which has been well received.

Reinsurance
This division includes the Syndicate's non-marine property reinsurance business (catastrophe including retro, risk excess and pro-rata reinsurance), marine and aviation reinsurance, together with the specialty and casualty accounts. The Syndicate underwrites business for its own account and for third-party capital providers whether they are insurance companies, other syndicates (in particular Syndicate 6104) and capital market investors. This strategy is working well and generates significant amounts of fee income for the Syndicate. The division experienced modest premium growth as the initial price rises at 1 January following the 2017 hurricane losses tailed off as the year progressed. We continued to develop our specialty lines where we see growing opportunity, launching a first of its kind loss warranty product in cyber, and in flood, where our FloodXtra product differentiates us. Net premiums shrank as a greater proportion of gross premiums was ceded to reinsurance partners. A number of natural catastrophes and large claims led to a loss of $12.7 million for the year. The product mix sold to customers responded more to the run of mid-sized catastrophes and large individual losses that occurred in 2018 as compared to the fewer larger catastrophes in 2017. Catastrophe reinsurance pricing into the key 1 January renewal season saw average prices increase by 2% driven by increases in retro, risk excess, casualty and specialty. As we look towards the Japanese renewals at 1 April and US renewals at 1 June and 1 July, both of which will be loss affected, we anticipate further pricing correction.

Marine and energy
This division includes upstream (exploration and production) and mid-stream (storage and transportation) energy business including energy liability, marine hull, marine cargo and marine liability business. Premiums grew modestly driven by the liability account which won a number of new accounts and secured a larger line on the reinsurance of the International Group of P&I clubs. The discipline and careful underwriting of our marine and energy team has driven an outstanding performance in these lines, helped too by a low-loss experience. In cargo, we are refocusing the portfolio to reduce our overall exposure and lead on more of the business we write.

Aerospace and specialty
This division brings together a number of specialist lines such as kidnap and ransom, terrorism, contingency, personal accident and for the first time in 2018 the portfolios account which transferred from Syndicate 3624. The portfolios account matches our capacity and experience with the expertise of underwriters in niche lines that complement our core appetite. The team received recognition for their work at the Reactions London Market Awards 2018, where they were awarded Insurance Team of the Year. The division grew premium by 37.0% driven by the transfer of the portfolios account. Most classes contributed to the divisions excellent profit for the year.

Casualty
The division focuses on larger company cyber, directors and officers' (D&O) and general liability. We still hold substantial reserves for professional indemnity classes which are in run-off, the development of which can impact the profit earned in the year. The general liability book continues to grow well and trends look positive. We will expand our capacity in 2019 using consortia with other Lloyd's syndicates. The D&O market is more challenged and we refocused our ambitions towards the end of the year which will lead to lower premium volumes in 2019.

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

2019 and the future
Despite the fact that we achieved rate increases across most lines of business in 2018, the size of these increases meant that opportunities were somewhat less than we planned for when we agreed our 2018 business plan with Lloyd's.

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

Review of the business continued
As a result of this premium undershoot in 2018 we decided to reduce the Syndicate's capacity from £1.6 billion to £1.4 billion for 2019 to reflect the lower starting premium.

In the London Market, rates and terms are improving in many lines and the refinements we have already made to the portfolio mean we are well positioned as renewed discipline courses through the market. The Lloyd's Decile 10 work is accelerating this improvement in pricing and market discipline. We are supportive of Lloyd's in driving this initiative forward.

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

We have changed the Syndicate's functional and presentational currency from Sterling to US Dollars in these accounts. This will reduce the level of FX volatility in the profit figure as 75% of the Syndicate's business is transacted in US Dollars.

Capital
One of the main advantages of trading through Lloyd's is the considerably lower capital ratios that are available due to the diversification of business written in Syndicate 33 and in Lloyd's as a whole. The size of the Syndicate is increased or reduced according to the strength of the insurance environment in its main classes. At present, Hiscox owns 72.6% of the Syndicate, with the remainder being owned by non-aligned Names. Hiscox receives a fee, profit-related remuneration and a profit commission on the element it does not own.

Solvency II became effective from 1 January 2016 and the Hiscox Syndicates Limited (HSL) internal capital model is used to set the Syndicate's capital. Syndicate capital is determined through the submission and agreement by Lloyd's of an ultimate solvency capital requirement (SCR) which is subject to an uplift determined by the Franchise Board to calibrate the capital required by Lloyd's. Lloyd's unique capital structure provides excellent financial security to policyholders and capital efficiency for members. This chain of security provides the financial strength that ultimately backs insurance policies written at Lloyd's and has three links:

1. all premiums received by syndicates are held in trust as the first resource for paying policyholders' claims;
2. every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities. They are set with reference to the SCR together with the Lloyd's uplift. Since FAL is not under the control of the managing agent, no amount has been shown in the financial statements. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses;
3. the central assets are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met from the resources of any member further up the chain.

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

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

We have determined that the Syndicate has sufficient levels of liquidity to meet its funding requirements in all likely scenarios. However, we put Names on notice that we may need to make a cash call, at some time in the future, to improve the Syndicate's working capital position.

Investment report
Investment income for Syndicate 33 was $23.8 million (2017: $22.3 million) equating to a return of 1.5% (2017: 1.4%). These returns were broadly in line with budget for the year. The Syndicate's invested assets totalled $1,504.0 million at 31 December 2018 (2017: $1,599.8 million) which was a little higher 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.

Years of account	2013	2014	2015	2016	2017	2018	**2019**
Capacity (£m)	949	999	999	999	1,147	1,598	**1,400**
Capacity ($m)*	1,209	1,272	1,272	1,272	1,461	2,036	**1,783**
Hiscox ownership	689	725	725	725	834	1,161	**1,015**
Hiscox ownership (%)	72.6	72.6	72.6	72.6	72.7	72.6	**72.5**

*Converted at the closing rate at 31 December 2018.

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

Investment report continued

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 bond 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 reinvesting cash at rates over 3% for the first time since 2009.

The return on our bond portfolio was 1.6%, with our 87% holding of US Dollar bonds comprising 1.7%. 2.1% came from our holdings of Canadian bonds, 1.5% from overseas deposits and 0.9% from cash. Given our underwriting mix, we are required to hold some Sterling and Euro bonds, which underperformed our US Dollar holdings generating returns of -0.4% and -0.5% respectively. 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 33 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.

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

A description of the principal risks and uncertainties facing the Syndicate is set out in note 4. In response to the UK's decision to leave the EU, HSL and Lloyd's made some necessary changes to its business. These will ensure continuity of cover to all its customers with European risks. Syndicate 33 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.

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)
B E Masojada
M H McConnell (Appointed 21 June 2018)
I J Martin
J R Musselle (Appointed 19 July 2018)
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.

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

Annual General Meeting

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

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

- Hiscox Syndicates Limited does not propose to hold an AGM of the members of Syndicates 33 and 6104 in 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 33 annual accounts

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

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

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

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

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

Independent auditor's report
To the members of Syndicate 33

Report on the syndicate annual accounts

Opinion

In our opinion, Syndicate 33's syndicate annual accounts (the syndicate annual accounts):

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 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 Syndicates 33 and 6104 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 other comprehensive income 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 10.

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

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 8, 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.

Auditor's 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 opinion, 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 33 annual accounts

	Notes	2018 $000	2017 (restated)* $000
Earned premiums, net of reinsurance			
Gross premiums written	5	1,849,368	1,491,845
Outward reinsurance premiums		(868,227)	(679,744)
Net premiums written		981,141	812,101
Change in the provision for unearned premiums:			
Gross amount		(156,400)	(49,949)
Reinsurers' share		74,543	56,866
Change in the net provision for unearned premiums		(81,857)	6,917
Earned premiums, net of reinsurance		899,284	819,018
Allocated investment return transferred from the non-technical account		23,813	22,290
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(820,564)	(750,181)
Reinsurers' share		363,091	214,617
Net claims paid		(457,473)	(535,564)
Change in the provision for claims:			
Gross amount		(235,232)	(613,002)
Reinsurers' share		277,891	637,830
Change in the net provision for claims		42,659	24,828
Claims incurred, net of reinsurance		(414,814)	(510,736)
Net operating expenses	7	(372,696)	(331,611)
Balance on the technical account for general business		135,587	(1,039)

*See note 2(p) for further details.

The notes on pages 18 to 38 form an integral part of these annual accounts.

Profit and loss account: non-technical account – general business
Year ended 31 December 2018
Hiscox Syndicate 33 annual accounts

	Notes	2018 $000	2017 (restated)* $000
Balance on the technical account for general business		135,587	(1,039)
Investment income	6	33,737	41,310
Unrealised (losses)/gains on investments		(49)	1,589
Investment expenses and charges	6	(9,702)	(12,638)
Unrealised losses on investments		(172)	(7,971)
Allocated investment return transferred to the general business technical account		(23,813)	(22,290)
Foreign exchange (losses)/gains		(3,629)	7,425
Profit for the financial year		131,959	6,386

*See note 2(p) for further details.

The notes on pages 18 to 38 form an integral part of these annual accounts.

Statement of other comprehensive income
Year ended 31 December 2018
Hiscox Syndicate 33 annual accounts

	2018 $000	2017 (restated)* $000
Profit for the financial year	131,959	6,386
Currency translation adjustments	–	1,363
Total recognised gains for the year	131,959	7,749

*See note 2(p) for further details.

Balance sheet – assets
At 31 December 2018
Hiscox Syndicate 33 annual accounts

	Notes	2018 $000	2017 (restated)* $000
Investments			
Financial investments	9	1,504,009	1,599,840
Reinsurers' share of technical provisions			
Provision for unearned premium	10	307,404	237,422
Claims outstanding	10, 13	1,417,810	1,147,293
		1,725,214	1,384,715
Debtors			
Debtors arising out of direct insurance operations	11	312,695	227,872
Debtors arising out of reinsurance operations	12	309,892	287,306
Other debtors		1,524	12,143
		624,111	527,321
Other assets			
Cash at bank and in hand		133,099	102,334
Prepayments and accrued income			
Accrued interest		8,079	7,362
Deferred acquisition costs	10	220,809	186,404
Other prepayments and accrued income		2,164	241
Total assets		4,217,485	3,808,217

*See note 2(p) for further details.

The notes on pages 18 to 38 form an integral part of these annual accounts.

Balance sheet – liabilities
At 31 December 2018
Hiscox Syndicate 33 annual accounts

	Notes	2018 $000	2017 (restated)* $000
Capital and reserves			
Members' balances		(91,654)	17,059
Technical provisions			
Provision for unearned premium	10	800,354	657,825
Claims outstanding	10, 13	2,734,141	2,519,918
		3,534,495	3,177,743
Creditors			
Creditors arising out of direct insurance operations		7,065	4,572
Creditors arising out of reinsurance operations	14	596,685	407,823
Other creditors		68,147	77,375
		671,897	489,770
Accruals and deferred income	15	102,747	123,645
Total liabilities		4,217,485	3,808,217

*See note 2(p) for further details.

The notes on pages 18 to 38 form an integral part of these annual accounts.

The syndicate annual accounts on pages 3 to 17 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 members' balances
Year ended 31 December 2018
Hiscox Syndicate 33 annual accounts

	2018 $000	2017 (restated)* $000
Members' balances brought forward at 1 January	17,059	220,125
Total recognised gains and losses for the year	131,959	7,749
Payments of profit to members' personal reserve funds	(237,323)	(208,128)
Members' agent fees	(3,349)	(2,687)
Members' balances carried forward at 31 December	(91,654)	17,059

*See note 2(p) 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 33 annual accounts

	2018 $000	2017 (restated)* $000
Net cash flows from operating activities		
Profit for the year	131,959	6,386
Increase in gross technical provisions	356,752	675,307
Increase in reinsurers' share of gross technical provisions	(340,499)	(695,586)
Increase in debtors	(107,409)	(128,425)
Increase in creditors	191,355	102,510
Movement in other assets/liabilities	(56,552)	28,028
Investment return	(23,813)	(22,290)
Net cash inflows/(outflows) from operating activities	151,793	(34,070)
Net cash flows from investing activities		
Purchase of equity and debt instruments	(913,762)	(693,335)
Sale of equity and debt instruments	982,829	934,295
Settlement of derivatives	518	(160)
Investment income received	27,950	30,808
Foreign exchange	20,594	(33,834)
Net cash flows from financing activities		
Distribution of profits	(240,672)	(210,815)
Foreign currency reserve movement	–	1,363
Net increase in cash and cash equivalents	29,250	(5,748)
Effect of exchange rates on cash and cash equivalents	1,515	7,295
Cash and cash equivalents at the beginning of the year	102,334	100,787
Cash and cash equivalents at the end of the year	133,099	102,334

*See note 2(p) 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 33
annual accounts

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

These annual accounts are presented in US Dollars, which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. 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. The Directors of the managing agent have prepared the annual accounts on the basis that the Syndicate will continue to write future business.

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

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

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

Outwards reinsurance premiums are also disclosed gross of commissions and profit participations recoverable from reinsurers. Premiums written include an estimate of gross premiums written during the year that have not yet been notified by the financial year-end (pipeline premiums).

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

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

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

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

Reinsurers' share of claims paid are all transactions in the period which have been signed through 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(e) Unexpired risk
Provision is made for unexpired risks arising from general business where the expected value of the claims and expenses attributable to the unexpired periods of policies in force at the balance sheet

2 Accounting policies continued

date exceeds the unearned premiums provision in relation to such policies after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated separately by classes of business which are managed together, after taking into account the relevant investment return.

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

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

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

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

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

2(g) Investment return

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

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

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

2(h) Foreign currencies

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

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

2(i) Taxation

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

No provision has been made for any 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) Pension costs

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

2(k) Impairment of assets

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

2 Accounting policies continued

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

2(l) Bad debts

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

2(m) Reinsurers' commissions and profit participations

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

2(n) Derivative financial instruments

Derivative financial instruments are measured at 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(o) Cash at bank and in hand

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

2(p) Changes in functional currency and presentational currency

With effect from 1 January 2018 the functional currency of the Syndicate changed from Sterling to US Dollars. This was triggered by a change in the currency of the profit commission and managing agent's salary, payable to Hiscox Syndicates Limited, from Sterling to US Dollars.

In addition, from 1 January 2018, the Syndicate opted to change presentational currency 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 33'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 following procedures:

- 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 other comprehensive income under currency translation adjustments.

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

3 Judgements and key sources of estimation

reserving committee, whose membership includes Directors with significant insurance experience and actuarial specialism. External actuaries are also engaged to calculate an independent best estimate of the ultimate cost of claims at 31 December annually and present a Statement of Actuarial Opinion (SAO) against which the Syndicate's best estimate is assessed.

3(b) Premium recognition

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

3(c) Fair value of financial instruments

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

4 Management of risk

The Syndicate's overall appetite for accepting and managing varying classes of risk is defined by the HSL Board. The HSL Board has developed a governance framework and has set risk 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;

4 Management of risk continued

- monitoring legal developments and amending the wording of policies when necessary;
- regular monitoring of risk exposures across individual underwriting portfolios and known accumulations of risk;
- examining the aggregated exposures in advance of underwriting further large risks; and
- developing processes that continually factor market intelligence into the pricing process.

The delegation of underwriting authority to specific individuals, both internally and externally, is subject to regular reviews. All underwriting staff and binding agencies are set strict parameters in relation to the levels and types of business they can underwrite, based on individual levels of experience and competence. These parameters cover areas such as maximum sums insured per insurance contract, maximum gross premiums written and maximum aggregated exposures per geographical zone and risk class. All delegations are strictly controlled through these underwriting guidelines and limits and extensive monitoring, review and auditing of the agencies. The Syndicate compiles estimates of losses arising from realistic disaster events using statistical models alongside input from its underwriters. They also reflect the areas that represent significant exposures for the Syndicate. The events are extreme and as yet untested, and as such estimates may prove inadequate as a result of incorrect assumptions, model deficiencies, or losses from unmodeled risks. This means that should a realistic disaster actually occur, the Syndicate's final ultimate losses could materially differ from those estimates modeled by management.

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

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

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

Reinsurance inwards

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

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

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

Property risks

The Syndicate directly underwrites a diverse range of property risks.

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

For this reason the Syndicate accepts major property insurance risks for periods of mainly one year so that each contract can be repriced on renewal to reflect the continually evolving risk profile. Risks covered for periods exceeding one year are certain specialist lines such as marine and offshore construction projects which can typically

4 Management of risk continued
have building and assembling periods of between three and four years.

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

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

(ii) Reserving risk
Reserving risk is defined as the risk that reserves 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 made are set above the actuarial mid-point to reduce the risk that actual claims exceed the amount that has been set aside.

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

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

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

Financial risk
The Syndicate is exposed to financial risk through its ownership of financial instruments including financial liabilities. The Syndicate invests in financial assets in order to fund obligations arising from its insurance contracts and other liabilities.

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

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

At 31 December 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.

4 Management of risk continued

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

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

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

Table a)	31 December 2018 % weighting	31 December 2017 % weighting
Government issued bonds and instruments	41	35
Government supported*	4	5
Asset backed securities	–	2
Mortgage backed instruments – agency	3	6
Mortgage backed securities – non agency	3	3
Corporate bonds	49	49

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

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial 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 $10.1 million (2017: $12.0 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.

4 Management of risk continued

Key areas of exposure to credit risk include:

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

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

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

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

The HSL Board considers the reputation of its reinsurance partners and also receives details of recent payment history and the status of any 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.

4 Management of risk continued

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

Table b) At 31 December 2018	AAA $000	AA $000	A $000	BBB and below $000	Total $000
Financial investments	156,912	622,772	336,370	387,955	1,504,009
Reinsurers' share of technical provisions:					
claims outstanding	357,497	109,945	949,677	691	1,417,810
Debtors: reinsurance recoverable	5,525	15,014	73,212	40	93,791
Cash at bank and in hand	3,442	2,431	118,393	8,833	133,099
Total	523,376	750,162	1,477,652	397,519	3,148,709
At 31 December 2017 (restated)*					
Financial investments	150,370	705,147	382,030	362,293	1,599,840
Reinsurers' share of technical provisions:					
claims outstanding	–	105,766	983,000	58,527	1,147,293
Debtors: reinsurance recoverable	–	7,466	26,961	4,076	38,503
Cash at bank and in hand	–	6,062	89,807	6,465	102,334
Total	150,370	824,441	1,481,798	431,361	2,887,970

*See note 2(p) 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. 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.

4 Management of risk continued

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	506,953	830,811	72,920	93,325	1,504,009
Reinsurers' share of technical provisions	622,965	520,348	159,497	115,000	1,417,810
Debtors	514,414	109,697	–	–	624,111
Cash at bank and in hand	133,099	–	–	–	133,099
Prepayments and accrued income	10,243	–	–	–	10,243
Technical provisions	(1,201,340)	(1,003,453)	(307,579)	(221,769)	(2,734,141)
Creditors	(544,086)	(127,811)	–	–	(671,897)
Accruals and deferred income	(23,891)	–	–	–	(23,891)
Total	18,357	329,592	(75,162)	(13,444)	259,343

At 31 December 2017 (restated)*					
Investments	396,781	973,607	68,157	161,295	1,599,840
Reinsurers' share of technical provisions	422,695	551,096	123,452	50,050	1,147,293
Debtors	453,203	71,738	2,338	42	527,321
Cash at bank and in hand	102,334	–	–	–	102,334
Prepayments and accrued income	7,603	–	–	–	7,603
Technical provisions	(1,110,591)	(979,235)	(282,556)	(147,536)	(2,519,918)
Creditors	(368,086)	(111,704)	(9,935)	(45)	(489,770)
Accruals and deferred income	(58,225)	(1,199)	–	–	(59,424)
Total	(154,286)	504,303	(98,544)	63,806	315,279

*See note 2(p) 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	1.3	1.4
US Dollar	2.2	2.8
Euro	1.8	2.4
Canadian Dollar	1.8	1.7

4 Management of risk continued

(e) Currency risk

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

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

Table e) At 31 December 2018	US Dollar $000	Sterling $000	Euro $000	Canadian Dollar $000	Total $000
Financial investments	1,148,933	168,432	88,489	98,155	1,504,009
Reinsurers' share of technical provisions	1,529,422	106,772	53,977	35,043	1,725,214
Debtors	437,471	141,230	29,468	15,942	624,111
Cash in hand and at bank	56,510	26,917	46,260	3,412	133,099
Other assets	172,040	34,361	16,307	8,344	231,052
Total assets	3,344,376	477,712	234,501	160,896	4,217,485
Technical provisions	(2,990,248)	(264,992)	(191,161)	(88,094)	(3,534,495)
Creditors	(545,599)	(74,981)	(33,599)	(17,718)	(671,897)
Accruals and deferred income	(24,150)	(72,430)	(3,189)	(2,978)	(102,747)
Total liabilities	(3,559,997)	(412,403)	(227,949)	(108,790)	(4,309,139)
Members' balances by currency	(215,621)	65,309	6,552	52,106	(91,654)
At 31 December 2017 (restated)*					
Financial investments	1,352,698	69,447	92,268	85,427	1,599,840
Reinsurers' share of technical provisions	1,267,853	61,356	29,709	25,797	1,384,715
Debtors	381,192	95,423	43,972	6,734	527,321
Cash in hand and at bank	58,218	28,050	10,922	5,144	102,334
Other assets	131,326	37,140	19,336	6,205	194,007
Total assets	3,191,287	291,416	196,207	129,307	3,808,217
Technical provisions	(2,699,831)	(245,839)	(162,054)	(70,019)	(3,177,743)
Creditors	(398,541)	(52,932)	(28,690)	(9,607)	(489,770)
Accruals and deferred income	(3,864)	(114,836)	(2,518)	(2,427)	(123,645)
Total liabilities	(3,102,236)	(413,607)	(193,262)	(82,053)	(3,791,158)
Members' balances by currency	89,051	(122,191)	2,945	47,254	17,059

*See note 2(p) 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	(6,531)	12,219
Euro	(655)	(295)
Canadian Dollar	(5,211)	(4,725)

*See note 2(p) for further details.

4 Management of risk continued

Regulatory issues

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

Operational risk

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

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

5 Segmental analysis

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

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	63,242	63,191	(27,376)	(26,217)	322	9,920
Motor – third-party liability	2,341	1,455	(1,175)	(451)	9	(162)
Motor – other classes	11,021	6,092	(6,091)	(2,175)	1,569	(605)
Marine aviation and transport	179,903	164,090	(64,755)	(59,502)	(16,660)	23,173
Fire and other damage to property	788,140	696,985	(317,351)	(154,529)	(147,703)	77,402
Third-party liability	233,510	206,676	(171,915)	(51,972)	15,173	(2,038)
Credit and suretyship	97,022	86,188	(36,139)	(37,891)	7,422	19,580
	1,375,179	1,224,677	(624,802)	(332,737)	(139,868)	127,270
Reinsurance	474,189	468,291	(430,994)	(39,959)	(12,834)	(15,496)
Total	1,849,368	1,692,968	(1,055,796)	(372,696)	(152,702)	111,774

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	57,973	57,925	(46,946)	(21,138)	(860)	(11,019)
Motor – third-party liability	859	819	(491)	(279)	–	49
Motor – other classes	2,437	2,301	(3,010)	(595)	124	(1,180)
Marine aviation and transport	148,456	143,578	(66,560)	(50,994)	(22,963)	3,061
Fire and other damage to property	566,067	553,889	(498,381)	(137,715)	58,801	(23,406)
Third-party liability	184,564	151,967	(97,710)	(49,439)	(518)	4,300
Credit and suretyship	63,818	77,854	(35,868)	(37,514)	(2,777)	1,695
	1,024,174	988,333	(748,966)	(297,674)	31,807	(26,500)
Reinsurance	467,671	453,563	(614,217)	(33,937)	197,762	3,171
Total	1,491,845	1,441,896	(1,363,183)	(331,611)	229,569	(23,329)

*See note 2(p) for further details.
*Prior year has been restated to reclassify a marine energy account to be split between marine, aviation and transport and fire and other damage to property. Also the miscellaneous category has been renamed credit and suretyship.

All premiums were concluded in the UK.

5 Segmental analysis continued

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

	2018 $000	2017 (restated)* $000
United Kingdom	84,649	57,676
Other European Union member states	101,578	86,514
United States	898,684	765,406
Other	608,057	532,300
Total	1,692,968	1,441,896

*See note 2(p) for further details.

6 Investment return

	2018 $000	2017 (restated)* $000
Investment income		
Interest income on financial assets	30,994	30,550
Gains on realisation of investments	2,743	10,760
Total investment income	33,737	41,310
Investment expenses and charges		
Investment management expenses	(1,544)	(3,243)
Losses on realisation of investments	(8,158)	(9,395)
Total investment expenses and charges	(9,702)	(12,638)

*See note 2(p) 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	106,631	85,010
Euro	124,583	110,549
US Dollar	1,360,554	1,532,364
Canadian Dollar	93,747	81,471
Total Syndicate funds available for investment	1,685,515	1,809,394

	2018 %	2017 %
Annual investment yield		
Sterling	1.2	0.7
Euro	(0.4)	(0.4)
US Dollar	1.7	1.6
Canadian Dollar	1.8	0.5
Total annual investment yield percentage	1.5	1.4

*See note 2(p) for further details.

Syndicate funds include investments and cash.

7 Net operating expenses

	2018 $000	2017 (restated)* $000
Brokerage and commissions	427,818	345,294
Other acquisition costs	31,008	35,056
Change in deferred acquisition costs	(39,149)	(21,175)
Administrative expenses	92,450	79,892
Members' standard personal expenses	43,035	46,569
Reinsurers' commissions and profit participations	(182,466)	(154,025)
Total	372,696	331,611

*See note 2(p) for further details.

Brokerage and commissions on direct business written was $363.0 million (2017: $284.8 million). Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT).

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

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

Also included in administrative expenses is the Syndicate's share of the movement in the Group pension defined benefit deficit $11.0 million credit (2017: $5.9 million expense) calculated by the scheme actuary.

	2018 $000	2017 (restated)* $000
Auditor's remuneration		
Fees payable to the Syndicate's auditor for the audit of the syndicate annual accounts	362	339
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	101	95
Total	463	434

*See note 2(p) 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 (2016: nil). The following salary and related costs were recharged during the year:

	2018 $000	2017 (restated)* $000
Wages and salaries	61,594	50,095
Social security costs and pension costs (excluding provision for pension deficit)	9,041	7,354
Total	70,635	57,449

*See note 2(p) 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	2,308	1,404

*See note 2(p) for further details.

8 Staff costs continued

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

	2018 $000	2017 (restated)* $000
Underwriters' emoluments	742	630

*See note 2(p) 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	1,504,000	1,516,172	1,599,659	1,611,800
Derivative financial assets	9	–	181	–
Derivative financial liabilities	(359)	–	(28)	–

*See note 2(p) 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.

Fair value hierarchy

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

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

2018	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Debt securities and other fixed income securities	497,645	1,006,355	–	1,504,000
Derivative financial assets	–	9	–	9
Derivative financial liabilities	–	(359)	–	(359)

2017 (restated)*	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Debt securities and other fixed income securities	517,078	1,082,581	–	1,599,659
Derivative financial assets	–	181	–	181
Derivative financial liabilities	–	(28)	–	(28)

*See note 2(p) 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.

9 Financial investments continued

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	6,580	9	(30)	(21)
Interest rate future contracts	49,066	–	(329)	(329)
Total	55,646	9	(359)	(350)

2017 (restated)*	Gross contract notional amount $000	Fair value of assets $000	Fair value of liabilities $000	Net balance sheet position (liability)/asset $000
Foreign exchange forward contracts	6,234	–	(28)	(28)
Interest rate future contracts	62,315	181	–	181
Total	68,549	181	(28)	153

*See note 2(p) 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.

Interest rate future contracts

During 2018 and 2017, the Syndicate used Sterling, Euro and US Dollar government bond futures to informally hedge the interest rate risk on specific corporate bonds.

10 Technical provisions

2018	Gross provisions $000	Reinsurance assets $000	Net $000
Claims incurred:			
Balance at 1 January	2,519,918	(1,147,293)	1,372,625
Over-provision in respect of prior claims and claim adjustment expenses	(390,991)	149,422	(241,569)
Expected cost of current year claims	1,446,787	(790,404)	656,383
Claims paid for claims settled in year	(820,564)	363,091	(457,473)
Effect of movements in exchange rates	(21,009)	7,374	(13,635)
Balance at 31 December	2,734,141	(1,417,810)	1,316,331
Unearned premiums:			
Balance at 1 January	657,825	(237,422)	420,403
Premium written during the year	1,849,368	(868,227)	981,141
Premium earned during the year	(1,692,968)	793,684	(899,284)
Effect of movements in exchange rates	(13,871)	4,561	(9,310)
Balance at 31 December	800,354	(307,404)	492,950
Deferred acquisition costs:			
Balance at 1 January	186,404	(62,865)	123,539
Acquisition costs written	427,818	(199,299)	228,519
Acquisition costs earned	(387,459)	182,466	(204,993)
Effect of movements in exchange rates	(5,954)	842	(5,112)
Balance at 31 December	220,809	(78,856)	141,953

10 Technical provisions continued

2017 (restated)*	Gross provisions $000	Reinsurance assets $000	Net $000
Claims incurred:			
Balance at 1 January	1,876,809	(503,521)	1,373,288
Over-provision in respect of prior claims and claim adjustment expenses	(341,036)	120,171	(220,865)
Expected cost of current year claims	1,704,219	(972,619)	731,600
Claims paid for claims settled in year	(750,181)	214,617	(535,564)
Effect of movements in exchange rates	30,107	(5,941)	24,166
Balance at 31 December	2,519,918	(1,147,293)	1,372,625
Unearned premiums:			
Balance at 1 January	625,627	(185,608)	440,019
Premium written during the year	1,491,845	(679,744)	812,101
Premium earned during the year	(1,441,896)	622,878	(819,018)
Effect of movements in exchange rates	(17,751)	5,052	(12,699)
Balance at 31 December	657,825	(237,422)	420,403
Deferred acquisition costs:			
Balance at 1 January	168,330	(50,222)	118,108
Acquisition costs written	345,294	(168,484)	176,810
Acquisition costs earned	(325,854)	154,025	(171,829)
Effect of movements in exchange rates	(1,366)	1,816	450
Balance at 31 December	186,404	(62,865)	123,539

*See note 2(p) for further details.

11 Debtors arising out of direct insurance operations

	2018 $000	2017 (restated)* $000
Amounts due from intermediaries		
Due within one year	**256,451**	200,216
Due after one year	**56,244**	27,656
	312,695	227,872

*See note 2(p) 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)	**93,791**	38,503
Ceding insurers under reinsurance business (due within one year)	**162,648**	225,083
Ceding insurers under reinsurance business (due after one year)	**53,453**	23,720
	309,892	287,306

*See note 2(p) 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	579,507	543,595	362,151	393,026	399,674	499,123	1,130,002	977,397
One year later	749,890	634,875	518,187	534,274	593,302	917,074	1,394,124	
Two years later	735,388	573,076	432,227	520,557	567,783	847,487		
Three years later	751,295	544,918	384,212	482,034	590,287			
Four years later	736,557	530,325	373,388	474,991				
Five years later	722,213	520,405	358,652					
Six years later	691,501	511,918						
Seven years later	677,918							
Cumulative payments	(625,866)	(441,297)	(316,069)	(361,321)	(409,960)	(526,351)	(524,814)	(99,372)
Estimated balance to pay	52,052	70,621	42,583	113,670	180,327	321,136	869,310	878,025
Provision in respect of prior years								206,417
Total gross provision included in the balance sheet								2,734,141

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	411,485	329,498	276,728	287,694	286,273	293,148	348,666	370,721
One year later	506,453	431,461	422,384	415,196	453,994	590,362	496,271	
Two years later	486,691	396,851	354,894	404,422	468,113	550,891		
Three years later	490,097	361,550	320,633	364,709	471,371			
Four years later	486,970	350,693	305,527	365,749				
Five years later	480,861	347,944	296,557					
Six years later	463,352	349,480						
Seven years later	452,785							
Cumulative payments	(407,835)	(291,760)	(256,976)	(266,407)	(310,040)	(346,609)	(235,444)	(72,401)
Estimated balance to pay	44,950	57,720	39,581	99,342	161,331	204,282	260,827	298,320
Provision in respect of prior years								149,978
Total net provision included in the balance sheet								1,316,331

14 Creditors arising out of reinsurance operations

	2018 $000	2017 (restated)* $000
Amounts due to intermediaries		
Due within one year	468,874	289,936
Due after one year	127,811	117,887
	596,685	407,823

*See note 2(p) for further details.

15 Accruals and deferred income

	2018 $000	2017 (restated)* $000
Profit commission	23,217	59,424
Deferred reinsurance commission	78,856	62,865
Accrued expenses	674	1,356
	102,747	123,645

*See note 2(p) for further details.

16 Related parties

Related companies

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

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

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

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

Hiscox Underwriting Group Services Limited, a wholly owned indirect subsidiary of Hiscox Ltd, is an employment service company which employs all UK-based staff engaged in Syndicate 33 activities including underwriters, claims handlers, reinsurance staff and administrative staff. Hiscox Underwriting Group Services Limited charges a fee for the provision of these staff to Syndicate 33 on a no profit/ no loss basis.

Hiscox Insurance Company (Bermuda) Limited, a wholly owned direct subsidiary of Hiscox Ltd, is a Class 4 insurer in Bermuda authorised by the Bermuda Monetary Authority. It supplies some risk modeling services to HSL. Syndicate 33 purchases a significant amount of reinsurance from Hiscox Insurance Company (Bermuda) Limited; such reinsurances are on an arm's-length basis and are in the interests of all the Names on the Syndicate.

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

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

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

Hiscox Inc., a wholly owned indirect subsidiary of Hiscox Ltd incorporated in USA (Delaware), is a US authorised non-life insurance intermediary and Lloyd's Service Company. It places business with Syndicate 33. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox Inc..

16 Related parties continued

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

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

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

Underwriting divisions

Hiscox Ltd and its subsidiaries organises its core underwriting activities into a number of underwriting divisions. Some of these divisions underwrite for multiple entities which are partly or wholly owned by Hiscox Ltd including Syndicate 33, and some also underwrite for entities not partly nor wholly owned by Hiscox Ltd. This integrated approach is aimed at maximising business opportunities by using combined knowledge to develop new products and markets. There are certain predetermined mechanisms for allocating certain types of insurance risks to these carriers which take into account the licences, business plans and reinsurance programmes of each carrier. These arrangements are structured to take full and proper account of the duties owed to the members of Syndicate 33 and to manage appropriately any potential conflicts of interest.

Balance sheet net assets and (liabilities) outstanding	2018 $000	2017 (restated)* $000
Hiscox Syndicates Limited	(23,217)	(59,424)
Other HSL managed Syndicates	26,941	(12,168)
Hiscox Ltd subsidiaries (intermediary services)	24,933	34,146
Hiscox Ltd subsidiaries (insurance)	218,166	166,855
Hiscox Ltd subsidiaries (other)	(38,255)	(4,088)
	208,568	125,321

*See note 2(p) 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
Hiscox Syndicates Limited	(34,846)	(44,696)
Other HSL managed Syndicates	10,474	18,014
Hiscox Ltd subsidiaries (intermediary services)	(12,781)	(10)
Hiscox Ltd subsidiaries (insurance)	41,657	72,084
Hiscox Ltd subsidiaries (other)	(114,782)	(96,918)
	(110,278)	(51,526)

*See note 2(p) for further details.

Hiscox Syndicates Limited charged managing agent fees and profit commission to Syndicate 33 of $12.9 million (2017: $8.9 million) and $22.0 million (2017: $35.7 million) respectively.

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

17 Syndicate structure

The managing agent of the Syndicate is Hiscox Syndicates Limited whose immediate parent undertaking is Hiscox Holdings Limited, a company registered in England and Wales. The ultimate parent undertaking of the largest and smallest group of companies for which Group accounts are drawn up is Hiscox Ltd, Bermuda. Copies of Hiscox Ltd financial statements can be obtained from Wessex House, 45 Reid Street, Hamilton 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 to all its customers with European risks. Syndicate 33 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.

Hiscox Syndicate 33 underwriting year accounts

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

The Directors of the managing agent present their report at 31 December 2018.

This report comprises the cumulative result to 31 December 2018 for the closed 2016 account of Syndicate 33.

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

Principal activity and review of the business

2016 account

The 2016 account has closed with a profit of 7.5% after all personal expenses (except members' agent's fees).

There was a release of $70.6 million from the closed years of 2015 and prior representing approximately 9.4% of RITC brought forward at constant exchange rates. The release was spread broadly across many classes of business.

The 2016 pure year made a profit with a particularly strong contribution from the reinsurance and insurance property accounts which experienced benign loss activity in 2016 calendar years. While the majority of the 2017 hurricane losses arising from reinsurance business impacted the 2017 year of account, the direct property losses (much of which arose from business written under binding authority) impacted both the 2016 and 2017 years of account. The Syndicate's capacity was set at £1 billion ($1,272 million) and capacity utilisation was 74% when measured using the premium income monitoring rate of £1 = $1.57.

The 2016 account earned $22.8 million of investment income. The key driver of the investment return for the 2015 account is the performance of the investment portfolio in 2018 calendar year. The calendar year return was 1.5%.

2017 account

Premium income is up approximately 1% on 2016 when measured at constant exchange rates. Capacity utilisation is anticipated at 75% when measured using the premium income monitoring rate of £1 = $1.34. Growth in gross premium was driven by the catastrophe reinsurance accounts with all of the increase ceded to reinsurers. This growth in gross inwards reinsurance premium was offset by our withdrawal from political risks and a pull-back in the big-ticket property account.

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

We are forecasting a result in the range -10% to 0% at this stage. There still remains uncertainty around the ultimate loss the Syndicate will suffer from the 2017 hurricanes.

2018 account

In anticipation of improved market conditions and a desire to have sufficient capacity to participate in a widespread market turn the Syndicate's capacity was increased to £1,600 million ($2,036 million). In addition the aviation and portfolio accounts were transferred from Syndicate 3624 for the 2018 year of account, with the aviation account subsequently put into run-off. Premium income is forecast to increase by approximately 23% on 2017 when measured at constant FX rates. Capacity utilisation is forecast to be 67.9% when measured using the premium income monitoring rate of £1 = $1.3. Growth in gross premium was driven by the direct property accounts both big-ticket and binding authority.

The 2018 account will pick up almost all of the reinsurance loss from the 2018 hurricane, typhoon and wildfire losses together with a relatively modest share of direct property loss.

We are forecasting a result in the range -10% to 0% at this early stage. There remains uncertainty around the ultimate loss the Syndicate will suffer from the 2018 hurricanes, typhoons and wildfires.

2019 account and the future

Whilst underwriting conditions were significantly better in 2018 than 2017 they were not as good as envisaged when the Syndicate Business Forecast (SBF) was submitted in October 2017. This lead to the Syndicate writing less premium than planned in 2018 and a decision was taken to reduce the Syndicate's capacity to £1,400 million ($1,783 million) for 2019 to reflect the lower starting premium volume. In addition the product recall account was transferred from Syndicate 3624 for the 2019 year of account.

Syndicate capacity and ownership

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

Directors' interests

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

Disclosure of information to the auditors

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

By order of the Board

I J Martin
Director
22 March 2019

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

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

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

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

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

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

Independent auditor's report
To the members of Syndicate 33
2016 closed year of account

Report on the audit of the syndicate underwriting year accounts

Opinion

In our opinion, Syndicate 33's syndicate underwriting year accounts for the 2016 year of account for the three years ended 31 December 2018 (the syndicate underwriting year 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 2016 closed year of account;
- have been properly prepared in accordance with United Kingdom Accounting Standards comprising FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland', as modified by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the syndicate underwriting year accounts included within the Hiscox Syndicates 33 and 6104 Report and Accounts 2018 (the Annual Report), which comprise: the balance sheet at 31 December 2018, the profit and loss account: technical account – general business for the three years then ended, the profit and loss account: non-technical account – general business for the three years then ended, the statement of cash flows for the three years then ended, and the notes to the syndicate underwriting year accounts, which include a summary of significant accounting policies and other explanatory information.

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 underwriting year accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate underwriting year accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting year accounts any identified material uncertainties that may cast significant doubt about the Syndicate's ability to continue to adopt the going concern basis of accounting.

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

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

With respect to the report of the Directors of the managing agent, we also considered whether the disclosures required by The 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,

Independent auditor's report continued

To the members of Syndicate 33 2016 closed year of account

Reporting on other information continued

ISAs (UK) require us also to report certain opinions and matters as described below.

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 three years ended 31 December 2018 is consistent with the syndicate underwriting year accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

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

Responsibilities for the syndicate underwriting year accounts and the audit

Responsibilities of the managing agent for the syndicate underwriting year accounts

As explained more fully in the statement of managing agent's responsibilities set out on page 41, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2016 closed year of account. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 underwriting year accounts.

A further description of our responsibilities for the audit of the syndicate underwriting year accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our 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 Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- the managing agent in respect of the Syndicate has not kept adequate accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 March 2019

Profit and loss account: technical account – general business
For the 36 months ended 31 December 2018
Hiscox Syndicate 33 underwriting accounts

	Notes	$000
Syndicate allocated capacity		1,272,223
Earned premiums, net of reinsurance		
Gross premiums written		1,484,961
Outward reinsurance premiums		(588,191)
Earned premiums, net of reinsurance		896,770
Reinsurance to close premium received, net of reinsurance	3	768,647
		1,665,417
Allocated investment return transferred from the non-technical account		22,655
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(695,571)
Reinsurers' share		206,715
Net claims paid		(488,856)
Change in provision for claims:		
Gross amount		(994,456)
Reinsurers' share		230,433
Change in the net provision for claims		(764,023)
Claims incurred, net of reinsurance		(1,252,879)
Net operating expenses	7	(329,501)
Balance on the technical account for general business		105,692

The notes on pages 48 to 50 form an integral part of these underwriting year accounts.

Profit and loss account: non-technical account – general business
For the 36 months ended 31 December 2018
Hiscox Syndicate 33 underwriting accounts

	Notes	$000
Balance on the technical account for general business		105,692
Investment income	6	35,769
Unrealised gains on investments		801
Investment expenses and charges	6	(10,509)
Unrealised losses on investments		(3,406)
Allocated investment return transferred to the general business technical account		(22,655)
Foreign exchange gains or losses		(10,458)
Result before members' agents' fees		95,234
Members' agents' fees		(2,942)
Profit for the underwriting year		92,292

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 48 to 50 form an integral part of these underwriting year accounts.

Balance sheet
2016 account at 31 December 2018
Hiscox Syndicate 33 underwriting accounts

Assets	Notes	2016 year of account $000
Investments		
Financial investments	8	747,965
Reinsurance recoveries anticipated on gross reinsurance to close premium payable	3	229,623
Debtors		
Debtors arising out of direct insurance operations	9	15,428
Debtors arising out of reinsurance operations	10	90,475
Other debtors		128,707
		234,610
Other assets		
Cash at bank and in hand		66,915
Prepayments and accrued income		3,975
Accrued income		–
Total assets		1,283,088
Liabilities		
Capital and reserves		
Amounts due to members		92,292
Reinsurance to close premium payable – gross amount	3	986,807
Creditors		
Creditors arising out of direct insurance operations		3,391
Creditors arising out of reinsurance operations	11	57,775
Other creditors	12	120,005
		181,171
Accruals and deferred income		22,818
Total liabilities		1,283,088

The notes on pages 48 to 50 form an integral part of these underwriting year accounts.

The underwriting year accounts 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 cash flows
For the 36 months ended 31 December 2018
Hiscox Syndicate 33 underwriting accounts

	$000
Net cash flows from operating activities	
Profit for the closed year of account	95,234
RITC premium payable, net of reinsurance	757,184
Increase in debtors	(234,610)
Increase in creditors	181,171
Movement in other assets/liabilities	18,843
Movement in other balances due from members	(2,942)
Investment return	(22,655)
Net cash inflows from operating activities	792,225
Net cash flows from investing activities	
Purchase of debt instruments	(1,968,075)
Sale of debt instruments	1,220,439
Settlement of derivatives	(47)
Investment income received	25,260
Foreign exchange	(2,887)
Net cash flows from financing activities	–
Net increase in cash and cash equivalents	66,915
Effect of exchange rates on cash and cash equivalents	–
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	66,915

Notes to the accounts
At 31 December 2018
Hiscox Syndicate 33 underwriting year accounts

1 Basis of preparation
These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102 'The Financial Reporting Standard' applicable in the United Kingdom and the Republic of Ireland (FRS 102) as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2016 year of account which has been closed by reinsurance to close at 31 December 2018. Consequently the balance sheet represents the assets and liabilities of the 2016 year of account at the date of closure. The underwriting account reflects the transactions for that year of account during the three-year period until closure. These accounts cover the three years from the date of inception of the 2016 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

2 Accounting policies
The following accounting policies have been applied consistently from 1 January 2016 in dealing with items which are considered material in relation to the syndicate underwriting year accounts.

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

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

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

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

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

2(g) Investment income
The returns on financial investments arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

2(h) Foreign currencies
The functional currency of the Syndicate is US Dollars at the closure of the year of account. For calendar years which had a functional currency of Sterling non-Sterling revenues and costs have been converted to the functional currency at rates of exchange ruling at the date of the transaction, the conversion into US Dollars is performed at the average rate for the calendar year. For calendar years which had a functional currency of US Dollars non-US Dollar revenues and costs have been converted to the functional currency at rates of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at the year-end rates of exchange. For the purpose of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

All differences arising on translation of foreign currency amounts into the functional currency and all translation of functional currency to presentational currency is included in foreign exchange gains or losses in the non-technical profit and loss account.

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

2(s) Functional currency
The functional currency of the Syndicate changed from Sterling to US Dollars on 1 January 2018. The change in functional currency has been accounted for prospectively and all foreign currency gains and losses on translation have presented in the non-technical account.

3 Reinsurance premium to close the 2016 and prior years of account

	Reported $000	IBNR $000	Total $000
Reinsurance to close premium received			
Gross reinsurance to close premium received	502,297	462,649	964,946
Reinsurance recoveries anticipated	(82,445)	(113,856)	(196,299)
Reinsurance to close premium receivable, net of reinsurance	419,852	348,793	768,647
Reinsurance to close premium payable			
Gross reinsurance to close premium payable	529,596	457,211	986,807
Reinsurance recoveries anticipated	(114,576)	(115,047)	(229,623)
Reinsurance to close premium payable, net of reinsurance	415,020	342,164	757,184

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

4 Analysis of underwriting result

	2015 and prior $000	2016 $000	Total $000
Technical account balance before allocated investment return and net operating expenses	77,801	334,737	412,538
Brokerage and commission on gross premium	(3,284)	(334,661)	(337,945)
Total	74,517	76	74,593

5 Segmental analysis

	Gross premiums written $000	Gross premiums earned $000	Gross claims incurred $000	Net operating expenses $000	Reinsurance balance $000	Total $000
Accident and health	65,362	65,362	(34,263)	(24,359)	(1,238)	5,502
Motor – third-party liability	908	908	(745)	(249)	(7)	(93)
Motor – other classes	2,213	2,213	(1,086)	(719)	(248)	160
Marine aviation and transport	160,410	160,410	(76,277)	(54,300)	(19,426)	10,407
Fire and other damage to property	609,062	609,062	(386,119)	(139,588)	(63,304)	20,051
Third-party liability	165,395	165,395	(104,834)	(44,524)	(14,393)	1,644
Credit and suretyship	81,239	81,239	(30,224)	(36,411)	(5,840)	8,764
Reinsurance	400,373	400,373	(91,531)	(29,353)	(242,887)	36,602
Reinsurance to close	964,946	964,946	(964,946)	–	–	–
Total	2,449,908	2,449,908	(1,690,025)	(329,503)	(347,343)	83,037

6 Investment return

	2016 year of account $000
Investment income	
Interest income on financial assets	30,299
Gains on realisation of investments	5,470
Total investment income	35,769
Investment expenses and charges	
Investment management expenses	(2,051)
Losses on realisation of investments	(8,458)
Total investment expenses and charges	(10,509)

Investment return for the 2016 year of account is recognised in the 2016, 2017 and 2018 calendar years. The investment income and yield for these calendar years is disclosed in the investment return notes in each of the respective syndicate annual accounts.

7 Net operating expenses

The cumulative Syndicate expenses charged in the 2016 underwriting account were made up as follows:

	2016 year of account $000
Brokerage and commissions	337,945
Other acquisition costs	31,230
Members' standard personal expenses	36,807
Administrative expenses	78,583
Auditor's remuneration	396
Reinsurers' commissions and profit participations	(155,460)
Total	329,501

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

Profit related remuneration comprises a 5% charge on the profit of six major business areas, is included within administrative expenses.

8 Financial investments

	Fair value $000	Cost $000
Debt securities and other fixed income securities	747,961	753,974
Derivative financial assets	4	–
Derivative financial liabilities	76	–

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

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

9 Debtors arising out of direct insurance operations

	$000
Amounts due from intermediaries	15,428

10 Debtors arising out of reinsurance operations

	$000
Amounts due from intermediaries	90,475

11 Creditors arising out of reinsurance operations

	$000
Amounts due to intermediaries	57,775

12 Other creditors

	$000
Amounts owed to fellow subsidiary of managing agent	114,089
Derivative financial liability	76
Other	5,840
Total	120,005

Seven-year summary
Hiscox Syndicate 33 underwriting accounts

Year of account	2010	2011	2012	2013	2014	2015	2016
Syndicate allocated capacity in £000	999,495	899,365	948,840	949,491	999,841	999,359	**998,840**
Syndicate allocated capacity in $000	1,273,057	1,145,521	1,208,538	1,209,367	1,273,497	1,272,884	**1,272,223**
Number of underwriting members	1,397	1,440	1,505	1,523	1,532	1,525	**1,562**
Net premiums net of brokerage in $000	561,521	462,608	537,599	492,642	465,182	494,464	**553,210**
Capacity utilised (%)	70	59	72	69	64	69	**90**
Net capacity utilised (%)	44	40	44	41	37	39	**43**

Results for an illustrative share of £10,000	2010 $000	2011 $000	2012 $000	2013 $000	2014 $000	2015 $000	2016 $000
Gross premiums	11,144	10,950	11,496	11,082	10,390	11,365	**14,867**
Net premiums	7,852	7,358	7,956	7,491	6,868	7,557	**8,978**
Reinsurance to close from an earlier account	8,432	8,955	7,733	7,901	7,194	8,334	**7,609**
Net claims paid	(4,407)	(4,528)	(2,908)	(3,115)	(2,936)	(3,629)	**(4,894)**
Reinsurance to close	(8,468)	(8,208)	(7,692)	(7,284)	(6,705)	(7,398)	**(7,563)**
(Loss)/profit on exchange	(93)	(108)	47	31	522	359	**(48)**
Syndicate operating expenses	(2,498)	(2,350)	(2,694)	(2,437)	(2,470)	(2,619)	**(2,987)**
Names personal expenses	(324)	(343)	(521)	(549)	(543)	(563)	**(368)**
Balance on technical account before investment return	494	776	1,921	2,038	1,930	2,041	**727**
Investment return	418	223	214	152	236	228	**227**
Profit before members' agent's fees	912	999	2,135	2,190	2,166	2,269	**954**
Profit before members' agent's fees £000	717	785	1,676	1,718	1,701	1,782	**749**

Notes to the seven-year summary
1. The seven-year summary has been prepared from the audited accounts of the Syndicate.
2. Personal expenses have been stated at the amount which would be incurred pro-rata by Names writing the illustrative premium income in the Syndicate, irrespective of any minimum charge applicable. Personal expenses include managing agent fees, central fund contributions, Lloyd's subscriptions and profit commissions. These figures exclude members' agents' fees.
3. 'Capacity utilised' represents gross premiums as a percentage of the allocated capacity. 'Net capacity utilised' represents net premiums as a percentage of the allocated capacity. For these calculations, gross and net premiums are net of brokerage.
4. Profit commission has been calculated in accordance with the applicable Agency Agreements.
5. Premium figures and Syndicate operating expenses are gross of brokerage.
6. All years of account are presented using transactional rates of exchange, the functional and presentation currency of the underwriting year accounts changed from 1 January 2018, all previous accounts have been translated at the closing rate prevailing at 31 December 2018.

Hiscox Syndicate 6104 annual accounts

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

The Directors of the managing agent present their report for Syndicate 6104 for the year ended 31 December 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 2008 Regulations). The Syndicate continues to adopt the going concern basis in preparing the syndicate annual accounts.

Separate underwriting year accounts for the closed 2016 account of Syndicate 6104 are included following these annual accounts.

Results

The result for Syndicate 6104 in calendar year 2018 is a loss of $14.3 million (2017: $18.9 million loss). The Syndicate's key financial performance indicators during the year were as follows:

	2018 $m	2017 (restated)* $m	% change
Gross premiums written	47.6	54.4	(13)
Gross premiums earned	48.8	52.5	(7)
Net premiums earned	47.9	49.9	(4)
Profit for the financial year	(14.3)	(18.9)	(24)
Claims ratio (%)	109	104	5
Commission ratio (%)	21	36	(15)
Expense ratio (%)	1	1	–
Combined ratio (%)	131	141	(10)

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

Principal activity

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

The Syndicate has the following underwriting capacity:

Years of account	2013	2014	2015	2016	2017	2018	2019
Capacity (£m)	66.4	72.1	64.9	55.5	54.5	56.1	55.4
Capacity ($m)*	84.6	91.8	82.7	70.7	69.4	71.5	70.6

*Converted at the closing rate at 31 December 2018.

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

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

Geographical split of gross premiums written (%)	2018	2017
UK	–	–
Europe	1	1
North America	63	63
Asia	1	2
Rest of the world	35	34

Gross premiums written settlement currency (%)	2018	2017
Sterling	19	28
Euro	8	7
US Dollar	70	62
Canadian Dollar	3	3

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

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

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

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

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

Premium income decreased from $54.4 million in 2017 to $47.6 million in 2018. The cession from Syndicate 33 remained constant at 28% between the two years.

The Syndicate made a loss of $14.3 million. The impact of Hurricanes Michael and Florence, Typhoons Jebi and Trami and the US wildfires was $31.2 million gross and net before inwards reinstatements. The Syndicate benefited from a releases from reserves established for losses in earlier years.

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

Solvency II became effective 1 January 2016 and for the 2017 year of account the HSL internal capital model has been used to set the Syndicate's capital. Syndicate capital is determined through the submission and agreement by Lloyd's of an ultimate Solvency Capital Requirement (SCR) which is subject to an uplift determined by the Franchise Board to calibrate the capital required by Lloyd's.

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

1. all premiums received by syndicates are held in trust as the first resource for paying policyholders' claims;
2. every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities. They are set with reference to the SCR together with the Lloyd's uplift. Since FAL is not under the control of the managing agent, no amount has been shown in the financial statements. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses;
3. the central assets are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met from the resources of any member further up the chain.

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

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

Principal risks and uncertainties
A description of the principal risks and uncertainties facing the Syndicate is set out in the annual accounts of Syndicate 33 (note 4).

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

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

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

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

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

This year, we therefore give notice that:
- Hiscox Syndicates Limited does not propose to hold an AGM of the members of Syndicates 33 and 6104 in 2018;
- we propose that PwC are re-appointed as the Syndicates' registered auditor for the period of one year from the date of this Annual Report;
- members may object to the matters set out above within 21 days of this notice.

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

If any objections are received, depending on the level or nature of such objections, we shall then consider whether to:
- apply for Lloyd's consent not to hold an AGM. Lloyd's may give its consent subject to any such conditions and requirements as it may determine; or
- convene an AGM.

By order of the Board

I J Martin
Director
22 March 2019

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

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

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

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

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

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

Independent auditor's report
To the members of Syndicate 6104

Report on the syndicate annual accounts

Opinion

In our opinion, Syndicate 6104's syndicate annual accounts (the syndicate annual accounts):

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, (United Kingdom Accounting Standards comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Hiscox Syndicates 33 and 6104 Report and Accounts 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 other comprehensive income 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 58.

Independent auditor's report continued
To the members of Syndicate 6104

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 56, 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 6104 annual accounts

	Notes	2018 $000	2017 (restated)* $000
Earned premiums, net of reinsurance			
Gross premiums written		47,597	54,417
Outward reinsurance premiums		(833)	(2,546)
Net premiums written		46,764	51,871
Change in the provision for unearned premiums:			
Gross amount		1,159	(1,948)
Reinsurers' share		–	–
Change in the net provision for unearned premiums		1,159	(1,948)
Earned premiums, net of reinsurance		47,923	49,923
Allocated investment return transferred from the non-technical account		865	1,419
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		2,540	(10,929)
Reinsurers' share		–	–
Net claims paid		2,540	(10,929)
Change in the provision for claims:			
Gross amount		(54,802)	(40,325)
Reinsurers' share		–	–
Change in the net provision for claims		(54,802)	(40,325)
Claims incurred, net of reinsurance		(52,262)	(51,254)
Net operating expenses	6, 7	(10,303)	(15,446)
Balance on the technical account for general business		(13,777)	(15,358)

*See note 2(p) and note 14 for further details.

The notes on pages 66 to 71 form an integral part of these annual accounts.

Profit and loss account: non-technical account – general business
Year ended 31 December 2018
Hiscox Syndicate 6104 annual accounts

	Notes	2018 $000	2017 (restated)* $000
Balance on the technical account for general business		(13,777)	(15,358)
Investment income		865	1,419
Allocated investment return transferred to the general business technical account		(865)	(1,419)
Foreign exchange (losses)		(534)	(423)
(Loss) for the financial year		(14,311)	(15,781)

*See note 2(p) and note 14 for further details.

The notes on pages 66 to 71 form an integral part of these annual accounts.

Statement of other comprehensive income
Year ended 31 December 2018
Hiscox Syndicate 6104 annual accounts

	2018 $000	2017 (restated)* $000
(Loss) for the financial year	(14,311)	(15,781)
Currency translation adjustments	–	2,136
Total recognised (losses) for the year	(14,311)	(13,645)

*See note 2(p) and note 14 for further details.

Balance sheet – assets
At 31 December 2018
Hiscox Syndicate 6104 annual accounts

	Notes	2018 $000	2017 (restated)* $000
Debtors			
Debtors arising out of reinsurance operations	9	113,814	108,629
Other debtors		724	294
		114,538	108,923
Prepayments and accrued income			
Deferred acquisition costs	8	2,207	2,444
Total assets		116,745	111,367

*See note 2(p) and note 14 for further details.

The notes on pages 66 to 71 form an integral part of these annual accounts.

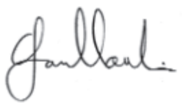
Balance sheet – liabilities
At 31 December 2018
Hiscox Syndicate 6104 annual accounts

	Notes	2018 $000	2017 (restated) $000
Capital and reserves			
Members' balances		(32,893)	18,325
Technical provisions			
Provision for unearned premium	8	10,284	11,881
Claims outstanding	8, 10	126,388	72,606
		136,672	84,487
Creditors			
Creditors arising out of reinsurance operations	11	6,088	7,513
Other creditors		6,878	1,042
		12,966	8,555
Total liabilities		116,745	111,367

*See note 2(p) and note 14 for further details.

The notes on pages 66 to 71 form an integral part of these annual accounts.

The annual accounts on pages 53 to 65 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 members' balances
Year ended 31 December 2018
Hiscox Syndicate 6104 annual accounts

	2018 $000	2017 (restated)* $000
Members' balances brought forward at 1 January	18,325	63,896
Total recognised gains and losses for the year	(14,311)	(13,645)
Payments of profit to members' personal reserve funds	(30,939)	(31,541)
Members' agent fees	(303)	(385)
Additional distribution in relation to 2014 and 2015 years of account	(5,665)	–
Members' balances carried forward at 31 December	(32,893)	18,325

*See note 2(p) and note 14 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 6104 annual accounts

	2018 $000	2017 (restated)* $000
Net cash flows from operating activities		
(Loss) for the year	(14,311)	(15,781)
Increase in gross technical provisions	52,185	43,118
Decrease in reinsurers' share of gross technical provisions	–	–
(Increase)/decrease in debtors	(5,185)	4,811
(Decrease) in creditors	(1,425)	(2,130)
Movement in other assets/liabilities	5,643	(228)
Investment return	865	(1,419)
Other	(865)	1,419
Net cash inflows from operating activities	36,907	29,790
Net cash flows from investing activities		
Purchase of equity and debt instruments	–	–
Sale of equity and debt instruments	–	–
Investment income received	–	–
Foreign exchange	–	–
Net cash flows from financing activities		
Distribution of profits	(36,907)	(31,926)
Foreign currency reserve movement	–	2,136
Net increase in cash and cash equivalents	–	–
Cash and cash equivalents at the beginning of the year	–	–
Cash and cash equivalents at the end of the year	–	–

*See note 2(p) and note 14 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 6104 annual accounts

1 Basis of preparation and critical accounting policies
The basis of preparation of these accounts is the same as disclosed for Syndicate 33.

These annual accounts are presented in US Dollars, which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. This is the first year these financial statements have been presented in US Dollars, prior to that these financial statements were presented in Sterling. 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. From 1 January 2018 the functional currency of the Syndicate changed from Sterling to US Dollars. This is as a result of the managing agent, Hiscox Syndicates Limited, changing its functional currency from Sterling to US Dollars. The prior year figures have been translated into US Dollars by converting profit and loss items at the average rate and balance sheetitems at the prevailing year end rate.

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

Accounting policies not applied by S6104:

2(j) Pension costs
Syndicate 6104 is not recharged for any pension costs.

2(p) Changes in functional currency and presentational currency
As a result of changes to the denomination of underlying contracts and arrangements from Sterling to US Dollars, and consistent with the change in functional currency of Syndicate 33, Syndicate 6104 changed its functional currency, and its presentational currency, effective 1 January 2018 from Sterling to US Dollars.

Additional accounting policies applied by S6104:

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

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

Interest is calculated on the daily paid cash fund experience balance, held by Syndicate 33 on behalf of the Syndicate. Interest on each currency balance is credited at the same yield earned by Syndicate 33 in the period for each currency.

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

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

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

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

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

4 Management of risk continued

(c) Credit risk

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

(d) Liquidity

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

(e) Currency risk

The majority of the Syndicate's gross written premium is in US Dollars, consequently movements in the 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 accordance with Lloyd's rules using a combination of Sterling and US Dollars.

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
Reinsurers' share of technical provisions	–	–	–	–	–
Debtors	75,291	26,980	9,332	2,935	114,538
Prepayments and accrued income	1,616	442	106	43	2,207
Total assets	76,907	27,422	9,438	2,978	116,745
Technical provisions	(112,777)	(17,661)	(4,750)	(1,484)	(136,672)
Creditors	(7,024)	(5,942)	–	–	(12,966)
Total liabilities	(119,801)	(23,603)	(4,750)	(1,484)	(149,638)
Members' balances by currency	(42,894)	3,819	4,688	1,494	(32,893)

At 31 December 2017 (restated)*	US Dollar $000	Pound Sterling $000	Euro $000	Canadian Dollar $000	Total $000
Reinsurers' share of technical provisions	–	–	–	–	–
Debtors	77,478	19,662	8,424	3,359	108,923
Prepayments and accrued income	1,026	1,186	171	61	2,443
Total assets	78,504	20,848	8,595	3,420	111,367
Technical provisions	(70,654)	(10,019)	(2,152)	(1,662)	(84,487)
Creditors	(8,555)	–	–	–	(8,555)
Total liabilities	(79,209)	(10,019)	(2,152)	(1,662)	(93,042)
Members' balances by currency	(705)	10,829	6,443	1,758	18,325

*See note 2(p) and note 14 for further details.

4 Management of risk continued

Sensitivity analysis

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. This analysis assumes that all other variables, in particular interest rates, remain constant.

Table f)	2018 $000	2017 (restated)* $000
Sterling	(382)	(52)
Euro	(469)	(644)
Canadian Dollar	(149)	(176)

*See note 2(p) for further details.

5 Segmental analysis

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

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

	2018 $000	2017 (restated)* $000
United Kingdom	–	21
Other European Union member states	467	713
United States	29,589	31,664
Other	18,700	20,071
Total	48,756	52,469

*See note 2(p) and note 14 for further details.

6 Net operating expenses

	2018 $000	2017 (restated)* $000
Brokerage and commissions	9,766	15,459
Change in deferred acquisition costs	152	(373)
Members' standard personal expenses	385	360
Total	10,303	15,446

*See note 2(p) and note 14 for further details.

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

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

Syndicate 33 has been charged on behalf of the Syndicate, fees payable to the Syndicate's auditor for the audit of the syndicate annual accounts.

	2018 $000	2017 (restated)* $000
Auditor's remuneration		
Fees payable to the Syndicate's auditor for the audit of the syndicate annual accounts	44	35
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	16	14
Total	60	49

*See note 2(p) for further details.

7 Staff costs

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

8 Technical provisions

2018	Gross provisions $000	Reinsurance assets $000	Net $000
Claims incurred:			
Balance at 1 January	72,606	–	72,606
Over-provision in respect of prior claims and claim adjustment expenses	(30,805)	–	(30,805)
Expected cost of current year claims	83,067	–	83,067
Claims paid for claims settled in year	2,540	–	2,540
Effect of movements in exchange rates	(1,020)	–	(1,020)
Balance at 31 December	126,388	–	126,388
Unearned premiums:			
Balance at 1 January	11,881	–	11,881
Premium written during the year	47,597	(833)	46,764
Premium earned during the year	(48,756)	833	(47,923)
Effect of movements in exchange rates	(438)	–	(438)
Balance at 31 December	10,284	–	10,284
Deferred acquisition costs:			
Balance at 1 January	2,444	–	2,444
Acquisition costs written	9,766	–	9,766
Acquisition costs earned	(9,918)	–	(9,918)
Effect of movements in exchange rates	(85)	–	(85)
Balance at 31 December	2,207	–	2,207

2017 (restated)*	Gross provisions $000	Reinsurance assets $000	Net $000
Claims incurred:			
Balance at 1 January	31,552	–	31,552
Over-provision in respect of prior claims and claim adjustment expenses	(11,527)	–	(11,527)
Expected cost of current year claims	62,782	–	62,782
Claims paid for claims settled in year	(10,929)	–	(10,929)
Effect of movements in exchange rates	728	–	728
Balance at 31 December	72,606	–	72,606
Unearned premiums:			
Balance at 1 January	9,817	–	9,817
Premium written during the year	54,417	(2,546)	51,871
Premium earned during the year	(52,469)	2,546	(49,923)
Effect of movements in exchange rates	116	–	116
Balance at 31 December	11,881	–	11,881
Deferred acquisition costs:			
Balance at 1 January	2,056	–	2,056
Acquisition costs written	15,459	–	15,459
Acquisition costs earned	(15,087)	–	(15,087)
Effect of movements in exchange rates	16	–	16
Balance at 31 December	2,444	–	2,444

*See note 2(p) and note 14 for further details.

9 Debtors arising out of reinsurance operations

	2018 $000	2017 (restated)* $000
Amounts due from intermediaries		
Due within one year	36,523	36,084
Due after one year	77,291	72,545
	113,814	108,629

*See note 2(p) and note 14 for further details.

10 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	25,782	40,817	19,483	13,713	5,411	17,757	62,769	58,834
One year later	27,723	25,183	9,290	9,955	3,165	11,921	59,218	
Two years later	26,540	20,381	6,115	10,063	3,376	8,956		
Three years later	26,057	20,204	6,272	9,644	2,774			
Four years later	24,924	21,070	6,345	9,679				
Five years later	24,947	18,349	6,454					
Six years later	23,229	18,350						
Seven years later	23,162							
Cumulative payments	(23,229)	(18,349)	(6,345)	(9,644)	(3,376)	–	–	–
Estimated balance to pay	(67)	1	109	35	(602)	8,956	59,218	58,834
Provision in respect of prior years								(163)
Total gross provision included in the balance sheet								126,388

Net of reinsurance								
Estimate of cumulative claims:								
At end of underwriting year one	25,782	40,817	19,483	13,713	5,411	17,757	62,769	58,834
One year later	27,723	25,183	9,290	9,955	3,165	11,921	59,218	
Two years later	26,540	20,381	6,115	10,063	3,376	8,956		
Three years later	26,057	20,204	6,272	9,644	2,774			
Four years later	24,924	21,070	6,345	9,679				
Five years later	24,947	18,349	6,454					
Six years later	23,229	18,350						
Seven years later	23,162							
Cumulative payments	(23,229)	(18,349)	(6,345)	(9,644)	(3,376)	–	–	–
Estimated balance to pay	(67)	1	109	35	(602)	8,956	59,218	58,834
Provision in respect of prior years								(163)
Total net provision included in the balance sheet								126,388

11 Creditors arising out of reinsurance operations

	2018 $000	2017 (restated)* $000
Amounts due to intermediaries		
Due within one year	3,272	2,302
Due after one year	2,816	5,211
	6,088	7,513

*See note 2(p) for further details.

12 Related parties

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

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

Balance sheet net assets and (liabilities) outstanding	2018 $000	2017 (restated)* $000
Hiscox managed Syndicates	(26,941)	12,654

*See note 2(p) 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
Hiscox Syndicates Limited	(384)	(360)
Hiscox managed Syndicates	(10,474)	(13,285)
	(10,858)	(13,645)

*See note 2(p) and note 14 for further details.

Hiscox Syndicates Limited charged managing agent fees to Syndicate 6104 of $0.4 million (2017: $0.4 million). Hiscox Syndicate 33 owes the Syndicate the cumulative result due on the quota share reinsurances Syndicate 6104 provides.

13 Syndicate structure

The managing agent of the Syndicate is Hiscox Syndicates Limited whose immediate parent undertaking is Hiscox Holdings Limited, a company registered in England and Wales. The ultimate parent undertaking of the largest and smallest group of companies for which group accounts are drawn up is Hiscox Ltd, Bermuda. Copies of Hiscox Ltd financial statements can be obtained from Wessex House, 45 Reid Street, Hamilton HM 12, Bermuda.

14 Prior year restatement

During the year an error was identified in the calculation of profit commission, paid to Syndicate 33, and as a consequence these annual accounts have been restated. The impact to the 2017 opening members' balances is an increase of $5.67 million, with a corresponding reduction to creditors. As a result the 2018 opening members' balances has also increased by $5.67 million, with a corresponding reduction to creditors. Members will receive an additional distribution (at the same time as the 2016 year of account) for the 2014 and 2015 years of account.

Hiscox Syndicate 6104 underwriting year accounts

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

The Directors of the managing agent present their report at 31 December 2018.

This report comprises the cumulative result to 31 December 2018 for the closed 2016 account of Syndicate 6104.

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

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

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

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

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

2016 account
In 2016 the cession from Syndicate 33 was 28%. The account has closed with a profit of 28.9% after all personal expenses (except members' agent's fees). This is another very good result reflecting in part the absence of major catastrophe activity in 2016. Losses from Hurricanes Harvey, Irma and Maria were almost entirely in 2017 year of account.

2017 account
For 2017 the capacity of the Syndicate was maintained at £54.5 million ($69.4 million). The cession from Syndicate 33 was maintained at 28%. Hurricanes Harvey, Irma and Maria have been reserved at $36.2 million. These three hurricanes were the only significant losses materially impacting the account.

We have set a loss forecast in the range of 25% to 35% on capacity. 2017 is likely to be the Syndicate's first loss making year since inception.

2018 account
The Syndicate capacity was maintained at £56 million ($71.5 million) for the 2018 year of account and the cession from Syndicate 33 maintained at 28%.

We are forecasting a loss in the range of 40% to 50% on capacity.

2019 account and the future
We have slightly reduced the capacity to £55 million ($70.6 million) for the 2019 year of account. The cession from Syndicate 33 has remained constant at 28%; with the portfolio now including a small element of cyber reinsurance.

Catastrophe reinsurance pricing into the key 1 January renewal season saw average prices increase by 2%. As we look towards the US renewals at 1 June and 1 July, which are loss-affected, we anticipate further pricing correction.

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

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

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

By order of the Board

I J Martin
Director
22 March 2019

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

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

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

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

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

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

Independent auditor's report
To the members of Syndicate 6104
2016 closed year of account

Report on the audit of the syndicate underwriting year accounts

Opinion

In our opinion, Syndicate 6104's syndicate underwriting year accounts for the 2016 year of account for the three years ended 31 December 2018 (the syndicate underwriting year 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 2016 closed year of account;
- have been properly prepared in accordance with United Kingdom Accounting Standards comprising FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland', as modified by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the syndicate underwriting year accounts included within the Hiscox Syndicates 33 and 6104 Report and Accounts 2018 (the Annual Report), which comprise: the balance sheet at 31 December 2018, the profit and loss account: technical account – general business for the three years then ended, the profit and loss account: non-technical account – general business for the three years then ended, the statement of cash flows for the three years then ended, and the notes to the syndicate underwriting year accounts, which include a summary of significant accounting policies and other explanatory information.

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 underwriting year accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate underwriting year accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting year accounts any identified material uncertainties that may cast significant doubt about the Syndicate's ability to continue to adopt the going concern basis of accounting.

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

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

With respect to the report of the Directors of the managing agent, we also considered whether the disclosures required by The 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 76.

Independent auditor's report continued

To the members of Syndicate 6104

2016 closed year of account

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 three years ended 31 December 2018 is consistent with the syndicate underwriting year accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

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

Responsibilities for the syndicate underwriting year accounts and the audit

Responsibilities of the managing agent for the syndicate underwriting year accounts

As explained more fully in the statement of managing agent's responsibilities set out on page 74, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2016 closed year of account. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 underwriting year accounts.

A further description of our responsibilities for the audit of the syndicate underwriting year accounts is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities.** This description forms part of our 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 Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- the managing agent in respect of the Syndicate has not kept adequate accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 March 2019

Profit and loss account: technical account – general business
For the 36 months ended 31 December 2018
Hiscox Syndicate 6104 underwriting accounts

	Notes	$000
Syndicate allocated capacity		70,732
Earned premiums, net of reinsurance		
Gross premiums written		46,929
Outward reinsurance premiums		(3,273)
Earned premiums, net of reinsurance		43,656
Reinsurance to close premium received, net of reinsurance		(2,532)
		41,124
Allocated investment return transferred from the non-technical account	6	1,277
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		2,541
Reinsurers' share		–
Net claims paid		2,541
Change in provision for claims:		
Gross amount		(8,458)
Reinsurers' share		–
Change in the net provision for claims		(8,458)
Claims incurred, net of reinsurance		(5,917)
Net operating expenses	7	(15,731)
Balance on the technical account for general business		20,753

The notes on pages 81 to 82 form an integral part of these underwriting year accounts.

Profit and loss account: non-technical account – general business
For the 36 months ended 31 December 2018
Hiscox Syndicate 6104 underwriting accounts

	Notes	$000
Balance on the technical account for general business		**20,753**
Investment income	6	1,277
Allocated investment return transferred to the general business technical account		(1,277)
Foreign exchange gains or losses		(278)
Result before members' agents' fees		**20,475**
Members' agents' fees		(597)
Profit for the underwriting year		**19,878**

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.

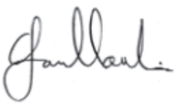
The notes on pages 81 to 82 form an integral part of these underwriting year accounts.

Balance sheet
2016 account at 31 December 2018
Hiscox Syndicate 6104 underwriting accounts

Assets	Notes	at 36 months $000
Reinsurance recoveries anticipated on gross reinsurance to close premium payable	3	–
Debtors		
Debtors arising out of reinsurance operations	8	36,523
Other debtors		729
Total assets		37,252
Liabilities		
Capital and reserves		
Amounts due to members		19,878
Reinsurance to close premium payable – gross amount	3	8,336
Creditors		
Creditors arising out of reinsurance operations	9	3,272
Other creditors		5,766
Total liabilities		37,252

The notes on pages 81 to 82 form an integral part of these underwriting year accounts.

The underwriting year accounts 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 cash flows
For the 36 months ended 31 December 2018
Hiscox Syndicate 6104 underwriting accounts

	$000
Net cash flows from operating activities	
Profit for the closed year of account	20,475
RITC premium payable, net of reinsurance	8,336
Increase in debtors	(37,252)
Increase in creditors	9,039
Investment return	(1,277)
Other	(597)
Net cash inflows from operating activities	(1,277)
Net cash flows from investing activities	
Purchase of debt instruments	–
Sale of debt instruments	–
Investment income received	1,277
Foreign exchange	–
Net cash flows from financing activities	–
Net increase in cash and cash equivalents	–
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	–

Notes to the accounts
At 31 December 2018
Hiscox Syndicate 6104 underwriting accounts

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

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

3 Reinsurance premium to close the 2016 and prior years of account

	Reported $000	IBNR $000	Total $000
Reinsurance to close premium received			
Gross reinsurance to close premium received	–	(2,532)	(2,532)
Reinsurance recoveries anticipated	–	–	–
Reinsurance to close premium receivable, net of reinsurance	–	(2,532)	(2,532)
Reinsurance to close premium payable			
Gross reinsurance to close premium payable	–	8,336	8,336
Reinsurance recoveries anticipated	–	–	–
Reinsurance to close premium payable, net of reinsurance	–	8,336	8,336

4 Analysis of underwriting result

	2015 and prior $000	2016 $000	Total $000
Technical account balance before allocated investment return and net operating expenses	1,336	33,496	34,832
Brokerage and commission on gross premium	(393)	(14,963)	(15,356)
Total	943	18,533	19,476

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

6 Investment return

	2016 year of account $000
Investment income	1,277

Investment return for the 2016 year of account is recognised in the 2016, 2017 and 2018 calendar years. The investment income and yield for these calendar years is disclosed in the investment return notes in each of the respective syndicate annual accounts.

7 Net operating expenses

The cumulative Syndicate expenses charged in the 2016 underwriting account were made up as follows:

	2016 year of account $000
Brokerage and commissions	15,356
Members' standard personal expenses	375
Total	15,731

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

Syndicate 33 has been charged on behalf of the Syndicate, fees payable to the auditors and their associates (exclusive of VAT) of $36,000.

8 Debtors arising out of reinsurance operations

	$000
Due from intermediaries	36,523

9 Creditors arising out of reinsurance operations

	$000
Amounts due to intermediaries	3,272

Seven-year summary
Hiscox Syndicate 6104 underwriting accounts

Year of account	2010	2011	2012	2013	2014	2015	2016
Syndicate allocated capacity in £000	45,185	37,174	38,686	66,354	72,089	64,927	**55,534**
Syndicate allocated capacity in $000	57,552	47,349	49,274	84,515	91,820	82,698	**70,734**
Number of underwriting members	1,102	1,042	1,077	1,336	1,524	1,435	**1,409**
Net premiums net of brokerage in $000	30,298	23,718	33,668	39,029	33,022	23,020	**28,300**
Capacity utilised (%)	57	55	78	54	40	30	**45**
Net capacity utilised (%)	53	50	68	46	36	28	**40**

Results for an illustrative share of £10,000	2010 $000	2011 $000	2012 $000	2013 $000	2014 $000	2015 $000	2016 $000
Gross premiums	8,940	9,048	13,362	10,223	7,758	6,945	**267,397**
Net premiums	8,398	8,447	12,156	9,250	7,287	6,670	**7,861**
Reinsurance to close from an earlier account	2,286	6,831	5,746	2,349	499	1,699	**(451)**
Net claims paid	(2,229)	(7,007)	(5,727)	(2,392)	(531)	(1,662)	**458**
Reinsurance to close	(5,851)	(5,988)	(3,970)	(614)	(1,241)	440	**(1,528)**
(Loss)/profit on exchange	(141)	(6)	(65)	266	1,079	430	**(50)**
Syndicate operating expenses	(1,693)	(2,067)	(3,454)	(3,368)	(2,707)	(3,125)	**(2,765)**
Names personal expenses	(64)	(64)	(64)	(64)	(64)	(64)	**(68)**
Balance on technical account before investment return	706	146	4,622	5,427	4,322	4,388	**3,457**
Investment return	424	280	340	62	273	214	**230**
Profit before members' agent's fees	1,130	426	4,962	5,489	4,595	4,602	**3,687**
Profit before members' agent's fees £000	887	335	3,896	4,310	3,608	3,614	**2,895**

Notes to the seven-year summary
1. The seven-year summary has been prepared from the audited accounts of the Syndicate.
2. Personal expenses have been stated at the amount which would be incurred pro-rata by Names writing the illustrative premium income in the Syndicate, irrespective of any minimum charge applicable. Personal expenses include managing agent fees, central fund contributions, Lloyd's subscriptions and profit commissions. These figures exclude members' agents' fees.
3. 'Capacity utilised' represents gross premiums as a percentage of the allocated capacity. 'Net capacity utilised' represents net premiums as a percentage of the allocated capacity. For these calculations, gross and net premiums are net of brokerage.
4. Profit commission has been calculated in accordance with the applicable Agency Agreements.
5. Premium figures and Syndicate operating expenses are gross of brokerage.
6. All years of account are presented using transactional rates of exchange, the functional and presentation currency of the underwriting year accounts changed from 1 January 2018, all previous accounts have been translated at the closing rate prevailing at 31 December 2018.

Notes

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