Accounts disclaimer

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HISCOX

Report and Accounts
2022

Hiscox Syndicates 33 and 6104

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 Arrangement (SPA) 6104. HSL is an indirectly wholly owned subsidiary of Hiscox Ltd.

Directors
R S Childs – Non Executive Chairman
P D Cooper (appointed 22 June 2022)
A Dolphin
C J Foulger – Non Executive (resigned 24 March 2022)
T W Harris – Non Executive (appointed 24 March 2022)
T C Huerlimann – Non Executive (appointed 1 January 2023)
H A Hussain
J Illingworth – Non Executive
H Kam
H C V Keeling – Non Executive (resigned 17 May 2022)
S E Kemble (appointed 29 July 2022)
P A Lawrence
K J M Markham
J R Musselle
H Rose (appointed 1 February 2022)
A C Winther – Non Executive

Managing agent's registered office
22 Bishopsgate
London
EC2N 4BQ

Managing agent's company number
02590623

Syndicates 33 and 6104:

Active underwriters
Syndicate 33 – P A Lawrence
Syndicate 33 and 6104 – A Dolphin

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

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

Independent registered auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT

Chapter 1
Hiscox Syndicate 33 annual accounts

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

The Directors of the managing agent present their report for Syndicate 33 for the year ended 31 December 2022.

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 2020 account of Syndicate 33 are included following these annual accounts.

Results
The result for Syndicate 33 in calendar year 2022 is a profit of $194.3 million (2021: profit of $193.8 million). While profit is materially in line with the prior year, the improved combined ratio of 77% (2021: 83%) demonstrates further improvement in underwriting results, where the Syndicate has continued to take advantage of rate rises and recent underwriting actions are taking effect. The Syndicate has weathered Hurricane Ian and losses arising from the Russia/Ukraine conflict during 2022, and benefitted from strong favourable development on prior-year losses. The result was, however, impacted by foreign exchange losses and the bond market delivering mark-to-market investment losses.

The Syndicate's key financial performance indicators during the year were as follows:

	2022 $m	2021 $m	% change
Gross premiums written	2,072.3	2,056.1	0.8
Gross premiums earned	2,046.4	2,039.9	0.3
Net premiums earned	1,174.6	1,099.0	6.9
Total recognised profit/(loss) for the year	194.3	193.8	0.3
Claims ratio (%)	39	48	(9)
Commission ratio (%)	23	19	4
Expense ratio (%)	15	16	(1)
Combined ratio (%)	77	83	(6)

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 and through the Lloyd's Brussels platform. 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, casualty and marine and energy business, as well as a range of specialty lines including contingency and terrorism risks. Syndicate 33 trades through the Lloyd's worldwide licences and rating. It also benefits from the Lloyd's brand. Lloyd's and Lloyd's Brussels has an A (Excellent) rating from A.M. Best, A+ (Strong) rating from S&P, AA- (Very strong) from Fitch and AA- from Kroll Bond Rating Agency.

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

Geographical split of gross premiums written (%)

	2022	2021
UK	7	7
Europe	7	5
North America	64	64
Asia	4	4
Rest of the world	18	20

Geographical premiums written settlement currency (%)

	2022	2021
Sterling	15	10
Euro	3	5
US Dollar	78	80
Canadian Dollar	4	5

Review of the business
The result for the year was a profit of $194.3 million (2021: profit of $193.8 million). A breakdown of divisional performance is shown below.

Property
The division comprises big-ticket property accounts (covering both USA and international), property binding authorities principally focused on the USA and insuring household and small commercial risks, and a product covering flood risk (predominately via our FloodPlus platform). There has been further rate hardening across

Divisional performance

Division	2022 gross premium written $m	2022 profit/(loss) $m	2021 gross premiums written $m	2021 profit/(loss) $m
Reinsurance	496.7	30.2	427.0	77.4
Property	465.4	13.9	563.2	18.1
Specialty	340.4	44.3	362.4	37.5
Marine and energy	322.0	64.0	288.0	27.7
Casualty	389.4	28.2	357.0	13.9
Art and private client	58.4	13.7	58.5	19.2
Total	2,072.3	194.3	2,056.1	193.8

all of the lines of business that make up the portfolio, and despite the significant Category 4 Hurricane Ian making landfall in West Florida and again as a Category 1 in the Carolinas, giving rise to catastrophe losses in the year, our attritional losses continue to come down. The underlying portfolio is strong, following the re-underwriting which has taken place over the last few years and this, combined with rate and attritional loss improvements, as well as some prior-year reserve releases, enabled the division to deliver a profit in 2022.

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 quota share partners. FloodPlus continues to generate substantial and growing quote volumes for retail and commercial customers. We are also seeing an increase in traction on our digitally-traded property business via our BindPlus trading platform. We expect this to continue over the next few years, particularly for critical wind-exposed business.

Reinsurance
This division includes the Syndicate's non-marine property reinsurance business (catastrophe excess of loss including retro, risk excess and pro-rata reinsurance), marine and aviation reinsurance, and specialty business. 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. The division experienced gross premium growth during the year, supported by new assets under management in our insurance-linked securities (ILS) funds, bucking a broader industry tend of capacity pullback from property reinsurance lines and allowing us to exploit the strong rating environment resulting from that capacity pullback. Naturally, this division has been affected by several natural catastrophe losses throughout the year, most notably Hurricane Ian. However, releases have been seen on older year catastrophe losses.

Marine and energy
This division provides cover for marine hull, marine cargo, marine and energy liability, and energy risks, comprising upstream, midstream, downstream, power, and renewable energy. All lines have experienced largely favourable trading conditions and have delivered outstanding divisional performance for 2022 notwithstanding an extraordinary combination of global challenges, be that military conflict, macroeconomic or geopolitical shifts, an energy crisis, or supply chain disruptions.

Specialty
This division brings together a number of lines such as: terrorism, product recall, personal accident (PA), kidnap and ransom, contingency, space, and alternative risk. We elected to withdraw from the aviation market in 2018 due to unsatisfactory market conditions.

The terrorism market is seeing some significant change following the Russia/Ukraine conflict, and we expect to see continued rate change into 2023. Product recall has seen an influx of capacity and we remained cautious in our approach. Personal accident is seeing steady rate increase following Covid-19 and Hiscox continues to remain disciplined in this field. Kidnap and ransom is a Hiscox unique product combined with our third-party response providers in Control Risks. The market remains active, as we have seen new entrants, but we remain in a strong and stable position. Hiscox are a global leader in the space market and have successfully developed our products for both large and small satellites. The alternative risk account comprises a number of specialist binding authorities which are either unique risks not otherwise written by Hiscox or provide an attractive multi-line opportunity.

Casualty
The division focuses on big-ticket business within the directors and officers' (D&O), general liability (GL) and cyber markets. D&O has shown growth and solid profitability, having executed on our D&Oplus strategy. GL continues to perform well, as we focus on shorter-tail liability exposures mitigating the effects of inflation. Cyber has benefitted from two consecutive years of a hard market, with upward movement in rates and a reduction in capacity delivering a solid result. Overall casualty in 2022 has had a successful year. Although rates in casualty have flattened, and in D&O are facing downward pressure, they remain healthy compared to historical levels.

Art and private client
This division includes the fine art, specie and European household accounts written in Lloyd's. The majority of the business is written under lineslips and binding authorities. Some of the business is sourced through the Hiscox regional offices in the UK and Europe. The fine art business has grown significantly in 2022, as dealers, exhibitions and museums have returned to pre-Covid-19 levels of activity.

2023 and the future
We see opportunity for profitable growth in 2023, reflecting the attractive rate opportunities in our London Market and Hiscox Re & ILS businesses in terrorism, cyber, marine and all property lines. We expect to continue to take advantage of the market environment and leverage our investment in technology on products such as FloodPlus, while continuing to judiciously optimise the portfolio.

The Syndicate is well reserved, has a strong reinsurance programme with good security and a conservative investment portfolio. Syndicate 33 stamp capacity will stay flat for the 2023 year of account at £1.7 billion, with higher capacity utilisation expected as a result of the improving market conditions.

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 participates on 72.6% of the Syndicate, with the remainder being owned by non-aligned Names.

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 5% of capacity from the Syndicate for 2022 year of account. This has increased from 3% for 2021 year of account and prior.

Lloyd's works in co-operation with insurance regulators in the USA 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.

We have determined that the Syndicate has sufficient levels of liquidity to meet its expected funding requirements. 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.

The Syndicate continues to 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), Fitch AA- (Very strong) and Kroll Bond Rating Agency AA-. The Company is authorised and regulated by the National Bank of Belgium and capitalised under Solvency II rules.

Investment report
Investment income for the Syndicate was a loss of $43.2 million (2021: loss of $1.6 million) equating to a negative return of 2.2% (2021: negative return of 0.1%). The Syndicate's invested assets totalled $1,924.1 million at 31 December 2022 (2021: $1,732.1 million).

Investment return is significantly down primarily due to mark-to-market being negatively impacted by increasing bond yields during the year. Central banks took aggressive policy action as inflation proved more persistent than expected, and changes in risk free rates contributed the majority of the mark-to-market losses on our bond portfolios.

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

Years of account

	2017	2018	2019	2020	2021	2022	2023
Capacity (£m)	1,147	1,598	1,399	1,698	1,699	1,699	**1,700**
Capacity ($m)*	1,380	1,922	1,683	2,043	2,043	2,044	**2,045**
Hiscox ownership (£m)	834	1,161	1,015	1,233	1,233	1,233	**1,233**
Hiscox ownership (%)	72.7	72.7	72.6	72.6	72.6	72.6	**72.5**

*Converted at the closing rate at 31 December 2022.

Directors' interests

None of the Directors of the managing agent who served during the year ended 31 December 2022 were underwriting Names at Lloyd's for the 2020, 2021, 2022 or 2023 years of account.

R S Childs – Non Executive Chairman
P D Cooper (appointed 22 June 2022)
A Dolphin
C J Foulger – Non Executive (resigned 24 March 2022)
T W Harris – Non Executive (appointed 24 March 2022)
T C Huerlimann – Non Executive (appointed 1 January 2023)
H A Hussain
J Illingworth – Non Executive
H Kam
H C V Keeling – Non Executive (resigned 17 May 2022)
S E Kemble (appointed 29 July 2022)
P A Lawrence
K J M Markham
J R Musselle
H Rose (appointed 1 February 2022)
A C Winther – Non Executive

Disclosure of information to the auditors

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

Annual General Meeting

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

In accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) (the 2008 Regulations) a Syndicate AGM was held in 2016 to appoint PricewaterhouseCoopers LLP (PwC) as the Syndicate's registered auditor. The 2008 Regulations contain provisions for the re-appointment of the Syndicate's registered auditor.

Lloyd's requirements allow managing agents to dispense with the requirement to hold a Syndicate AGM, providing certain criteria are met.

This year, we therefore give notice that:
- Hiscox Syndicates Limited does not propose to hold an AGM of the members of Syndicate 33 in 2023;
- 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

Helen Rose
Chief Financial Officer
27 February 2023

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 auditors' report
To the members of Syndicate 33

Report on the audit of the syndicate annual accounts

Opinion

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

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2022 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); 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 Report and Accounts (the 'Annual Report'), which comprise: balance sheet – assets and the balance sheet – liabilities as at 31 December 2022; the profit and loss account: technical account – general business and profit and loss account: non-technical – general business, the statement of cash flows, and the statement of changes in members' balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7, we have provided no non-audit services to the Syndicate in the period under audit.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Syndicate's ability to continue as a going concern for a period of at least 12 months from when the syndicate annual accounts are authorised for issue.

In auditing the syndicate annual accounts, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

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

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

With respect to the report of the Directors of the managing agent (the 'managing agent's report'), 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 our work undertaken in the course of the audit, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us also to report certain opinions and matters as described below.

Managing agent's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the managing agent's report for the year ended 31 December 2022 is consistent with the syndicate annual accounts and has been prepared in accordance with applicable legal requirements.

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

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

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

Auditors' responsibilities for the audit of the syndicate annual accounts

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to manual journals and accounting estimates in respect of premiums and insurance claims outstanding. Audit procedures performed by the engagement team included:

- discussions with senior management involved in the risk and compliance functions, including consideration of known or suspected instances of non-compliance with laws, regulation and fraud;

- assessment of any matters reported on the company's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- reading key correspondence with Lloyd's, in relation to compliance with laws and regulations;
- reviewing relevant meeting minutes including those of the Audit Committee;
- testing journal entries identified in accordance with our risk assessment;
- testing and assessing the appropriateness of insurance claims reserves;
- identifying and testing estimated premium income on a sample basis; and
- designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the syndicate annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report
This report, including the opinions, has been prepared for and only for the Syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 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
Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the managing agent in respect of the Syndicate; 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.

Thomas Robb
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2023

Profit and loss account: technical account – general business
Hiscox Syndicate 33 annual accounts

Year ended 31 December 2022	Notes	2022 $000	2021 $000
Earned premiums, net of reinsurance			
Gross premiums written	5	2,072,277	2,056,142
Outward reinsurance premiums		(861,038)	(905,466)
Net premiums written		1,211,239	1,150,676
Change in the provision for unearned premiums:			
Gross amount		(25,920)	(16,206)
Reinsurers' share		(10,744)	(35,469)
Change in the net provision for unearned premiums		(36,664)	(51,675)
Earned premiums, net of reinsurance		1,174,575	1,099,001
Allocated investment return transferred from the non-technical account		(43,170)	(1,622)
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount	10	(947,292)	(1,106,085)
Reinsurers' share	10	605,645	651,572
Net claims paid		(341,647)	(454,513)
Change in the provision for claims:			
Gross amount		18,166	47,778
Reinsurers' share		(139,049)	(116,526)
Change in the net provision for claims		(120,883)	(68,748)
Claims incurred, net of reinsurance		(462,530)	(523,261)
Net operating expenses	7	(444,419)	(383,590)
Balance on the technical account for general business		224,456	190,528

The notes on pages 17 to 40 form an integral part of these annual accounts.

Profit and loss account: non-technical account – general business
Hiscox Syndicate 33 annual accounts

Year ended 31 December 2022	Notes	2022 $000	2021 $000
Balance on the technical account for general business		224,456	190,528
Investment income	6	35,719	31,292
Unrealised gains on investments		8,828	2,925
Investment expenses and charges	6	(18,461)	(9,329)
Unrealised losses on investments		(69,256)	(26,510)
Allocated investment return transferred to general business technical account		43,170	1,622
Foreign exchange (losses)/gains		(30,147)	3,309
Profit for the financial year		194,309	193,837

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 17 to 40 form an integral part of these annual accounts.

Balance sheet – assets
Hiscox Syndicate 33 annual accounts

At 31 December 2022	Notes	2022 $000	2021 $000
Investments			
Financial investments	9	1,924,061	1,732,148
Deposits with ceding undertakings		6,177	4,722
Reinsurers' share of technical provisions			
Provision for unearned premium	10	298,333	317,544
Claims outstanding	10, 14	2,074,284	1,946,716
		2,372,617	2,264,260
Debtors			
Debtors arising out of direct insurance operations	11	478,510	536,950
Debtors arising out of reinsurance operations	12	297,075	355,669
Other debtors	13	11,634	3,511
		787,219	896,130
Other assets			
Cash at bank and in hand		129,699	162,122
Prepayments and accrued income			
Accrued interest		11,282	7,189
Deferred acquisition costs	10	197,820	203,416
Other prepayments and accrued income		9,612	8,869
Total assets		5,438,487	5,278,856

The notes on pages 17 to 40 form an integral part of these annual accounts.

Balance sheet – liabilities
Hiscox Syndicate 33 annual accounts

At 31 December 2022	Notes	2022 $000	2021 $000
Capital and reserves			
Members' balances		115,551	(107,940)
Technical provisions			
Provision for unearned premium	10	896,976	883,719
Claims outstanding	10, 14	3,605,183	3,674,543
		4,502,159	4,558,262
Creditors			
Creditors arising out of insurance operations	15	16,966	14,403
Creditors arising out of reinsurance operations	16	709,107	684,222
Other creditors	17	36,164	51,764
		762,237	750,389
Accruals and deferred income	18	58,540	78,145
Total liabilities		5,438,487	5,278,856

The notes on pages 17 to 40 form an integral part of these annual accounts.

The syndicate annual accounts on pages 11 to 40 were approved by the Board of Hiscox Syndicates Limited and were signed on its behalf by

Helen Rose
Chief Financial Officer
27 February 2023

Statement of changes in members' balances
Hiscox Syndicate 33 annual accounts

Year ended 31 December 2022	2022 $000	2021 $000
Members' balances brought forward at 1 January	(107,940)	(299,089)
Total recognised gains for the year	194,309	193,837
Receipt of profit to members' personal reserve fund	32,309	856
Members' agent fees	(3,127)	(3,544)
Members' balances carried forward at 31 December	115,551	(107,940)

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
Hiscox Syndicate 33 annual accounts

Year ended 31 December 2022	2022 $000	2021 $000
Net cash flows from operating activities		
Profit for the year	194,309	193,837
Decrease in gross technical provisions	(56,103)	(47,377)
Decrease in reinsurers' share of gross technical provisions	177,861	157,838
Decrease in debtors	117,034	18,342
Decrease in creditors	(258,770)	(122,972)
Movement in other assets/liabilities	(42,568)	(52,840)
Investment return	43,170	1,622
Net cash inflows from operating activities	174,933	148,450
Net cash flows from investing activities		
Purchase of equity and debt instruments	(1,266,087)	(1,755,335)
Sale of equity and debt instruments	942,518	1,603,302
Settlement of derivatives	(139)	(124)
Investment income received	17,258	21,963
Foreign exchange	73,439	11,230
Net cash flows from financing activities		
Collection of losses/(distribution of profits)	29,182	(2,688)
Net (decrease)/increase cash and cash equivalents	(28,896)	26,798
Effect of exchange rates on cash and cash equivalents	(3,527)	(2,040)
Cash and cash equivalents at the beginning of the year	162,122	137,364
Cash and cash equivalents at the end of the year	129,699	162,122

Included within cash and cash equivalents are balances totalling $31.9 million (2021: $6.0 million) not available for immediate use by the Syndicate.

Notes to the accounts
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 and Insurance Contracts (FRS 103) where applicable.

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, for example, 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 2022.

The Directors of the managing agent have prepared the annual accounts on a going concern basis. In adopting the going concern basis, the Syndicate's current and forecast solvency and liquidity positions for the next 12 months and beyond has been reviewed. As part of the consideration of the appropriateness of adopting the going concern basis, the Directors used scenario analysis to assess the robustness of the Syndicate's solvency and liquidity positions.

Even in a severe downside scenario, no material uncertainty in relation to going concern has been identified. This is due to the Syndicate's strong capital and liquidity positions, which provide considerable resilience to these shocks, underpinned by the Syndicate's approach to risk management, which is described in note 4.

In addition to the above, Lloyd's require the Syndicate to perform an assessment of certain events on the financial position of the Syndicate by running specific realistic disaster scenarios (RDS). This is then translated into a capital requirement which the members must adhere to. It can be demonstrated that under the selected RDS scenarios, the Syndicate will continue to operate and any capital requirements can be provided for from the members' funds at Lloyd's (FAL).

In fact, no capital requirement is set for the Syndicate. Capital requirements are set at the member level and a member is not allowed to participate in the Syndicate if they have not met their capital requirement and the capacity of the Syndicate is adjusted down to reflect this.

The Syndicate benefits from being part of the Lloyd's capital structure, often referred to as the chain of security, which provides excellent financial security to policyholders and capital efficiency for members. The three elements that make up the Lloyd's capital structure are:

1. syndicate assets – members' working capital
   All premiums received by the Syndicates are held in trust by the managing agents as the first resource for paying policyholders' claims and to fund regulatory deposits. Until all liabilities have been provided for, no profits can be released. Every year, the Syndicates' reserves for future liabilities are independently audited and subject to an actuarial review;
2. funds at Lloyd's – members' capital deposited at Lloyd's
   Each member, whether corporate or individual, must provide sufficient capital to support their underwriting at Lloyd's. Managing agents are required to assess the solvency capital requirement (SCR) for each syndicate that they manage. This sets out how much capital the syndicate requires to cover its underlying business risks at a 99.5% confidence level;
3. Lloyd's central capital – Lloyd's central assets, which include the Central Fund, 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.

After making enquiries, the Directors have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence over a period of at least 12 months from the date of this report. For this reason, the Syndicate continues to adopt the going concern basis in preparing its financial statements.

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, together with adjustments made in the year to premiums written in prior years. Written premiums are disclosed gross of commission payable to intermediaries and exclude taxes and duties levied on premiums.

2 Accounting policies

2(a) Premiums continued

Premiums written include estimates for premiums due but not yet received or notified, less an allowance for expected cancellations. For certain contracts, premium is initially recognised based on estimates of ultimate premium. This occurs where pricing is based on variables, which are not known with certainty at the point of binding the policy. In determining the estimated premium, use is made of information provided by brokers and coverholders, past underwriting experience, the contractual terms of the policy and prevailing market conditions. Subsequently, adjustments to those estimates arise as updated information relating to those pricing variables becomes available, for example, due to declarations obtained on binding authority contracts, reinstatement premium on reinsurance contracts or other policy amendments. Such adjustments are recorded in the period in which they are determined and impact gross premiums written in the income statements and premiums receivable from insureds and cedants recorded on the balance sheet.

Outwards reinsurance premiums are also disclosed gross of commissions and profit participations recoverable from reinsurers. Retroactive insurance contracts that contain significant insurance risk and that have an insurance component and a deposit component are unbundled providing the deposit component can be measured separately. The deposit component is recorded directly into the balance sheet within reinsurers' share of insurance liabilities with a corresponding amount in creditors arising out of reinsurance operations. The reinsurers' share of insurance liabilities relating to the contracts is remeasured at each reporting period with movements taken to the reinsurance recoveries in the income statement. Reinsurance transactions that transfer risk but are retroactive are included in reinsurance assets. The excess of estimated liabilities for claims and claim expenses over the consideration paid is established as a deferred credit at inception. The deferred amounts are subsequently amortised using the recovery method over the settlement period of the reserves and reflected through the claims and claim adjustment expenses line. In transactions where the consideration paid exceeds the estimated liabilities for claims and claim adjustment expenses, a loss is recognised immediately.

2(b) Unearned premiums

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

2(c) Acquisition costs

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

2(d) Claims

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

Claims paid are transactions in the period which have been signed through Lloyd's Central Accounting or Lloyd's Direct Reporting, adjusted for any material backlogs which may occur between cash paid and the claims being signed through.

Reinsurers' share of claims paid are all transactions in the period which have been signed through the London Outwards Reinsurance System, adjusted to include an accrual for the balances which have been billed, but remain unsettled at the balance sheet date. Reinsurers' share of claims outstanding is the amount that it is estimated will be recoverable from reinsurers based upon the gross claims provisions having allowed for bad debt. Reinsurance recoveries are estimated by reviewing individual claims including allowance for claims incurred but not reported, and assessing the reinsurance recovery which is expected based on the outwards reinsurance protections. 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.

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 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 assessed at a business class level which is the level at which the contracts are managed together.

2 Accounting policies

2(f) Financial assets and liabilities

Financial assets and liabilities include cash at bank and in hand, financial investments and debtors and creditors. Financial investments comprise shares and other variable yield securities, units in unit trusts, debt securities and other fixed income securities.

i. **Financial investments at fair value through profit and loss**
Financial investments are managed on a fair value through the profit and loss accounts (FVPL) basis as they are managed and their performance is evaluated on that basis in accordance with the Syndicate's investment strategy. The Syndicate has elected to measure financial investments at fair value through the profit and loss non-technical account.

ii. **Debtors and creditors**
Debtors and creditors are primarily non-derivative financial assets and liabilities with fixed or determinable payments and not quoted on an active market. These include amounts due to and from agents, brokers and insurance contract holders.

Debtors are initially recognised when due at transaction price, and where applicable are subsequently measured at amortised cost using the effective interest rate method. The recoverability of these assets is assessed at each balance date and appropriate provision made to ensure that the balances properly reflect the amounts that will ultimately be received, taking into account counterparty credit risk and the contractual terms of the contract. Where 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.

Creditors are initially recognised at transaction price, and where applicable, are subsequently measured at amortised cost using the effective interest rate method.

iii. **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(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 currency translation

The functional and presentational currency of the Syndicate is US Dollars which is the currency of the primary economic environment in which the Syndicate operates.

Transactions 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 has defined contribution and defined benefit pension schemes.

The defined benefit scheme closed to future accrual with effect from 31 December 2006 and active members were offered membership of the defined contribution scheme from 1 January 2007. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and has no further obligation beyond the agreed contribution rate. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The amount recognised on the Hiscox Group balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. Plan assets include insurance contracts. The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit method. As the plan is closed to all future benefit accrual, each participant's benefits under the plan are based on their service to the date of closure or earlier leaving, their final pensionable

2 Accounting policies

2(j) Pension costs continued

earnings at the measurement date and the service cost is the expected administration cost during the year. Past service costs are recognised immediately in the income statement.

Pension contributions relating to Group recharges are charged to Syndicate 33 and included within net operating expenses. Contributions and movement in surpluses or deficits on the defined benefit scheme, that relate to Syndicate 33 are allocated equally between all open years of account.

2(k) Bad debts

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

2(l) Reinsurers' commissions and profit participations

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

2(m) Cash at bank and in hand

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

3 Judgements and key sources of estimation uncertainty

In the application of the accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year.

The following judgements, estimations and assumptions have had the most significant effect on amounts recognised in the annual accounts.

3(a) Valuation of general insurance contract liabilities

The estimation of the ultimate liability arising from claims made under insurance contracts is the Syndicate's most critical accounting estimate. The carrying amount of the liability is disclosed in the technical provisions note 10. For general insurance contracts estimates are made for the expected ultimate cost of claims notified at the balance sheet date and the cost of claims incurred but not yet reported. It can take a significant period of time before the ultimate cost of claims can be established with certainty, and the final outcome may be better or worse than that provided. The estimation of these claims is based on historical experience projected forward. The Syndicate's estimate of claims and expenses is mainly achieved through the application of a number of commonly accepted actuarial projection methodologies based on the following:

- the development of previously paid claims, where payments to date are extrapolated for each prior year;
- the development of claims based on seasonally adjusted exposure curves;
- incurred claims development, where incurred claims to date for each year are extrapolated based upon observed development of earlier years; and
- expected loss ratios.

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

Claims provisions are subject to regular review, both within the Syndicate and externally. Management discuss and challenge the actuarial best estimate and booked claims provisions at the quarterly Reserving Committee meeting, whose membership includes Directors of the managing agent. 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.

The Syndicate tests the adequacy of its unearned premium liability by comparing current estimates of future claims and claims handling expenses attributable to the unexpired periods of policies at the balance sheet date which to the unearned premium liability net of acquisition costs. As set out in note 2(e), any deficiency is recognised in the income statement. The related deferred acquisition costs are first written down and any additional liability required is then recognised as an unexpired risk reserve (URR).

3(b) Premium recognition

The gross premiums written are initially based on estimated premium income (EPI) of each contract. EPI estimates are based on information provided by brokers and coverholders, past underwriting experience, the contractual terms of the policy and prevailing market conditions. The EPI estimates are reviewed on a regular basis. As the year of account closes, premiums are adjusted to match the actual signed premium. Premiums in respect of insurance contracts underwritten under binding authorities are booked as the underlying contracts incept; a straight-line basis is selected for this inception pattern. Premiums are earned on a straight-line basis over the life of each contract.

At a portfolio level this is considered to provide a reasonable estimate for the full year of the pattern of risk over the coverage period.

Gross premiums written includes an estimation for reinstatement premiums which is determined based on incurred losses held in the technical provisions.

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.

3(d) Pension costs

In light of the recharge for the defined benefit scheme, obligations are calculated and valued with reference to a number of actuarial assumptions including mortality, inflation rates and discount rate, many of which have been subject to recent volatility.

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

4 Management of risk continued

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 is monitored 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 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, although the timing, frequency and severity of claims can fluctuate.

The principal sources of risk relevant to the Syndicate's operations and its annual accounts fall into five broad categories: climate risk, insurance risk, financial risk, regulatory risk and operational risk.

Climate risk

Climate risk relates to the range of complex physical, transition and liability risks arising from climate change. This includes the risk of higher claims as a result of more frequent and more intense natural catastrophes; the financial risks which could arise from the transition to a lower-carbon economy; and the risk that those who have suffered loss from climate change might then seek to recover those losses from others who they believe may have been responsible. Climate-related risk is not considered a standalone risk, but a cross-cutting risk with potential to amplify each existing risk type.

By design, the established and embedded HSL risk management framework, provides a controlled and consistent system for the identification, measurement, mitigation, monitoring and reporting of risks (both current and emerging) and so is structured in a way that allows us to continually and consistently manage the various impacts of climate risk on the risk profile. This is supported by equally robust processes and policies that address climate-related underwriting risks, such as the HSL environmental, social and governance (ESG) exclusions policy which represents a commitment to reduce steadily and eliminate by 2030 both underwriting and investment exposure to coal-fired power plants and coal mines; Arctic energy exploration, beginning with the Arctic National Wildlife Refuge; oil sands; and controversial weapons such as landmines.

We also consider the training and development requirements of those with oversight responsibilities and accountability for climate matters to ensure we have appropriate awareness and expertise to drive progress. In 2022, this included an externally facilitated climate training session, available to all HSL Board Directors, to explore the requirements and competencies of a climate-informed board alongside horizon scanning of future expectations and regulatory requirements. This is now an annual feature in the Board calendar so we will continue to build expertise at our most senior level in 2023.

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 management 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 modelling tools to simulate catastrophes and measure the resultant potential losses before and after reinsurance;
- monitoring legal developments and amending the wording of policies when necessary;
- regular monitoring of risk exposures across individual underwriting portfolios and known accumulations of risk;
- examining the aggregated exposures in advance of underwriting further large risks; and
- developing processes that continually factor market intelligence into the pricing process.

The delegation of underwriting authority to specific individuals, both internally and externally, is subject to regular reviews. All underwriting staff and binding agencies are set strict

4 Management of risk

(i) Underwriting risk continued

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 represent areas of potentially significant exposure for the Syndicate. In addition to understanding the loss the Syndicate may suffer from an event, it is important to ensure that the risk models used are calibrated to the risks faced today. This includes recognising and forecasting inflationary trends, updating trends in claims payments, and capturing climate change-related impacts. HSL has a climate risk framework, which is used to assess where research resources should be focused, and models updated, and as a result improves not only the Syndicate's understanding of the potential impact of a changing climate but also the Syndicate's ability to respond.

The selection of extreme loss scenario events is adjusted each year and they are not therefore necessarily directly comparable from one year to the next. The events are extreme and unprecedented, and as such estimates may prove inadequate as a result of incorrect assumptions, model deficiencies, or losses from unmodelled risks. This means that should a realistic disaster actually occur, the Syndicate's final ultimate losses could materially differ from those estimates modelled by management. The Syndicate's insurance contracts include provisions to contain losses, such as the ability to impose deductibles and demand reinstatement premiums in certain cases.

In addition, in order to manage the Syndicate's exposure to repeated catastrophic events (both man-made and natural catastrophes), relevant policies frequently contain payment limits to cap the maximum amount payable from these insured events over the contract period. In the case of climate-exposed risks specifically, the vast majority of underwriting contracts written are annual in nature and thus can be revised frequently. This flexibility is a key tool for managing the multi-decade challenge of climate risks holistically.

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. The Syndicate also considers climate change to be a cross-cutting risk with potential to impact each existing risk type, rather than a standalone risk. 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 property portfolios 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, but also includes other events including fires, explosions and cyber events. 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, claims frequencies on the reinsurance inwards book can be relatively low.

A significant proportion of the reinsurance inwards business provides cover on an excess of loss basis for individual events. The Syndicate agrees to reimburse the cedant once their losses exceed a minimum level. 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 and the evolving impact of climate change.

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, other subsea assets, 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. Climate change may give rise to more frequent and severe extreme weather events (for example windstorms and river flooding) and it may be expected that their frequency will increase over time.

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

Casualty risks

The casualty underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and

4 Management of risk

Casualty risks continued

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 casualty insurance contracts mainly experience low-severity attritional losses. By nature, some casualty losses may take longer to settle than other categories of business. In addition, there is increased potential for accumulation in casualty risk due to the growing complexity of business, technological advances, and greater interconnectivity and interdependency across the world due to globalisation. The Syndicate's pricing strategy for casualty insurance policies is typically based on historical claim frequencies and average claim severities, adjusted for inflation and extrapolated forwards to incorporate projected changes in claims patterns.

The market for cyber insurance is still a relatively immature one, complicated by the fast-moving nature of the threat, as the world becomes even more connected. The risks associated with cyber insurance are multiplying in both diversity and scale, with associated financial and reputational consequences of failing to prepare for them. The Syndicate has focused its cyber expertise on prevention, in addition to the more traditional recovery product.

(ii) Reserving risk

Reserving risk is defined as the risk that reserves set, in respect of insurance claim losses, are ultimately insufficient to fully settle these claims and associated expenses. This definition also applies to reserves which have been set previously. The Syndicate's procedures for estimating the outstanding costs of settling insured losses at the balance sheet date, including claims incurred but not yet reported, are detailed in note 3(a). The Syndicate's provision estimates are subject to regular and rigorous review by senior management from all areas of the business including independent actuaries. The final provision is approved by the HSL Board.

Similar to the underwriting risk detailed above, the Syndicate's reserve risks are well diversified. Short-tailed claims are normally notified and settled within 12 to 24 months of the insured event occurring. Those claims taking the longest time to develop and settle typically relate to casualty risks, where legal complexities occasionally develop regarding the insured's alleged omissions or negligence. The length of time required to obtain definitive legal judgments and make eventual settlements exposes the Syndicate to a degree of reserving risk in an inflationary environment.

The final quantum for casualty claims may not be established for many years after the event. A significant proportion of the casualty insurance amounts reserved on the balance sheet may not be expected to settle within 24 months of the balance sheet date. Consequently, our approach is not to recognise favourable experience in the early years of development in the reserving process when setting the best estimate.

Certain marine and property insurance contracts, 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. 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.

In addressing the impact of inflation HSL focuses on:
- regular case reserve reviews to ensure adequacy;
- uplifts to incurred but not reported (IBNR) reserves to allow for current and future expectations of high inflation rates;
- assessment of rate increases against future inflation to assess loss ratio impacts.

Given the increase in inflationary pressures over the year, the Syndicate established explicit reserve uplifts to allow for the expected higher future claims costs. Loss ratios have also been reviewed to ensure they include appropriate allowance for future inflation.

Losses from Covid-19 continue to settle well within expectations and there has been positive development in first-order losses. As time passes and legal cases are gradually settled, the outcome becomes more certain and so the level of margin above the best estimate can be reduced. Consequently, the Syndicate's Covid-19 booked loss has reduced over the year.

Booked reserves include a net margin of $131.8 million (2021: $188.2 million), representing 8.5% (2021: 10.6%) of net booked reserves. This is the margin above the best estimate to help mitigate the uncertainty within the reserve estimates. As the best estimate matures and becomes more certain, the management margin is gradually released in line with the reserving policy.

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.

4 Management of risk

(a) Reliability of fair values continued

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 2022, the Syndicate held mortgage backed fixed income securities in its investment portfolio. Together with the Syndicate's investment managers, management continues to monitor the potential for any adverse development associated with this investment exposure through the analysis of relevant factors such as credit ratings, collateral, subordination levels and default rates in relation to the securities held.

The Syndicate did not experience any material defaults on debt securities during the year.

Valuation of these securities will continue to be impacted by external market factors including default rates, rating agency actions and liquidity. The Syndicate will make adjustments to the investment portfolio as appropriate as part of its overall portfolio strategy, but its ability to mitigate its risk by selling or hedging its exposures may be limited by the market environment.

The Syndicate's future results may be impacted, both positively and negatively, by the valuation adjustments applied to these securities.

(b) Interest rate risk

Debt and 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 2022 % weighting	31 December 2021 % weighting
Government issued bonds and instruments	27	16
Government supported*	4	12
Asset backed securities	5	4
Mortgage backed instruments – agency	4	5
Mortgage backed securities – non agency	2	4
Corporate bonds	58	59

*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 or decrease of 50 basis points in interest yields would result in a charge or credit to members' balances of $12.4 million (2021: $12.2 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 actual or perceived financial strength and be unable to pay amounts in full when due, or that for any other reason they renege on a contract or alter the terms of an agreement.

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

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

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

The Syndicate structures the levels of credit risk accepted by placing limits on their exposure to a single counterparty, or

4 Management of risk

(c) Credit risk continued

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 managing agent 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. 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.

While the rating agencies provide strong analysis on the financials and governance of a reinsurance security, the HSL Board also takes account of qualitative factors. 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. The final score that a security receives will determine how much reinsurance credit risk the Syndicate is willing to have with that security based on the exposure guidelines. 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 a portfolio of typically high-quality corporate and government bonds.

4 Management of risk

(c) Credit 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 2022	AAA $000	AA $000	A $000	BBB and below $000	Total $000
Financial investments	232,351	607,056	630,683	453,971	1,924,061
Reinsurers' share of technical provisions: claims outstanding	247,425	714,495	1,112,363	1	2,074,284
Debtors: reinsurance recoverable	37,894	30,721	73,794	99	142,508
Cash at bank and in hand	–	8,655	121,044	–	129,699
Total	517,670	1,360,927	1,937,884	454,071	4,270,552
At 31 December 2021					
Financial investments	210,934	452,137	599,167	469,910	1,732,148
Reinsurers' share of technical provisions: claims outstanding	144,078	523,570	1,176,050	103,018	1,946,716
Debtors: reinsurance recoverable	6,083	59,800	142,283	28,123	236,289
Cash at bank and in hand	–	11,226	150,896	–	162,122
Total	361,095	1,046,733	2,068,396	601,051	4,077,275

Within the financial investments, which include debt securities, deposits with credit institutions, loans to Lloyd's central fund 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 2022 and 2021, the Syndicate held no material debt or fixed income assets that were past due or impaired beyond their reported fair values. For the current period and prior period, the Syndicate did not experience any material defaults on debt securities.

(d) Liquidity risk

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

The main focus of the investment portfolio is on high-quality, short-duration debt and fixed income securities, and cash. There are no significant holdings of investments with specific repricing dates.

4 Management of risk

(d) Liquidity 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 2022	Less than one year $000	Between one and three years $000	Between three and five years $000	Over five years $000	Total $000
Financial investments	529,701	1,143,255	203,832	47,273	1,924,061
Deposits with ceding undertakings	6,177	–	–	–	6,177
Reinsurers' share of technical provisions	892,055	772,154	244,023	166,052	2,074,284
Debtors	724,884	62,335	–	–	787,219
Cash at bank and in hand	129,699	–	–	–	129,699
Prepayments and accrued income	20,894	–	–	–	20,894
Technical provisions	(1,553,419)	(1,283,541)	(459,616)	(308,607)	(3,605,183)
Creditors	(494,215)	(186,331)	(52,098)	(29,593)	(762,237)
Accruals and deferred income	(58,540)	–	–	–	(58,540)
Total	197,236	507,872	(63,859)	(124,875)	516,374
At 31 December 2021					
Financial investments	461,157	1,006,550	201,906	62,535	1,732,148
Deposits with ceding undertakings	4,722	–	–	–	4,722
Reinsurers' share of technical provisions	706,395	825,011	244,401	170,909	1,946,716
Debtors	771,904	124,226	–	–	896,130
Cash at bank and in hand	162,122	–	–	–	162,122
Prepayments and accrued income	16,058	–	–	–	16,058
Technical provisions	(1,572,890)	(1,323,593)	(440,092)	(337,968)	(3,674,543)
Creditors	(620,533)	(108,197)	(21,659)	–	(750,389)
Accruals and deferred income	(78,145)	–	–	–	(78,145)
Total	(149,210)	523,997	(15,444)	(104,524)	254,819

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

A significant proportion of the financial investments are in highly liquid assets which could be converted to cash in a prompt fashion and at minimal expense to settle Syndicate liabilities as they fall due. The Directors have a reasonable expectation that the Syndicate has adequate resources to continue in operation for the foreseeable future.

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

Table d)

At 31 December 2022	2022 years	2021 years
Sterling	1.4	1.6
US Dollar	1.7	3.0
Euro	2.6	2.7
Canadian Dollar	2.1	1.5

(e) Currency risk

The majority of the Syndicate's gross premiums written is in US Dollars, consequently movements in 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.

4 Management of risk

(e) Currency risk continued

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

Table e)

At 31 December 2022	US Dollar $000	Sterling $000	Euro $000	Canadian Dollar $000	Total $000
Financial investments	1,437,822	234,971	99,746	151,522	1,924,061
Reinsurers' share of technical provisions	1,985,956	261,245	60,975	64,441	2,372,617
Insurance and reinsurance receivables	576,407	193,059	(12,308)	18,427	775,585
Cash in hand and at bank	94,220	18,994	9,507	6,978	129,699
Other assets	192,287	21,722	9,124	13,392	236,525
Total assets	4,286,692	729,991	167,044	254,760	5,438,487
Technical provisions	(3,673,058)	(526,121)	(174,199)	(128,781)	(4,502,159)
Insurance and reinsurance payables	(549,457)	(149,437)	(5,652)	(21,527)	(726,073)
Other creditors	(87,711)	211	(1,840)	(5,364)	(94,704)
Total liabilities	(4,310,226)	(675,347)	(181,691)	(155,672)	(5,322,936)
Members' balances by currency	(23,534)	54,644	(14,647)	99,088	115,551
At 31 December 2021					
Financial investments	1,226,543	237,369	84,258	183,978	1,732,148
Reinsurers' share of technical provisions	1,985,603	197,713	28,958	51,986	2,264,260
Insurance and reinsurance receivables	676,898	212,931	(29,821)	32,611	892,619
Cash in hand and at bank	102,739	38,573	10,558	10,252	162,122
Other assets	179,837	25,644	7,929	14,297	227,707
Total assets	4,171,620	712,230	101,882	293,124	5,278,856
Technical provisions	(3,858,256)	(451,586)	(114,696)	(133,724)	(4,558,262)
Insurance and reinsurance payables	(519,751)	(144,792)	(4,891)	(29,191)	(698,625)
Other creditors	(89,315)	(34,530)	(676)	(5,388)	(129,909)
Total liabilities	(4,467,322)	(630,908)	(120,263)	(168,303)	(5,386,796)
Members' balances by currency	(295,702)	81,322	(18,381)	124,821	(107,940)

Sensitivity analysis

The Syndicate performs sensitivity analysis based on a 10% strengthening or weakening 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 or increased/(decreased) members' balances for the financial year by the amounts shown below:

Table f)

	2022 year	2021 year
Sterling	(5,464)	(8,132)
Euro	1,465	1,838
Canadian Dollar	(9,909)	(12,482)

The impact on members' balances is symmetrical on a 10% weakening of the US Dollar.

Regulatory risk

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

4 Management of risk

Operational risk

The Syndicate is exposed to the risk of direct or indirect loss resulting from internal processes, people or systems, or from external events. This includes cyber security risk as well as major IT, systems or service failures. HSL actively monitors and controls its operational risks. HSL demonstrated continued resilience, underscoring the benefits of its business model, disciplined risk management and ongoing investment in technology and infrastructure.

Capital management

The Syndicate's objectives in managing its capital are to:

- satisfy the requirements of its policyholders and regulators; and
- allocate capital efficiently to support strategic objectives.

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with Solvency II legislation. Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives. Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements applies at overall and member level respectively, not at syndicate level. Accordingly, the capital requirement is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its solvency capital requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a one-in-200-year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one-year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group. A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a one-in-200-year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the economic capital assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2022 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a syndicate (funds in syndicate) or as the member's share of the members' balances on each syndicate on which it participates. The level of FAL/FIS that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. This capital requirement is based on a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Resources available to meet members' and Lloyd's capital requirements are separately identified in the statement of changes in members' balances. Lloyd's also retains the right to request a callable contribution equal to 5% of capacity from the Syndicate for 2022 year of account. This has increased from 3% for 2021 year of account and prior.

5 Segmental analysis

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

2022	Gross premiums written $000	Gross premiums earned $000	Gross claims incurred $000	Net operating expenses $000	Reinsurance balance $000	Underwriting profit/(loss) $000
Direct insurance						
Accident and health	28,492	28,500	(1,580)	(11,044)	(5,220)	10,656
Motor – third-party liability	–	40	(2)	(123)	12	(73)
Motor – other classes	–	–	–	–	–	–
Marine aviation and transport	163,226	168,399	(45,861)	(43,179)	(9,096)	70,263
Fire and other damage to property	744,315	752,707	(338,955)	(176,613)	(148,427)	88,712
Third-party liability	348,793	333,428	(240,230)	(74,460)	(5,504)	13,234
Credit and suretyship	153,219	160,317	(44,901)	(41,739)	(33,836)	39,841
	1,438,045	1,443,391	(671,529)	(347,158)	(202,071)	222,633
Reinsurance	634,232	602,966	(257,597)	(97,261)	(203,115)	44,993
Total	2,072,277	2,046,357	(929,126)	(444,419)	(405,186)	267,626

2021						
Direct insurance						
Accident and health	29,580	35,224	(11,005)	(15,184)	(2,089)	6,946
Motor – third-party liability	79	38	10	(19)	(55)	(26)
Motor – other classes	–	–	–	–	–	–
Marine aviation and transport	180,036	170,664	(102,155)	(45,966)	(454)	22,089
Fire and other damage to property	804,843	806,984	(442,654)	(170,346)	(116,640)	77,344
Third-party liability	326,509	338,402	(245,722)	(47,844)	(20,929)	23,907
Credit and suretyship	169,622	170,118	(82,176)	(50,726)	(40,732)	(3,516)
	1,510,669	1,521,430	(883,702)	(330,085)	(180,899)	126,744
Reinsurance	545,473	518,506	(174,605)	(53,505)	(224,990)	65,406
Total	2,056,142	2,039,936	(1,058,307)	(383,590)	(405,889)	192,150

All premiums were concluded in the UK.

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

	2022 $000	2021 $000
United Kingdom	149,490	142,796
European Union member states	138,022	101,997
United States	1,314,312	1,305,558
Rest of the world	444,533	489,585
Total	2,046,357	2,039,936

6 Investment return

	2022 $000	2021 $000
Investment income		
Interest income on financial assets	32,720	27,149
Gains on realisation of investments	2,999	4,143
Total investment income	35,719	31,292
Investment expenses and charges		
Investment management expenses	(2,467)	(1,657)
Losses on realisation of investments	(15,994)	(7,672)
Total investment expenses and charges	(18,461)	(9,329)

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

	2022 $000	2021 $000
Average amount of Syndicate funds available for investment during the year:		
Sterling	192,882	162,546
Euro	95,773	81,645
US Dollar	1,420,233	1,251,509
Canadian Dollar	230,287	231,435
Total Syndicate funds available for investment	1,939,175	1,727,135

	2022 %	2021 %
Annual investment yield		
Sterling	(3.3)	0.4
Euro	(4.0)	0.1
US Dollar	(1.8)	(0.1)
Canadian Dollar	(1.5)	(0.1)
Total annual investment yield percentage	(2.1)	0.0

Syndicate funds include investments and cash. Annual investment yield excludes investment management charges.

7 Net operating expenses

	2022 $000	2021 $000
Brokerage and commissions	402,098	408,681
Other acquisition costs	62,448	55,452
Change in deferred acquisition costs	2,927	(3,607)
Administrative expenses	83,763	86,430
Members' standard personal expenses	28,639	30,053
Reinsurers' commissions and profit participations	(135,456)	(193,419)
Total	444,419	383,590

Brokerage and commissions on direct business written was $300.3 million (2021: $331.5 million).

Profit commission is charged by the managing agent at a standard rate of 15%. This calculation is subject to the operation of a two-year deficit clause. 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 charge for the Syndicate's share of the movement in the Group pension defined benefit gain of $24.5 million (2021: $9.8 million gain) calculated by the scheme actuary.

Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT).

7 Net operating expenses continued

	2022 $000	2021 $000
Auditors' remuneration		
Fees payable to the Syndicate's auditor for the audit of the syndicate annual accounts	613	468
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	121	117
Total	734	585

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 (2021: nil). The following salary and related costs were recharged during the year:

	2022 $000	2021 $000
Wages and salaries	51,092	59,889
Social security costs and pension costs (excluding provision for pension deficit)	12,392	15,638
Total	63,484	75,527

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

	2022 $000	2021 $000
Directors' emoluments	2,304	2,722

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

	2022 $000	2021* $000
Underwriters emoluments	1,032	1,112

*The prior year active underwriters emoluments have been restated following a review of the allocation process, this has no impact on the profit and loss account.

9 Financial investments

	2022 fair value $000	2022 cost $000	2021 fair value $000	2021 cost $000
Debt securities and other fixed income securities	1,899,102	1,970,607	1,700,895	1,720,307
Shares and other variable yield securities and units in unit trusts	24,718	24,718	31,139	31,139
Derivative financial assets	241	–	114	–
Total	1,924,061	1,995,325	1,732,148	1,751,446

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 debtors.

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.

9 Financial investments
Fair value hierarchy continued

2022	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Debt securities and other fixed income securities	515,836	1,383,266	–	1,899,102
Shares and other variable yield securities and units in unit trusts	–	–	24,718	24,718
Derivative financial assets	–	241	–	241
Total	515,836	1,383,507	24,718	1,924,061

2021	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Debt securities and other fixed income securities	411,392	1,289,503	–	1,700,895
Shares and other variable yield securities and units in unit trusts	–	–	31,139	31,139
Derivative financial assets	–	114	–	114
Total	411,392	1,289,617	31,139	1,732,148

The following table sets forth a reconciliation of opening and closing balances for financial instruments classified under level 3 of the fair value hierarchy:

	2022 $000	2021 $000
Balance at 1 January	31,139	31,431
Fair value gains or losses through profit and loss	(3,027)	–
Foreign exchange (loss)/gain	(3,394)	(292)
Purchases	–	–
Settlements	–	–
Balance at 31 December	24,718	31,139
Unrealised gains and (losses) in the year on securities held at the end of the year	(3,027)	–

The Syndicate measures the fair value of its financial assets based on prices provided by custodians who obtain market data from numerous independent pricing services. The pricing services used by the custodian obtain actual transaction prices for securities that have quoted prices in active markets.

For those securities which are not actively traded, the pricing service uses common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

2022	Gross contract notional amount $000	Fair value of assets $000	Fair value of liabilities $000	Net balance sheet position asset/(liability) $000
Interest rate future contracts	7651	241	–	241

2021	Gross contract notional amount $000	Fair value of assets $000	Fair value of liabilities $000	Net balance sheet position asset/(liability) $000
Interest rate future contracts	23,678	117	(3)	114

Interest rate future contracts
During 2022 and 2021, the Syndicate used Sterling, Euro and US Dollar government bond futures to informally hedge the interest rate risk on specific corporate bonds. The investment return in 2022 and 2021 on these futures is disclosed in note 6.

10 Technical provisions

2022	Gross provisions $000	Reinsurance assets $000	Net $000
Claims incurred:			
Balance at 1 January	3,674,543	(1,946,716)	1,727,827
Over/under-provision in respect of prior claims and claim adjustment expenses	(398,103)	191,317	(206,786)
Expected cost of current year claims	1,327,229	(657,913)	669,316
Claims paid for claims settled in year	(947,292)	605,645	(341,647)
Acquisitions, divestments and transfers*	–	(286,218)	(286,218)
Effect of movements in exchange rates	(51,194)	19,601	(31,593)
Balance at 31 December	3,605,183	(2,074,284)	1,530,899
Claims reported and claims adjustment expenses	1,234,013	(721,864)	512,149
Claims incurred but not reported	2,371,170	(1,352,420)	1,018,750
Unexpired risk reserve	–	–	–
Balance at 31 December	3,605,183	(2,074,284)	1,530,899
Unearned premiums:			
Balance at 1 January	883,719	(317,544)	566,175
Premiums written during the year	2,072,277	(861,038)	1,211,239
Premiums earned during the year	(2,046,357)	871,782	(1,174,575)
Effect of movements in exchange rates	(12,663)	8,467	(4,196)
Balance at 31 December	896,976	(298,333)	598,643
Deferred acquisition costs:			
Balance at 1 January	203,416	(78,145)	125,271
Acquisition costs written	402,098	(116,983)	285,115
Acquisition costs earned	(405,025)	135,456	(269,569)
Effect of movements in exchange rates	(2,669)	1,132	(1,537)
Balance at 31 December	197,820	(58,540)	139,280

*During the year the Syndicate completed two legacy portfolio transfers (LPT) securing coverage for potential adverse development on historical liabilities on selected lines of business. The Syndicate concluded that the LPTs transfer significant risk and accounts for the arrangements by recognising a reinsurance asset, a funds withheld balance in creditors arising out of reinsurance operations, and a net loss at inception in outward reinsurance premium.

Under the terms of the first LPT agreement, the Syndicate secured coverage for potential adverse development in respect of historical insurance liabilities relating to casualty lines of business of $95.7 million for a consideration of $96.4 million. $17.5 million of the consideration was paid at the inception date, and the remaining amount deposited into a funds withheld account (FWH). Recoveries under the contract are first deducted from the FWH balance which then attracts a guaranteed annual interest income. The $0.7 million net loss at inception is recognised as outward reinsurance premium in the income statement.

Under the terms of the second LPT agreement, the Syndicate secured coverage for potential adverse development in respect of historical insurance liabilities relating to run-off classes, for example, director and officers, general liability, healthcare, portfolios – physical damage and liability and professional indemnity business of $190.6 million for a consideration of $191.3 million. $17.8 million of the consideration was paid at the inception date, and the remaining amount deposited into a FWH account. Recoveries under the contract are first deducted from the FWH balance which then attracts a guaranteed annual interest income. The $0.7 million net loss at inception is recognised as outward reinsurance premium in the income statement. The numbers quoted above for the second LPT are 87.5% of total 100% exposure/placement as the reinsurer share on this contract is 87.5%.

10 Technical provisions continued

2021	Gross provisions $000	Reinsurance assets $000	Net $000
Claims incurred:			
Balance at 1 January	3,725,027	(2,068,386)	1,656,641
Over/under-provision in respect of prior claims and claim adjustment expenses	(221,162)	120,268	(100,894)
Expected cost of current year claims	1,279,469	(655,314)	624,155
Claims paid for claims settled in year	(1,106,085)	651,572	(454,513)
Effect of movements in exchange rates	(2,706)	5,144	2,438
Balance at 31 December	3,674,543	(1,946,716)	1,727,827
Claims reported and claims adjustment expenses	1,313,278	(637,597)	675,681
Claims incurred but not reported	2,361,265	(1,309,119)	1,052,146
Unexpired risk reserve	–	–	–
Balance at 31 December	3,674,543	(1,946,716)	1,727,827
Unearned premiums:			
Balance at 1 January	880,612	(353,712)	526,900
Premiums written during the year	2,056,142	(905,466)	1,150,676
Premiums earned during the year	(2,039,936)	940,935	(1,099,001)
Effect of movements in exchange rates	(13,099)	699	(12,400)
Balance at 31 December	883,719	(317,544)	566,175
Deferred acquisition costs:			
Balance at 1 January	202,104	(77,609)	124,495
Acquisition costs written	408,681	(193,073)	215,608
Acquisition costs earned	(405,074)	193,419	(211,655)
Effect of movements in exchange rates	(2,295)	(882)	(3,177)
Balance at 31 December	203,416	(78,145)	125,271

11 Debtors arising out of direct insurance operations

	2022 $000	2021 $000
Amounts due from intermediaries		
Due within one year	429,773	427,958
Due after one year	48,737	108,992
Total	478,510	536,950

12 Debtors arising out of reinsurance operations

	2022 $000	2021 $000
Amounts due from intermediaries		
Reinsurance recoverable (due within one year)	142,508	236,289
Ceding insurers under reinsurance business (due within one year)	141,886	104,146
Ceding insurers under reinsurance business (due after one year)	12,681	15,234
Total	297,075	355,669

13 Other debtors

	2022 $000	2021 $000
Amounts owed from fellow subsidiary of managing agent	1,614	1,458
Other	10,020	2,053
Total	11,634	3,511

14 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 2022. 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	2013 $000	2014 $000	2015 $000	2016 $000	2017 $000	2018 $000	2019 $000	2020 $000	2021 $000	**2022 $000**
Estimate of cumulative claims:										
At end of underwriting year one	358,547	389,411	395,856	494,978	1,126,455	970,280	1,075,243	908,801	711,567	**757,932**
One year later	511,587	529,376	590,379	911,156	1,387,228	1,632,364	1,694,295	1,476,445	1,172,094	
Two years later	427,439	515,363	587,063	841,827	1,457,951	1,600,008	1,617,617	1,397,722		
Three years later	379,592	477,510	584,244	867,380	1,376,736	1,461,671	1,521,739			
Four years later	367,960	469,499	565,409	878,076	1,359,695	1,431,455				
Five years later	354,316	473,974	574,985	881,723	1,309,080					
Six years later	347,678	470,700	577,326	873,496						
Seven years later	344,256	472,728	573,478							
Eight years later	341,129	460,258								
Nine years later	339,977									
Cumulative payments	(330,626)	(426,112)	(509,195)	(753,115)	(1,104,593)	(1,112,499)	(927,892)	(719,651)	(372,946)	**(105,883)**
Estimated balance to pay	9,351	34,146	64,283	120,381	204,487	318,956	593,847	678,071	799,148	**652,049**
Provision in respect of prior years										**130,465**
Total gross provision included in the balance sheet										**3,605,183**

Pure underwriting year Net of reinsurance	2013 $000	2014 $000	2015 $000	2016 $000	2017 $000	2018 $000	2019 $000	2020 $000	2021 $000	**2022 $000**
Estimate of cumulative claims:										
At end of underwriting year one	274,044	285,105	283,592	289,952	346,004	366,473	385,092	397,851	343,968	**340,091**
One year later	416,465	411,168	448,563	585,971	492,224	655,926	751,875	655,647	582,653	
Two years later	350,694	400,084	462,385	546,823	519,818	618,720	711,176	606,749		
Three years later	316,585	360,965	465,887	556,504	520,092	606,368	658,220			
Four years later	300,692	361,231	448,214	558,603	485,654	540,304				
Five years later	292,822	370,290	454,410	578,920	418,785					
Six years later	286,515	369,647	457,665	522,513						
Seven years later	283,357	372,439	415,725							
Eight years later	280,006	338,112								
Nine years later	275,943									
Cumulative payments	(269,483)	(321,754)	(380,920)	(466,687)	(404,361)	(421,778)	(417,016)	(308,479)	(211,381)	**(49,345)**
Estimated balance to pay	6,460	16,358	34,805	55,826	14,424	118,526	241,204	298,270	371,272	**290,746**
Provision in respect of prior years										**83,008**
Total net provision included in the balance sheet										**1,530,899**

Prior-year development has been further explained under the ‘results’ section of the report of the Directors of the managing agent.

15 Creditors arising out of direct insurance operations

	2022 $000	2021 $000
Amounts due to intermediaries		
Due within one year	16,966	14,403
Due after one year	–	–
Total	16,966	14,403

16 Creditors arising out of reinsurance operations

	2022 $000	2021 $000
Amounts due to intermediaries		
Due within one year	441,085	554,366
Due after one year	268,022	129,856
Total	709,107	684,222

17 Other creditors

	2022 $000	2021 $000
Amounts owed to fellow subsidiary of managing agent	31,557	42,945
Derivative financial liability	–	–
Other	4,607	8,819
Total	36,164	51,764

18 Accruals and deferred income

	2022 $000	2021 $000
Profit commission	–	–
Deferred reinsurance commission	58,540	78,145
Accrued expenses	–	–
Total	58,540	78,145

Profit commission accrued at 31 December is $21.4 million (2021: $8.3 million) and is included under 'other creditors' on the balance sheet and also disclosed in Note 19.

19 Related parties

Related companies

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

Syndicate 6104, also managed by HSL, is a limited tenancy capacity, Special Purpose Arrangement, 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 overriding 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.

19 Related parties

Related companies continued

Hiscox Insurance Company (Bermuda) Limited, a wholly owned direct subsidiary of Hiscox Ltd, is a Class 4 insurer in Bermuda authorised by the Bermuda Monetary Authority. It supplies some risk modelling 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 a 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..

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 Insurance Services (Guernsey) Limited, a wholly owned indirect subsidiary of Hiscox Ltd, is a non-life insurance intermediary and Lloyd's Service Company authorised by the Guernsey Financial Services Commission. 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 (Guernsey) Limited.

Hiscox Assure SAS is a regulated French insurance intermediary subject to the supervision of the French Prudential Supervisory Authority ACPR (Autorité de contrôle prudentiel et de résolution) and Lloyd's Coverholder. Hiscox Assure SAS is duly authorised to conduct insurance intermediation activities in other Member States of the European Union and the European Economic Area. It places business with Syndicate 33. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox Assure SAS.

Hiscox MGA Limited, 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 Limited.

Underwriting divisions

Hiscox Ltd and its subsidiaries organises its core underwriting activities into a number of underwriting divisions. Some of these divisions underwrite for multiple entities which are partly or wholly owned by Hiscox Ltd including Syndicate 33, and 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.

19 Related parties

Underwriting divisions continued

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

Balance sheet net assets and (liabilities) outstanding	2022 $000	2021 $000
Hiscox Agencies Limited	(2,611)	(211)
Hiscox Assure SAS	2,333	1,907
Hiscox Inc.	3,154	4,732
Hiscox Insurance Company (Bermuda) Limited	233,312	225,419
Hiscox Insurance Company (Guernsey) Limited	(1,583)	5,672
Hiscox Insurance Services Inc.	8,966	9,620
Hiscox MGA Limited	5,193	7,736
Hiscox Syndicates Limited	(21,635)	(18,102)
Hiscox Underwriting Group Services Limited	3,616	(26,607)
Hiscox Underwriting Ltd	2,524	3,665
Syndicate 6104	2,857	12,579
Other	711	56

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

Net income and (expenses) reflected in the profit and loss	2022 $000	2021 $000
Hiscox Inc.	(11,984)	(9,231)
Hiscox Insurance Company (Bermuda) Limited	(101,569)	(138,682)
Hiscox Insurance Company (Guernsey) Limited	(2,627)	3,835
Hiscox Syndicates Limited	(34,860)	(21,269)
Hiscox Underwriting Group Services Limited	(138,983)	(129,222)
Hiscox Underwriting Ltd	(1,757)	(2,717)
Syndicate 6104	10,538	18,291
Other	(2,460)	(3,200)

Hiscox Syndicates Limited charged managing agent fees and profit commission to Syndicate 33 of $12.6 million (2021: $13.9 million) and $16.9 million (2021: $7.2 million) respectively.

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

20 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 Chesney House, 96 Pitts Bay Road, Pembroke HM 08, Bermuda.

Chapter 2
Hiscox Syndicate 33 underwriting year accounts

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

The Directors of the managing agent present their report at 31 December 2022.

This report comprises the cumulative result to 31 December 2022 for the closed 2020 underwriting year of 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 Byelaw (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

2020 account

The 2020 account has closed with a profit of 4.4% after all personal expenses (except members' agent's fees). The result after including members' agents fees was a profit of $86.1 million which will be settled by way of profit distribution to the members in June 2023. There was a release of $76.9 million from the closed years of 2019 and prior representing approximately 8.6% of reinsurance to close (RITC) brought forward at constant exchange rates. The 2020 account picked up a substantial proportion of the Syndicate's overall Covid-19-related losses which impacted a range of lines, contingency in particular. The account was also impacted by catastrophic events including Hurricanes Ida, Zeta, Sally and Laura and Winter Storm Uri impacting reinsurance and direct property classes.

The Syndicate's capacity is £1,698.0 million ($2,042.6 million) and capacity utilisation was 70.2% when measured using the premium income monitoring rate of £1 = $1.27. The 2020 account investment return was a loss of $21.2 million. The key driver of the investment loss was mark-to-market being negatively impacted by increasing bond yields as at year end 2022. The 2022 calendar year negative return was 2.2%.

2021 account

Further rate rises were expected in 2021, and Syndicate capacity was maintained at £1.7 billion. The Syndicate continued to underwrite to its risk appetite and while rate has been achieved on classes such as product recall, cyber and flood, underwriting action on less favourable business such as casualty, risk excess and specialty will see premium broadly flat on the 2021 account.

The 2021 account will pick up a number of catastrophe losses following Hurricane Ida, Winter Storm Uri, European floods and Kentucky tornadoes. The account also carries reserves relating to the Russia/Ukraine conflict.

Capacity utilisation is forecast to be 79.5% when measured using the premium income monitoring rate of £1 = $1.24.

We are forecasting a result in the range -2.2% to 7.8%.

2022 account

Further rate rises were expected in 2022 and Syndicate capacity was maintained at £1.7 billion. The Syndicate continued to underwrite to its risk appetite and while rate has been achieved on classes such as product recall, cyber and flood, corrective action continued across the portfolio.

The 2022 account will pick up loss impact of catastrophe losses, mainly Hurricane Ian, and also carries reserves relating to the Russia/Ukraine conflict.

Capacity utilisation is forecast to be 74.4% when measured using the premium income monitoring rate of £1 = $1.38.

We are forecasting a result in the range -0.8% to 9.2%.

2023 account and the future

The Syndicate's capacity will stay broadly flat at £1.7 billion in 2023, which gives the Syndicate ample opportunity to take advantage of further rate rises in a hardening market, while continuing to judiciously optimise the portfolio.

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

Helen Rose
Chief Financial Officer
27 February 2023

Statement of managing agent's responsibilities
Hiscox Syndicate 33 underwriting year 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 auditors' report
To the members of Syndicate 33 2020 closed year of account

Report on the audit of the syndicate underwriting year financial statements

Opinion

In our opinion, Syndicate 33's syndicate underwriting year financial statements for the 2020 year of account for the 36 months ended 31 December 2022 (the 'underwriting year financial statements'):

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2022 and of its profit for the 2020 closed year of account;
- 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 applicable law); 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 underwriting year financial statements included within the Hiscox Syndicate 33 underwriting year accounts, (the 'underwriting year accounts'), which comprise: the balance sheet as at 31 December 2022, the profit and loss account: technical account – general business and the profit and loss account: non-technical account – general business for the 36 months then ended; and the notes to the underwriting year financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800, and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and other applicable law. Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the underwriting year financial statements 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 underwriting year financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of preparation

Without modifying our opinion, we draw attention to note 1 of the underwriting year financial statements, which describes the basis of preparation. In particular, as these underwriting year financial statements relate to a closed underwriting year of account, matters relating to going concern are not relevant to these underwriting year financial statements. The underwriting year financial statements are prepared in accordance with a special purpose framework for the specific purpose as described in the 'use of this report' paragraph below. As a result, the underwriting year financial statements may not be suitable for another purpose.

Reporting on other information

The other information comprises all of the information in the underwriting year accounts other than the underwriting year financial statements and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the underwriting year financial statements 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 underwriting year financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the underwriting year financial statements 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 underwriting year financial statements 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.

Responsibilities for the underwriting year financial statements and the audit

Responsibilities of the managing agent for the underwriting year financial statements

As explained more fully in the statement of managing agent's responsibilities, the managing agent is responsible for the preparation of the underwriting year financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2020 closed year of account. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of underwriting year financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibilities for the audit of the underwriting year financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the underwriting year financial statements. We also considered those laws and regulations that have a direct impact on the underwriting year financial statements such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the underwriting year financial statements (including the risk of override of controls), and determined that the principal risks were related to manual journals and accounting estimates in respect of premiums and insurance claims outstanding. Audit procedures performed by the engagement team included:

- discussions with senior management involved in the risk and compliance functions, including the consideration of known or suspected instances of non-compliance with laws, regulation and fraud;
- assessment of any matters reported on the whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- reading key correspondence with Lloyd's, in relation to compliance with laws and regulations;
- reviewing relevant meeting minutes including those of the Audit Committee;
- testing and assessing the appropriateness of insurance claims reserves;
- testing journal entries, including revenue journals, identified in accordance with our risk assessment;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the underwriting year financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 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

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 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 obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the managing agent in respect of the Syndicate; or
- the underwriting year financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Thomas Robb
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2023

Profit and loss account: technical account – general business
Hiscox Syndicate 33 underwriting year accounts

For the 36 months ended 31 December 2022	Notes	$000
Syndicate allocated capacity		2,042,618
Earned premiums, net of reinsurance		
Gross premiums written		1,978,734
Outward reinsurance premiums		(898,258)
Earned premiums, net of reinsurance		1,080,476
Reinsurance to close premium received, net of reinsurance	3	1,009,034
		2,089,510
Allocated investment return transferred from the non-technical account		(21,186)
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(1,123,962)
Reinsurers' share		745,095
Net claims paid		(378,867)
Change in provision for claims:		
Gross amount		(2,191,589)
Reinsurers' share		1,014,001
Change in the net provision for claims		(1,177,588)
Claims incurred, net of reinsurance		(1,556,455)
Net operating expenses	7	(421,169)
Balance on the technical account for general business		90,700

The notes on pages 51 to 55 form an integral part of these underwriting year accounts.

Profit and loss account: non-technical account – general business
Hiscox Syndicate 33 underwriting year accounts

For the 36 months ended 31 December 2022	Notes	$000
Balance on the technical account for general business		90,700
Investment income	6	30,186
Unrealised gains on investments		7,819
Investment expenses and charges	6	(11,447)
Unrealised losses on investments		(47,744)
Allocated investment return transferred to general business technical account		21,186
Foreign exchange losses		(1,206)
Profit for the 2020 closed year of account		89,494
Members' agents' fees advances		(3,411)
Amounts due from members as at 31 December 2022		86,083

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 51 to 55 form an integral part of these underwriting year accounts.

Balance sheet
Hiscox Syndicate 33 underwriting year accounts

2020 account at 31 December 2022	Notes	2020 year of account $000
Assets		
Investments		
Financial investments	8	1,002,141
Deposits with ceding undertakings		2,960
Reinsurance recoveries anticipated on gross reinsurance to close premium payable	3	1,285,105
Debtors		
Debtors arising out of direct insurance operations	9	96,639
Debtors arising out of reinsurance operations	10	103,886
Other debtors	11	7,456
		207,981
Other assets		
Cash at bank and in hand		68,030
Prepayments and accrued income		
Accrued income		10,414
Total assets		2,576,631
Liabilities		
Capital and reserves		
Members' balances		(86,083)
Reinsurance to close premium payable – gross amount	3	(2,153,986)
Creditors		
Creditors arising out of direct insurance operations	12	(12,656)
Creditors arising out of reinsurance operations	13	(296,545)
Other creditors	14	(27,361)
		(336,562)
Accruals and deferred income		–
Total liabilities		(2,576,631)

The notes on pages 51 to 55 form an integral part of these underwriting year accounts.

The underwriting year accounts on pages 48 to 55 were approved by the Board of Hiscox Syndicates Limited and were signed on its behalf by

Helen Rose
Chief Financial Officer
27 February 2023

Notes to the accounts
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 2020 year of account which has been closed by reinsurance to close at 31 December 2022. Consequently, the balance sheet represents the assets and liabilities of the 2020 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 2020 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 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. The reinsurance to close is treated as the extinguishment of the related net insurance liabilities for the closed underwriting year.

2(g) Investment return
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. 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.

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

3 Reinsurance premium to close the 2020 and prior years of account

	Reported $000	IBNR $000	Total $000
Reinsurance to close premium received			
Gross reinsurance to close premium received	949,044	1,165,432	2,114,476
Reinsurance recoveries anticipated	(452,457)	(652,985)	(1,105,442)
Reinsurance to close premium receivable, net of reinsurance	496,587	512,447	1,009,034
Reinsurance to close premium payable			
Gross reinsurance to close premium payable	892,642	1,261,344	2,153,986
Reinsurance recoveries anticipated	(543,681)	(741,424)	(1,285,105)
Reinsurance to close premium payable, net of reinsurance	348,961	519,920	868,881

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

4 Analysis of underwriting result

	2019 and prior $000	2020 $000	Total $000
Technical account balance before allocated investment return and net operating expenses	94,840	438,215	533,055
Brokerage and commission on gross premium	(9,336)	(390,178)	(399,514)
Total	85,504	48,037	133,541

5 Segmental analysis

	Gross premiums written $000	Gross premiums earned $000	Gross claims incurred $000	Net operating expenses $000	Reinsurance balance $000	Underwriting profit/(loss) $000
Accident and health	33,697	33,697	(11,144)	(13,576)	676	9,653
Motor – third-party liability	41	41	(2)	(16)	(3)	20
Motor – other classes	–	–	–	–	–	–
Marine aviation and transport	182,186	182,186	(93,646)	(53,486)	(12,628)	22,426
Fire and other damage to property	761,077	761,077	(363,941)	(188,095)	(155,619)	53,422
Third-party liability	353,178	353,178	(273,779)	(54,510)	941	25,830
Credit and suretyship	170,927	170,927	(214,451)	(55,772)	72,987	(26,309)
Reinsurance	477,628	477,628	(244,112)	(55,714)	(150,958)	26,844
Total	1,978,734	1,978,734	(1,201,075)	(421,169)	(244,604)	111,886

6 Investment return

	2020 year of account $000
Investment income	
Interest income on financial assets	27,238
Gains on realisation of investments	2,948
Total investment income	**30,186**
Investment expenses and charges	
Investment management expenses	(2,160)
Losses on realisation of investments	(9,287)
Total investment expenses and charges	**(11,447)**

Investment return for the 2020 year of account is recognised in the 2020, 2021 and 2022 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 2020 underwriting account were made up as follows:

	2020 year of account $000
Brokerage and commissions	399,514
Other acquisition costs	69,435
Members' standard personal expenses	28,558
Administrative expenses	106,159
Reinsurers' commissions and profit participations	(182,497)
Total	421,169

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

Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT).

	2020 year of account $000
Auditors' remuneration	
Fees payable to the Syndicate's auditor for the audit of the syndicate 2020 underwriting account	407
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	109
Total	516

8 Financial investments

	Fair value $000	Cost $000
Debt securities and other fixed income securities	1,002,141	1,060,979
Derivative financial assets	–	–

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	
Due within one year	86,205
Due after one year	10,434
Total	96,639

10 Debtors arising out of reinsurance operations

	$000
Amounts due from intermediaries	
Reinsurance recoverable (due within one year)	102,703
Ceding insurers under reinsurance business (due within one year)	1,137
Ceding insurers under reinsurance business (due after one year)	46
Total	103,886

11 Other debtors

	$000
Amounts owed from fellow subsidiary of managing agent	2,303
Other	5,153
Total	7,456

12 Creditors arising out of direct insurance operations

	$000
Amounts due to intermediaries	
Due within one year	12,656
Due after one year	–
Total	12,656

13 Creditors arising out of reinsurance operations

	$000
Amounts due to intermediaries	
Due within one year	97,101
Due after one year	199,444
Total	296,545

14 Other creditors

	$000
Amounts owed to fellow subsidiary of managing agent	25,159
Derivative financial liability	–
Other	2,202
Total	27,361

Seven-year summary
Hiscox Syndicate 33 underwriting year accounts

Year of account	2014	2015	2016	2017	2018	2019	**2020**
Syndicate allocated capacity in £000	999,841	999,359	998,840	1,147,315	1,598,258	1,399,156	**1,698,078**
Syndicate allocated capacity in $000	1,273,497	1,272,884	1,272,223	1,519,389	2,185,139	1,895,157	**2,042,618**
Number of underwriting members	1,532	1,525	1,562	1,546	1,551	1,530	**1,502**
Net premiums net of brokerage in $000	465,182	494,464	553,210	411,279	551,669	555,281	**680,962**
Capacity utilised (%)	64	69	90	76	67	84	**77**
Net capacity utilised (%)	37	39	43	27	25	29	**33**

Results for an illustrative share of £10,000	2014 $000	2015 $000	2016 $000	2017 $000	2018 $000	2019 $000	**2020 $000**
Gross premiums	10,390	11,365	14,867	13,051	11,973	14,610	**11,653**
Net premiums	6,868	7,557	8,978	6,561	6,239	7,150	**6,363**
Reinsurance to close from an earlier account	7,194	8,334	7,695	6,600	4,707	5,911	**5,942**
Net claims paid	(2,936)	(3,629)	(4,894)	(4,160)	(3,460)	(3,557)	**(2,231)**
Reinsurance to close	(6,705)	(7,398)	(7,563)	(6,541)	(5,172)	(7,145)	**(6,935)**
Profit/(loss) on exchange	522	359	(48)	37	33	1	**(7)**
Syndicate operating expenses	(2,470)	(2,619)	(2,987)	(2,625)	(2,423)	(2,529)	**(2,312)**
Names personal expenses	(543)	(563)	(368)	(175)	(167)	(171)	**(168)**
Balance on technical account before investment return	1,930	2,041	727	(303)	(243)	(340)	**652**
Investment return	236	228	227	304	260	133	**(125)**
Profit/(loss) before members' agent's fees	2,166	2,269	954	1	17	(207)	**527**
Profit/(loss) before members' agent's fees £000	1,701	1,782	749	1	12	(153)	**438**

Notes to the seven-year summary
1. The seven-year summary has been prepared from the audited accounts of the Syndicate however the table is unaudited.
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. 2016 and prior years of accounts are presented using transactional rates of exchange, the functional and presentation currency of the underwriting year accounts changed from 1 January 2018, all years of account where the underwriting accounts have been presented in Sterling have been translated at the closing rate prevailing at 31 December 2018.

Chapter 3
Hiscox Syndicate 6104 annual accounts

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

The Directors of the managing agent present their report for Syndicate 6104 for the year ended 31 December 2022.

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 2020 account of Syndicate 6104 are included following these annual accounts. 2020 underwriting year is left open and not considered closed at 36 months development.

Results

The result for Syndicate 6104 in calendar year 2022 is a profit of $10.9 million (2021: $18.8 million). The result for the year is primarily driven by prior-year catastrophe reserve releases for events such as Typhoons Faxai, Hagibis and Jebi, Hurricane Ida, and US tornadoes more than offsetting the impact of Hurricane Ian in the current year. The result was, however, impacted by foreign exchange losses and mark-to-market investment losses following strong head winds in the bond market. Gross premiums written are lower due to the reduction in the cession percentage from host Syndicate 33 in 2022.

The Syndicate's key financial performance indicators during the year were as follows:

	2022 $m	2021 $m	% change
Gross premiums written	**12.5**	24.6	(49.2)
Gross premiums earned	**14.4**	31.0	(53.5)
Net premiums earned	**14.4**	31.0	(53.5)
Total recognised profit for the year	**10.9**	18.8	(42.0)
Claims ratio (%)	**(19)**	19	(38)
Commission ratio (%)	**25**	18	7
Expense ratio (%)	**2**	–	2
Combined ratio (%)	**8**	37	(29)

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	2017	2018	2019	2020	2021	2022	2023
Capacity (£m)	54.4	55.8	55.0	44.4	23.3	12.7	**19.5**
Capacity ($m)*	65.6	67.1	66.2	53.4	28.0	15.3	**23.5**

*Converted at the closing rate at 31 December 2022.

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

Principal activity continued

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

Geographical split of gross premiums written (%)

	2022	2021
UK	–	–
Europe	–	–
North America	71	70
Asia	–	–
Rest of the world	29	30

Geographical premiums written settlement currency (%)

	2022	2021
Sterling	34	15
Euro	9	4
US Dollar	54	79
Canadian Dollar	3	2

Review of the business

Special Purpose Arrangement 6104 (Syndicate 6104) was established for the 2008 year of account to provide quota share reinsurance to Syndicate 33's excess of loss property catastrophe reinsurance account. Since the 2019 year of account, it has also provided quota share reinsurance to Syndicate 33's cyber 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 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. Syndicate 6104 only writes one contract per year, a reinsurance of Syndicate 33. This contract operates on a funds-withheld basis with Syndicate 6104 credited interest on the balance owing by Syndicate 33.

A large proportion of 2020 underwriting year reserves (including margin) are Covid-19-related. Considering the significant level of uncertainty on these reserves the managing agent decided to leave the 2020 underwriting year open and not RITC to the host Syndicate at 36 months.

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.

The cession from Syndicate 33 reduced to 7.1% in 2022 (2021: 12.3%), reflecting a reduction in support from third-party Names and a resulting reduction in stamp capacity. As a consequence premium income decreased to $12.5 million (2021: $24.6 million).

2023 and the future

For 2023, the Syndicate has increased stamp capacity to $23.5 million (£19.5 million).

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.

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 5% of capacity from the Syndicate for 2022 year of account. This has increased from 3% for 2021 year of account and prior.

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.

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 2016 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 Syndicate 6104 in 2022;
- we propose that PwC are re-appointed as the Syndicate's 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

Helen Rose
Chief Financial Officer
27 February 2023

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 auditors' report
To the members of Syndicate 6104

Report on the audit of the syndicate annual accounts

Opinion

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

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2021 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); 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 Report and Accounts (the 'Annual Report'), which comprise: balance sheet – assets and the balance sheet – liabilities as at 31 December 2022; the profit and loss account: technical account – general business and profit and loss account: non-technical – general business, the statement of cash flows, and the statement of changes in members' balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 6, we have provided no non-audit services to the Syndicate in the period under audit.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Syndicate's ability to continue as a going concern for a period of at least 12 months from when the syndicate annual accounts are authorised for issue.

In auditing the syndicate annual accounts, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

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

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

With respect to the report of the Directors of the managing agent (the 'managing agent's report'), 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 our work undertaken in the course of the audit, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us also to report certain opinions and matters as described below.

Managing agent's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the managing agent's report for the year ended 31 December 2022 is consistent with the syndicate annual accounts and has been prepared in accordance with applicable legal requirements.

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

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

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

Auditors' responsibilities for the audit of the syndicate annual accounts

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to manual journals and accounting estimates in respect of insurance claims outstanding. Audit procedures performed by the engagement team included:

- discussions with senior management involved in the risk and compliance functions, including consideration of known or suspected instances of non-compliance with laws, regulation and fraud;

- assessment of any matters reported on the company's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- reading key correspondence with Lloyd's, in relation to compliance with laws and regulations;
- reviewing relevant meeting minutes including those of the Audit Committee;
- testing and assessing the appropriateness of insurance claims reserves;
- testing journal entries, including revenue journals, identified in accordance with our risk assessment; and
- designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the syndicate annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report
This report, including the opinions, has been prepared for and only for the Syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 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
Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report to you if, in our opinion:
- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the managing agent in respect of the Syndicate; 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.

Thomas Robb
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2023

Profit and loss account: technical account – general business
Hiscox Syndicate 6104 annual accounts

Year ended 31 December 2022	Notes	2022 $000	2021 $000
Earned premiums, net of reinsurance			
Gross premiums written		12,488	24,595
Outward reinsurance premiums		–	–
Net premiums written		12,488	24,595
Change in the provision for unearned premiums:			
Gross amount		1,902	6,362
Reinsurers' share		–	–
Change in the net provision for unearned premiums		1,902	6,362
Earned premiums, net of reinsurance		14,390	30,957
Allocated investment return transferred from the non-technical account		(949)	(294)
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(41,365)	(72,819)
Reinsurers' share		–	–
Net claims paid		(41,365)	(72,819)
Change in provision for claims:			
Gross amount		44,158	66,985
Reinsurers' share		–	–
Change in the net provision for claims		44,158	66,985
Claims incurred, net of reinsurance		2,793	(5,834)
Net operating expenses	6	(3,982)	(5,795)
Balance on the technical account for general business		12,252	19,034

The notes on pages 71 to 77 form an integral part of these annual accounts.

Profit and loss account: non-technical account – general business
Hiscox Syndicate 6104 annual accounts

Year ended 31 December 2022	Notes	2022 $000	2021 $000
Balance on the technical account for general business		12,252	19,034
Investment income		(949)	(294)
Allocated investment return transferred to the general business technical account		949	294
Foreign exchange losses		(1,321)	(216)
Profit for the financial year		10,931	18,818

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 71 to 77 form an integral part of these annual accounts.

Balance sheet – assets
Hiscox Syndicate 6104 annual accounts

At 31 December 2022	Notes	2022 $000	2021 $000
Debtors			
Debtors arising out of reinsurance operations	9	66,388	103,951
Other debtors	10	–	394
		66,388	104,345
Prepayments and accrued income			
Deferred acquisition costs	8	633	1,054
Total assets		67,021	105,399

The notes on pages 71 to 77 form an integral part of these annual accounts.

Balance sheet – liabilities
Hiscox Syndicate 6104 annual accounts

At 31 December 2022	Notes	2022 $000	2021 $000
Capital and reserves			
Members' balances		(2,858)	(12,581)
Technical provisions			
Provision for unearned premium	8	3,103	5,181
Claims outstanding	8, 11	64,038	110,335
		67,141	115,516
Creditors			
Creditors arising out of reinsurance operations	12	858	1,875
Other creditors	13	1,880	589
		2,738	2,464
Total liabilities		67,021	105,399

The notes on pages 71 to 77 form an integral part of these annual accounts.

The annual accounts on pages 65 to 77 were approved by the Board of Hiscox Syndicates Limited and were signed on its behalf by

Helen Rose
Chief Financial Officer
27 February 2023

Statement of changes in members' balances
Hiscox Syndicate 6104 annual accounts

	2022 $000	2021 $000
Members' balances brought forward at 1 January	(12,581)	(68,886)
Total recognised gains and losses for the year	10,931	18,818
Payments of profit to members' personal reserve funds	(1,154)	37,606
Members' agent fees	(54)	(119)
Members' balances carried forward at 31 December	(2,858)	(12,581)

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
Hiscox Syndicate 6104 annual accounts

	2022 $000	2021 $000
Net cash flows from operating activities		
Profit for the year	10,931	18,818
Decrease in gross technical provisions	(48,375)	(76,354)
(Increase)/decrease in reinsurers' share of gross technical provisions	–	–
Decrease in debtors	37,563	19,073
Decrease in creditors	(1,017)	(862)
Movement in other assets/liabilities	2,106	1,838
Investment return	(949)	(294)
Other	949	294
Net cash inflows/(outflows) from operating activities	1,208	(37,487)
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)/collection of losses	(1,208)	37,487
Net increase in cash and cash equivalents	–	–
Cash and cash equivalents at the beginning of the year	–	–
Cash and cash equivalents at the end of the year	–	–

Notes to the accounts
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. Some disclosure items, for example, 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 2022. The functional currency of the Syndicate is US Dollars.

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

Accounting policies not applied by Syndicate 6104:

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

Additional accounting policies applied by Syndicate 6104:

2(b) Funds withheld
Underlying premiums and claims are settled by Syndicate 33 with policyholders 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(a) Valuation of general insurance contract liabilities
Covid-19 is an unprecedented event for the insurance industry and the effects of it as a loss event remain both ongoing and uncertain. In measuring the liabilities the Syndicate has therefore included an allowance for risk and uncertainties above the best estimate. The ultimate amounts of these claims are subject to a great deal of uncertainty which, combined with their total size, increases the level of uncertainty in the actuarial best estimate of the Syndicate beyond the normal range of uncertainty for insurance liabilities at this stage of development. Consequently, the held management reserves for the Syndicate are materially above the actuarial best estimate such that the remaining downside uncertainty in the booked reserves is consistent with the normal range of uncertainty for insurance liabilities at this stage of development.

3(b) Premium recognition
The Syndicate writes premiums as reported under its reinsurance contract with Syndicate 33. The gross premiums written in Syndicate 33 are initially based on estimated premium income (EPI) of each contract. EPI estimates are based on information provided by the brokers, past underwriting experience and the contractual terms of the policy. The EPI estimates are reviewed on a regular basis. As the year of account closes, premiums are adjusted to match the actual signed premium. Premiums in respect of insurance contracts underwritten under binding authorities are booked as the underlying contracts incept, a straight-line basis is selected for this inception pattern. Premiums are earned on a straight-line basis over the life of each contract. At a portfolio level, this is considered to provide a reasonable estimate for the full year of the pattern of risk over the coverage period.

Gross premiums written includes an estimation for reinstatement premiums which is determined based on incurred losses held in the technical provisions.

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

4 Management of risk continued

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:

Insurance risk

(ii) Reserving risk

Booked reserves include a net margin of $23.2 million (2021: $27.2 million), representing 31.7% (2021: 28.3%) of net booked reserves. This is the margin above the best estimate to help mitigate the uncertainty within the reserve estimates. As the best estimate matures and becomes more certain, the management margin is gradually released in line with the reserving policy.

Financial risk

(a) Reliability of fair values

No assets or liabilities are held at fair value.

(b) Interest rate risk

No assets and liabilities are subject to interest rate risk.

(c) Credit risk

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

(d) Liquidity risk

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 premiums written is in US Dollars, consequently movements in 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.

Table e)

At 31 December 2022	US Dollar $000	Sterling $000	Euro $000	Canadian Dollar $000	Total $000
Insurance and reinsurance receivables	48,946	12,964	3,122	1,356	66,388
Other assets	499	130	–	4	633
Total assets	**49,445**	**13,094**	**3,122**	**1,360**	**67,021**
Technical provisions	(61,050)	(8,051)	2,341	(381)	(67,141)
Insurance and reinsurance payables	(1,013)	155	–	–	(858)
Other liabilities	(1,488)	(392)	–	–	(1,880)
Total liabilities	**(63,551)**	**(8,288)**	**2,341**	**(381)**	**(69,879)**
Members' balances by currency	**(14,106)**	**4,806**	**5,463**	**979**	**(2,858)**

At 31 December 2021	US Dollar $000	Sterling $000	Euro $000	Canadian Dollar $000	Total $000
Insurance and reinsurance receivables	76,526	20,730	4,391	2,304	103,951
Other assets	1,546	(103)	–	5	1,448
Total assets	78,072	20,627	4,391	2,309	105,399
Technical provisions	(84,902)	(29,455)	(838)	(321)	(115,516)
Insurance and reinsurance payables	(1,875)	–	–	–	(1,875)
Other liabilities	(208)	(381)	–	–	(589)
Total liabilities	(86,985)	(29,836)	(838)	(321)	(117,980)
Members' balances by currency	(8,913)	(9,209)	3,553	1,988	(12,581)

4 Management of risk

(e) Currency 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)

	2022 $000	2021 $000
Sterling	(481)	921
Euro	(546)	(355)
Canadian Dollar	(98)	(199)

(f) Operational risk

While the Syndicate underwriting capacity has reduced from $53.4 million for the 2020 year of account to $23.5 million for the 2023 year of account, with the cession of applicable excess of loss property catastrophe reinsurance, marine, terrorism and cyber accounts from Syndicate 33 also reducing in line with this from 22.5% for the 2020 year of account to a weighted average of 5.3% for the 2023 year of account, the Syndicate's operational risk remains aligned with Syndicate 33.

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:

	2022 $000	2021 $000
European Union member states, excluding United Kingdom	17	–
United States	10,139	21,670
Other	4,234	9,287
Total	14,390	30,957

6 Net operating expenses

	2022 $000	2021 $000
Brokerage and commissions	3,261	4,253
Other acquisition costs	244	–
Change in deferred acquisition costs	392	1,407
Members' standard personal expenses	85	135
Total	3,982	5,795

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.

	2022 $000	2021 $000
Auditors' remuneration		
Fees payable to the Syndicate's auditor for the audit of the syndicate annual accounts	47	38
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	19	19
Total	66	57

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. None of the Syndicate's active underwriter's remuneration has been charged to the Syndicate.

8 Technical provisions

2022	Gross provisions $000	Reinsurance assets $000	Net $000
Claims incurred:			
Balance at 1 January	110,335	–	110,335
Over-provision in respect of prior claims and claim adjustment expenses	(12,195)	–	(12,195)
Expected cost of current year claims	9,402	–	9,402
Claims paid for claims settled in year	(41,365)	–	(41,365)
Effect of movements in exchange rates	(2,139)	–	(2,139)
Balance at 31 December	64,038	–	64,038
Claims reported and claims adjustment expenses	–	–	–
Claims incurred but not reported	64,038	–	64,038
Unexpired risk reserve	–	–	–
Balance at 31 December	64,038	–	64,038
Unearned premiums:			
Balance at 1 January	5,181	–	5,181
Premiums written during the year	12,488	–	12,488
Premiums earned during the year	(14,390)	–	(14,390)
Effect of movements in exchange rates	(176)	–	(176)
Balance at 31 December	3,103	–	3,103
Deferred acquisition costs:			
Balance at 1 January	1,054	–	1,054
Acquisition costs written	3,261	–	3,261
Acquisition costs earned	(3,653)	–	(3,653)
Effect of movements in exchange rates	(29)	–	(29)
Balance at 31 December	633	–	633

8 Technical provisions continued

2021	Gross provisions $000	Reinsurance assets $000	Net $000
Claims incurred:			
Balance at 1 January	180,325	–	180,325
Over-provision in respect of prior claims and claim adjustment expenses	(18,505)	–	(18,505)
Expected cost of current year claims	24,339	–	24,339
Claims paid for claims settled in year	(72,819)	–	(72,819)
Effect of movements in exchange rates	(3,005)	–	(3,005)
Balance at 31 December	110,335	–	110,335
Claims reported and claims adjustment expenses	–	–	–
Claims incurred but not reported	110,335	–	110,335
Unexpired risk reserve	–	–	–
Balance at 31 December	110,335	–	110,335
Unearned premiums:			
Balance at 1 January	11,545	–	11,545
Premiums written during the year	24,595	–	24,595
Premiums earned during the year	(30,957)	–	(30,957)
Effect of movements in exchange rates	(2)	–	(2)
Balance at 31 December	5,181	–	5,181
Deferred acquisition costs:			
Balance at 1 January	2,462	–	2,462
Acquisition costs written	4,253	–	4,253
Acquisition costs earned	(5,660)	–	(5,660)
Effect of movements in exchange rates	(1)	–	(1)
Balance at 31 December	1,054	–	1,054

The Syndicate has material exposure to losses arising out of the Covid-19 pandemic and currently reserves $18.7 million (2021: $20.4 million) for these claims. The ultimate amounts of these claims are subject to a higher than normal level of uncertainty in the best estimate at this stage of development. Consequentially, in measuring the liabilities, the Syndicate has included an allowance for risk and uncertainties that is above the best estimate to reflect the early stage in the claim development process.

9 Debtors arising out of reinsurance operations

	2022 $000	2021 $000
Amounts due from intermediaries		
Due within one year	35,213	45,133
Due after one year	31,175	58,818
Total	66,388	103,951

10 Other debtors

	2022 $000	2021 $000
Amounts owed from fellow subsidiary of managing agent	–	–
Other	–	394
Total	–	394

11 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 2022. 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	2013 $000	2014 $000	2015 $000	2016 $000	2017 $000	2018 $000	2019 $000	2020 $000	2021 $000	**2022 $000**
Estimate of cumulative claims:										
At end of underwriting year one	19,259	13,543	5,259	17,591	62,704	71,538	100,398	38,529	22,649	**9,020**
One year later	9,098	9,797	3,154	11,624	58,946	77,885	62,467	44,137	20,835	
Two years later	5,947	9,884	3,365	8,696	59,992	72,085	50,212	41,247		
Three years later	6,092	9,481	2,763	7,994	58,477	63,380	43,469			
Four years later	6,159	9,515	2,896	8,095	57,875	64,820				
Five years later	6,261	9,343	2,871	7,906	56,644					
Six years later	6,393	9,361	2,829	7,860						
Seven years later	6,424	9,337	2,831							
Eight years later	6,453	9,478								
Nine years later	6,465									
Cumulative payments	(6,453)	(9,342)	(2,851)	(7,906)	(57,845)	(63,380)	(50,212)	–	–	**–**
Estimated balance to pay	12	136	(20)	(46)	(1,201)	1,440	(6,743)	41,247	20,835	**9,020**
Provision in respect of prior years										(642)
Total gross provision included in the balance sheet										64,038

Pure underwriting year Net of reinsurance	2013 $000	2014 $000	2015 $000	2016 $000	2017 $000	2018 $000	2019 $000	2020 $000	2021 $000	**2022 $000**
Estimate of cumulative claims:										
At end of underwriting year one	19,259	13,543	5,259	17,591	62,704	71,538	100,398	38,529	22,649	**9,020**
One year later	9,098	9,797	3,154	11,624	58,946	77,885	62,467	44,137	20,835	
Two years later	5,947	9,884	3,365	8,696	59,992	72,085	50,212	41,247		
Three years later	6,092	9,481	2,763	7,994	58,477	63,380	43,469			
Four years later	6,159	9,515	2,896	8,095	57,875	64,820				
Five years later	6,261	9,343	2,871	7,906	56,644					
Six years later	6,393	9,361	2,829	7,860						
Seven years later	6,424	9,337	2,831							
Eight years later	6,453	9,478								
Nine years later	6,465									
Cumulative payments	(6,453)	(9,342)	(2,851)	(7,906)	(57,845)	(63,380)	(50,212)	–	–	**–**
Estimated balance to pay	12	136	(20)	(46)	(1,201)	1,440	(6,743)	41,247	20,835	**9,020**
Provision in respect of prior years										(642)
Total net provision included in the balance sheet										64,038

Prior-year development has been further explained under the 'results' section of the report of the Directors of the managing agent.

12 Creditors arising out of reinsurance operations

	2022 $000	2021 $000
Amounts due to intermediaries		
Due within one year	858	1,038
Due after one year	–	837
Total	858	1,875

13 Other creditors

	2022 $000	2021 $000
Amounts owed to fellow subsidiary of managing agent	1,635	–
Other	245	589
Total	1,880	589

14 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 overriding commission and profit commission on the business received from Syndicate 33. Syndicate 6104 does not sell reinsurance to any other party.

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

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

Balance sheet net assets and (liabilities) outstanding	2022 $000	2021 $000
Syndicate 33	(2,857)	(12,579)

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

Net income and (expenses) reflected in the profit and loss	2022 $000	2021 $000
Hiscox Syndicates Limited	(87)	(159)
Syndicate 33	(10,538)	(18,291)

Hiscox Syndicates Limited charged managing agent fees to Syndicate 6104 of $0.1 million (2021: $0.2 million). Syndicate 33 owes the Syndicate the cumulative result due on the quota share reinsurances Syndicate 6104 provides.

15 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 Chesney House, 96 Pitts Bay Road, Pembroke HM 08, Bermuda.

Chapter 4
Hiscox Syndicate 6104 underwriting year accounts

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

The Directors of the managing agent present their report at 31 December 2022.

This report comprises the cumulative result to 31 December 2022 for the 2020 underwriting year of account of Syndicate 6104.

The syndicate underwriting year accounts have been prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (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 Arrangement 6104 (Syndicate 6104) was established for the 2008 year of account to provide quota share reinsurance to Syndicate 33's excess of loss property catastrophe reinsurance account. Since the 2019 year of account, it has also provided quota share reinsurance to Syndicate 33's cyber 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 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.

2020 account

For 2020, the capacity of the Syndicate declined to £44.4 million ($53.4 million) and so the cession from Syndicate 33 was reduced to 22.5%. The account has cumulative loss to capacity of 0.6% after all personal expenses (except members' agent's fees). 2020 was a significantly more benign year from a natural catastrophe perspective compared to the previous three years with no material natural catastrophe loss events impacting the Syndicate. However, the 2020 account was also exposed to Covid-19 through potential exposure to reinsurance of business interruption insurance. This exposure has been reserved at $18.7 million, which includes a significant element of margin. Considering the substantial level of uncertainty on these reserves the managing agent decided to leave the 2020 underwriting year open and not RITC to the host Syndicate at 36 months.

2021 account

For 2021, capacity was reduced to £23.3 million ($28.0 million) and so the cession from Syndicate 33 was reduced in line with this to 12.3%. 2021 was the fourth worst catastrophe year on record, with losses driven by Winter Storm Uri, Hurricane Ida, European flooding and the Kentucky tornadoes. Although not material, 2021 was also impacted by the Russia/Ukraine conflict. The reserves include an element of margin. We have set a loss forecast in the range of -10.7% to 4.3% on capacity.

2022 account

Capacity has reduced to £12.7 million ($15.3 million) and the cession from Syndicate 33 has reduced in line with this to 7.1%. 2022 account will pick up a number of catastrophe losses following Hurricane Ian. 2022 account also carries reserves in relation to the Russia/Ukraine conflict. We have set a loss forecast in the range of -5.8% to 4.2% on capacity.

2023 account and the future

Capacity has increased to £19.5 million ($23.5 million) for the 2023 year of account. From 2023, the Syndicate is writing a more diversified range of classes written by Syndicate 33's reinsurance division. The cession from Syndicate 33 varies by class and the weighted average is calculated as 5.3% of applicable classes for the 2023 year of account.

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

Helen Rose
Chief Financial Officer
27 February 2023

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

The managing agent is responsible for preparing syndicate underwriting year accounts and an accompanying managing agent's report in accordance with applicable law, Lloyd's Bye-laws and United Kingdom Generally Accepted Accounting Practice. 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 run-off 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 Syndicate Accounting Byelaw (No.8 of 2005). 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 auditors' report

To the members of Syndicate 6104 2020 run-off year of account

Report on the audit of the syndicate underwriting year financial statements

Opinion

In our opinion, Syndicate 6104's syndicate underwriting year financial statements for the 2020 year of account for the 36 months ended 31 December 2022 (the 'underwriting year financial statements'):

- have been properly prepared, in all material respects, in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law), as modified by the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005); and
- have been properly prepared, in all material respects, in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the underwriting year financial statements included within the Hiscox Syndicate 6104 underwriting year accounts, (the 'underwriting year accounts'), which comprise: the balance sheet as at 31 December 2022, the profit and loss account: technical account – general business and the profit and loss account: non-technical account – general business for the 36 months then ended; and the notes to the underwriting year financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800, and applicable law. Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the underwriting year financial statements 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 underwriting year financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of preparation

Without modifying our opinion, we draw attention to note 1 of the underwriting year financial statements, which describes the basis of preparation. The underwriting year financial statements are prepared in accordance with a special purpose framework for the specific purpose as described in the 'use of this report' paragraph below. As a result, the underwriting year financial statements may not be suitable for another purpose.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Syndicate's ability to continue as a going concern for a period of at least twelve months from when the underwriting year financial statements are authorised for issue.

In auditing the underwriting year financial statements, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the underwriting year financial statements is appropriate.

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

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the underwriting year accounts other than the underwriting year financial statements and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the underwriting year financial statements 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 underwriting year financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the underwriting year financial statements 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 underwriting year financial statements 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.

Responsibilities for the underwriting year financial statements and the audit

Responsibilities of the managing agent for the underwriting year financial statements

As explained more fully in the statement of managing agent's responsibilities, the managing agent is responsible for the preparation of the underwriting year financial statements in accordance with the applicable framework. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of underwriting year financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the underwriting year financial statements, 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 underwriting year financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the underwriting year financial statements. We also considered those laws and regulations that have a direct impact on the underwriting year financial statements such as the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). We evaluated management's incentives and opportunities for fraudulent manipulation of the underwriting year financial statements (including the risk of override of controls), and determined that the principal risks were related to manual journals and accounting estimates in respect of insurance claims outstanding. Audit procedures performed by the engagement team included:

- discussions with senior management involved in the risk and compliance functions, including the consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- assessment of any matters reported on the whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- reading key correspondence with Lloyd's, in relation to compliance with laws and regulations;
- reviewing relevant meeting minutes including those of the Audit Committee;
- testing and assessing the appropriateness of Insurance claims reserves;
- testing journal entries, including revenue journals, identified in accordance with our risk assessment;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the underwriting year financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Syndicate's members as a body in accordance with paragraph 8 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

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

We have no exceptions to report arising from this responsibility.

Thomas Robb
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2023

Profit and loss account: technical account – general business
Hiscox Syndicate 6104 underwriting accounts

For the 36 months ended 31 December 2022	Notes	$000
Syndicate allocated capacity		53,364
Earned premiums, net of reinsurance		
Gross premiums written		45,238
Outward reinsurance premiums		(1,015)
Earned premiums, net of reinsurance		44,223
The amount retained to meet all known and unknown outstanding liabilities, net of reinsurance as at beginning of the year		43,335
		87,558
Allocated investment return transferred from the non-technical account	6	(192)
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(41,365)
Reinsurers' share		–
Net claims paid		(41,365)
Change in provision for claims:		
Gross amount		(35,754)
Reinsurers' share		–
The amount retained to meet all known and unknown outstanding liabilities, net of reinsurance		(35,754)
Claims incurred, net of reinsurance		(77,119)
Net operating expenses	7	(9,644)
Balance on the technical account for general business		603

The notes on pages 88 to 89 form an integral part of these underwriting year accounts.

Profit and loss account: non-technical account – general business
Hiscox Syndicate 6104 underwriting accounts

For the 36 months ended 31 December 2022	Notes	$000
Balance on the technical account for general business		603
Investment income	6	(192)
Allocated investment return transferred to general business technical account		192
Foreign exchange losses		(919)
The result for the three years ended 31 December 2022 for the 2020 run-off year of account		(316)
Members' agents' fees advances		(231)
Amounts due from members as at 31 December 2022		(547)

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 88 to 89 form an integral part of these underwriting year accounts.

Balance sheet
Hiscox Syndicate 6104 underwriting accounts

2020 account at 31 December 2022	Notes	2020 year of account $000
Assets		
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	3	
Debtors		
Debtors arising out of reinsurance operations	8	35,213
Total assets		35,213
Liabilities		
Capital and reserves		
Members' balances		547
Amounts retained to meet all known and unknown outstanding liabilities – gross amount	3	(34,184)
Creditors		
Creditors arising out of reinsurance operations	9	(858)
Other creditors	10	(718)
		(1,576)
Total liabilities		(35,213)

The notes on pages 88 to 89 form an integral part of these underwriting year accounts.

The underwriting year accounts on pages 85 to 89 were approved by the Board of Hiscox Syndicates Limited and were signed on its behalf by

Helen Rose
Chief Financial Officer
27 February 2023

Notes to the accounts
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 underwriting year accounts.

3 Amounts retained to meet all known and unknown outstanding liabilities

	Reported $000	IBNR $000	Total $000
Reinsurance to close premium received			
Gross reinsurance to close premium received	–	43,335	43,335
Reinsurance recoveries anticipated	–	–	–
The amount retained to meet all known and unknown outstanding liabilities, net of reinsurance as at beginning of the year	–	43,335	43,335
Amounts retained to meet all known and unknown outstanding liabilities			
Amounts retained to meet all known and unknown outstanding liabilities – gross amount	–	34,184	34,184
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	–	–	–
Amounts retained to meet all known and unknown outstanding liabilities	–	34,184	34,184

4 Analysis of underwriting result

	2019 and prior $000	2020 $000	Total $000
Technical account balance before allocated investment return and net operating expenses	(2,248)	12,687	10,439
Brokerage and commission on gross premium	(556)	(8,793)	(9,349)
Total	(2,804)	3,894	1,090

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

6 Investment return

	2020 year of account $000
Investment income	(192)

Investment return for the 2020 year of account is recognised in the 2020, 2021 and 2022 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 2020 underwriting account were made up as follows:

	2020 year of account $000
Brokerage and commissions	9,349
Members' standard personal expenses	295
Total	9,644

All administration expenses are charged to and borne by Syndicate 33. No brokerage or commissions were borne on direct business written but arises as a share of Syndicate 33 through the reinsurance arrangement.

Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT).

	2020 year of account $000
Auditors' remuneration	
Fees payable to the Syndicate's auditor for the audit of the syndicate 2020 underwriting account	36
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	18
Total	54

8 Debtors arising out of reinsurance operations

	$000
Due from intermediaries	35,213

9 Creditors arising out of reinsurance operations

	$000
Amounts due to intermediaries	858

10 Other creditors

	$000
Amounts owed to fellow subsidiary of managing agent	718

Seven-year summary
Hiscox Syndicate 6104 underwriting year accounts

Year of account	2014	2015	2016	2017	2018	2019	**2020**
Syndicate allocated capacity in £000	72,089	64,927	55,534	54,490	55,847	54,971	**44,363**
Syndicate allocated capacity in $000	91,820	82,698	70,734	72,161	76,354	74,458	**53,364**
Number of underwriting members	1,524	1,435	1,409	1,389	1,296	1,277	**1,080**
Net premiums net of brokerage in $000	33,022	23,020	28,300	35,023	37,766	43,349	**34,874**
Capacity utilised (%)	40	30	45	51	51	59	**67**
Net capacity utilised (%)	36	28	40	49	49	58	**65**

Results for an illustrative share of £10,000	2014 $000	2015 $000	2016 $000	2017 $000	2018 $000	2019 $000	**2020 $000**
Gross premiums	7,758	6,945	8,450	8,716	8,540	10,039	**10,197**
Net premiums	7,287	6,670	7,861	8,327	8,385	9,883	**9,968**
Reinsurance to close from an earlier account	499	1,699	(456)	1,530	10,838	13,735	**9,768**
Net claims paid	(531)	(1,662)	458	(1,533)	(10,844)	(13,247)	**(9,324)**
Reinsurance to close	(1,241)	440	(1,523)	(11,125)	(13,095)	(8,013)	**(8,059)**
Profit/(loss) on exchange	1,079	430	(50)	56	(382)	(225)	**(207)**
Syndicate operating expenses	(2,707)	(3,125)	(2,765)	(1,900)	(1,623)	(1,993)	**(2,107)**
Names personal expenses	(64)	(64)	(68)	(66)	(69)	(66)	**(66)**
Balance on technical account before investment return	4,322	4,388	3,457	(4,711)	(6,790)	74	**(27)**
Investment return	273	214	230	73	113	197	**(43)**
Profit/(loss) before members' agent's fees	4,595	4,602	3,687	(4,638)	(6,677)	271	**(70)**
Profit/(loss) before members' agent's fees £000	3,608	3,614	2,895	(3,502)	(4,883)	200	**(59)**

Notes to the seven-year summary
1. The seven-year summary has been prepared from the audited accounts of the Syndicate however the table is unaudited.
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. 2016 and prior 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 years of account where the underwriting accounts have been presented in Sterling have been translated at the closing rate prevailing at 31 December 2018.

Hiscox

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