

**Hiscox Ltd  
(the 'Company')  
2020 Annual Report**

Hamilton, Bermuda – in accordance with Listing Rule 9.6.1 a copy of the Company's Annual Report and Accounts for the year ended 31 December 2020 has been submitted to the National Storage Mechanism and will shortly be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

A copy can be viewed on the Company's web site: [www.hiscoxgroup.com/investors](http://www.hiscoxgroup.com/investors)

**Information required under Disclosure Guidance and Transparency Rule 6.3.5 – Extracts from the 2020 Annual Report**

This announcement should be read in conjunction with the Company's preliminary results announcement on 3 March 2021. Together, these announcements constitute the information required by DTR 6.3.5 to be communicated to the media in full unedited text through a Regulatory Information Service. This information is not a substitute for reading the Company's 2020 Annual Report.

**Directors' responsibilities statement**

The Board is responsible for ensuring the maintenance of proper accounting records which disclose with reasonable accuracy the financial position of the Group. It is required to ensure that the financial statements present a fair view for each financial period. The Directors explain in the Annual Report their responsibility for preparing the Annual Report and Accounts. We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view, in all material respects, the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors responsible for authorising the responsibility statement on behalf of the Board are the Chairman, Robert Childs, and the Chief Financial Officer, Hamayou Akbar Hussain. The statements were approved for issue on 3 March 2021.

**Principal risks and uncertainties**

**Key risks**

As an insurance group, specific risks related to our business include:

**Strategic risk**

The possibility of adverse outcomes resulting from ineffective business plans and strategies, decision-making, resource allocation or adaptation to changes in the business environment. The Group's continuing success depends on how well we understand our clients, markets and the various internal and external factors affecting our business, and having a strategy in place to address risks and opportunities arising out of this. Not having the right strategy could have a detrimental impact on profitability, capital position, market share and reputation.

**Underwriting risk**

The risk that insurance premiums prove insufficient to cover future insurance claims and associated expenses. Likely causes include failing to price policies adequately for the risk exposed, making poor risk selection decisions, allowing insurance exposures to accumulate to an unacceptable level, or accepting underwriting risks outside of agreed underwriting parameters. This includes people, process and system risks directly related to underwriting, such as human error in paying invalid claims or misquoting premium prices.

### **Reserving risk**

The Group makes financial provisions for unpaid claims, defence costs and related expenses to cover liabilities both from reported claims and from 'incurred but not reported' (IBNR) claims. Reserving risk relates to the possibility of unsuitable case reserves and/or insufficient outstanding reserves being in place to meet incurred losses and associated expenses, which could affect the Group's future earnings and capital.

### **Credit risk**

The risk of a reinsurance counterparty being subject to a default or downgrade, or that for any other reason they may renege on a reinsurance contract or alter the terms of an agreement. The Group buys reinsurance as a protection, but if our reinsurers do not meet their obligations to us, this could put a strain on our earnings and capital and harm our financial condition and cash flows. Similarly, if a broker were to default, causing them to fail to pass premiums to us or pass the claims payment to a policyholder, this could result in Hiscox losing money.

### **Market risk**

The threat of unfavourable or unexpected movements in the value of the Group's assets or the income expected from them. It includes risks related to investments – for example, losses within a given investment strategy, exposure to inappropriate assets or asset classes, or investments that fall outside of authorised strategic asset allocation or tactical asset allocation limits.

### **Liquidity risk**

This relates to the risk of the Group being unable to meet cash requirements from available resources within the appropriate or required timescales, such as being unable to pay liabilities to customers or other creditors when they fall due. It could result in high costs in selling assets or raising money quickly in order to meet our obligations, with the potential to have a material adverse effect on the Group's financial condition and cash flows.

### **Operational risk**

The risk of direct or indirect loss resulting from internal processes, people or systems, or from external events. This includes cyber security risk, which is the threat posed by the higher maturity of attack tools and methods and the increased motivation of cyber attackers, in conjunction with a failure to implement or maintain the systems and processes necessary to protect the confidentiality, integrity or availability of information and data. Operational risk also covers the potential for financial losses, information and cyber security risks which have implications from a legal, regulatory, reputational or customer perspective, for example, major IT, systems or service failures.

### **Regulatory, legal and tax governance**

This relates to the business failing to act in accordance with its applicable regulatory requirements in all its applicable jurisdictions, or a deterioration in the quality of our relationship with one or more of our regulators. Legal risk is the risk of acting contrary to the relevant legal requirements in any of the jurisdictions in which we operate, while tax governance risk covers the consequences of any failure to act in accordance with relevant taxation laws or adapt to changes in taxation.

### **Related party transactions**

Details of the remuneration of the Group's key personnel, presented in Sterling, are shown in the annual report on remuneration 2020 on pages 80 to 87. A number of the Group's key personnel hold insurance contracts with the Group, all of which are on normal commercial terms and are not material in nature.

The following transactions were conducted with related parties during the year.

*(a) Syndicate 33 at Lloyd's*

Related-party balances between Group companies and Syndicate 33 reflect the 27.4% interest (2019: 27.4%) that the Group does not own, and are as follows.

	Transactions in the income statement for the year ended		Balances outstanding (payable) at	
	31 December 2020 \$m	31 December 2019 \$m	31 December 2020 \$m	31 December 2019 \$m
Hiscox Syndicates Limited	<b>5.1</b>	3.3	<b>1.2</b>	0.5
Hiscox Group insurance carriers	<b>15.6</b>	(34.6)	<b>(114.8</b>	(130.5)
Hiscox Group insurance intermediaries	<b>(1.5)</b>	5.8	<b>(14.4)</b>	(6.7)
Other Hiscox Group companies	<b>32.8</b>	31.1	<b>22.6</b>	0.4
	<b>52.0</b>	5.6	<b>(105.4)</b>	(136.3)

*(b) Transactions with associates*

Certain companies within the Group conduct insurance and other business with associates. These transactions arise in the normal course of obtaining insurance business through brokerages, and are based on arm's length arrangements.

	2020 \$m	2019 \$m
Gross premium income achieved through associates	<b>12.1</b>	13.7
Commission expense charged by associates	<b>3.0</b>	3.6
Amounts payable to associates at 31 December	—	—
Amounts receivable through associates at 31 December	<b>55.4</b>	51.5

Details of the Group's associates are given in note 14.

*(c) Internal reinsurance arrangements*

During the current and prior year, there were a number of reinsurance arrangements entered into in the normal course of trade between various Group companies. The related results of these transactions have been eliminated on consolidation.

**Marc Wetherhill**

**Company Secretary**

**Hiscox Ltd**

**11 March 2020**

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