HISCOX

Hiscox Ltd interim results

For the six months ended 30 June 2023

"Continued growth and earnings momentum"

	H1 2023	H1 2022 As restated under IFRS 17
Insurance contract written premium[1]	$2,723.3m	$2,617.2m
Net insurance contract written premium[1]	$1,945.6m	$1,784.5m
Insurance service result	$221.4m	$140.2m
Net investment result	$121.8m	$(214.1)m
Profit before tax	$264.8m	$25.4m
Earnings per share	72.2¢	9.8¢
Interim dividend per share	12.5¢	12.0¢
Net asset value per share	823.3¢	715.6¢
Group combined ratio (discounted)[1]	85.7%	90.8%
Group combined ratio (undiscounted)[1]	90.2%	92.7%
Return on equity (annualised)[1]	19.9%	2.6%
Positive prior year development[1]	$61.7m	$67.2m

Highlights

- Growth in revenues, insurance service result and profits in every business unit, resulting in annualised ROE of 19.9%.
- Group net insurance contract written premiums (net ICWP) increased by 11.4% in constant currency to $1,945.6 million (H1 2022: $1,784.5 million), as we benefit from strategy execution, a positive rate environment across all business segments and capital allocation decisions.
- Insurance contract written premiums (ICWP) increased by 6.3% in constant currency to $2,723.3 million (H1 2022: $2,617.2 million), lower than net ICWP, as expected at this point in the cycle.
- Insurance service result (or underwriting profits) increased by 57.9% to $221.4 million (H1 2022: $140.2 million) from a combination of disciplined growth and margin expansion in a favourable underwriting environment.
- Retail ICWP of $1,271.0 million (H1 2022: $1,237.7 million) increased by 5.5% in constant currency, underpinned by strong growth in Europe and improving momentum in the UK and US DPD.
  - US DPD ICWP grew 7.8%, with growth accelerating from 6.8% in the first quarter to 8.9% in the second.
  - Continue to expect US DPD growth towards the middle of the 5% to 15% range in 2023.
  - Overall retail growth temporarily tempered by deliberate actions not to prioritise growth at the expense of quality of earnings – full year headline retail growth to be in line with the half year trend.
- Retail combined ratio of 93.8% (H1 2022: 94.4%) on an undiscounted basis.
  - 90% - 95% IFRS 4 range equivalent to 89% - 94% under IFRS 17 on an undiscounted basis.
- Hiscox London Market had a strong first half, with net ICWP increasing by 14.2% to $443.4 million (H1 2022: $388.2 million), driven by attractive rates in property, as well as new business growth in upstream energy and marine.
  - An undiscounted combined ratio of 83.7% (H1 2022: 87.9%), demonstrates our focus on profitable growth.
- Hiscox Re & ILS has continued to benefit from the hard market conditions, deploying incremental capital to grow exposure and improve the quality of the book. Net ICWP increased by 17.9% to $345.1

[1]Alternative performance measure definitions used by the Group are included within the Condensed consolidated interim financial statements.

million (H1 2022: $292.8 million), underpinned by strong double-digit growth in the North American natural catastrophe, retrocession and marine books.
    - An undiscounted combined ratio of 81.2% (H1 2022: 92.8%), 11.6 percentage point improvement on prior period reflects quality of growth being achieved.

- Profit before tax increased by $239.4 million to $264.8 million (H1 2022: $25.4 million).
- Total net reserves for loss events in H1 2023 are in line with our expectations and large losses are within budget.
- The Group remains conservatively reserved with a confidence level of 77% (FY 2022: 78%), within our target range of 75% to 85%.
- Strong capital position, with an estimated Bermuda Solvency Capital Requirement (BSCR) of 199%, in line with the full year 2022 result, despite having deployed capital into the favourable market conditions which continue to persist.
- Positive investment result of $121.8 million (H1 2022: loss of $214.1 million).
- High quality portfolio positions Hiscox well to deliver high quality growth and earnings.

Aki Hussain, Group Chief Executive Officer, Hiscox Ltd, commented:

“Our business has delivered growth in revenues and profits in every business unit, as our proactive and disciplined underwriting and favourable market conditions come together. Our portfolio of businesses, our people and innovation to meet the changing needs of our customers position us well to continue delivering high-quality growth and earnings.”

ENDS

A conference call for investors and analysts will be held at 10:30 BST on Wednesday, 9 August 2023.

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<u>Notes to editors</u>

About The Hiscox Group

Hiscox is a global specialist insurer, headquartered in Bermuda and listed on the London Stock Exchange (LSE:HSX). Our ambition is to be a respected specialist insurer with a diverse portfolio by product and geography. We believe that building balance between catastrophe-exposed business and less volatile local specialty business gives us opportunities for profitable growth throughout the insurance cycle.

The Hiscox Group employs over 3,000 people in 14 countries, and has customers worldwide. Through the retail businesses in the UK, Europe, Asia and the USA, we offer a range of specialist insurance products in commercial and personal lines. Internationally traded, bigger ticket business and reinsurance is underwritten through Hiscox London Market and Hiscox Re & ILS.

Our values define our business, with a focus on people, courage, ownership and integrity. We pride ourselves on being true to our word and our award-winning claims service is testament to that. For more information, visit www.hiscoxgroup.com.

HISCOX

CEO's statement

The Group delivered continued growth and strong profits in the first six months of the year, as we benefitted from sustained momentum across our Retail businesses, a proactive approach to (re)insurance cycle management in big-ticket, continued underwriting discipline, and a positive rating environment that persists across all business segments. Losses were within our expectations and we deployed incremental capital judiciously where we saw attractive opportunities. Profit before tax of $264.8 million is a combined effect of the insurance service result of $221.4 million, up 57.9% on the prior period, and the improved investment result of $121.8 million, as higher bond reinvestment yields begin to earn through.

I am pleased with the progress we have made this year in maximising the strength of our portfolio of businesses. All of our three business segments have delivered strong growth and earnings and are well positioned to continue to do so, as we face into favourable market and societal trends. Our diverse business portfolio enables Hiscox to operate in a number of different parts of the specialist insurance sector, allocating capital with agility to areas of expertise which offer the highest risk-adjusted returns. This has enabled us to deliver a half-year annualised RoE of 19.9%.

Group net ICWP increased by an impressive 11.4% in constant currency to $1,945.6 million (H1 2022: $1,784.5 million). Our reinsurance business is leaning into the hard market in a focused way and enjoying some of the best market conditions in over a decade. Our London Market business has returned to growth, as we believe the property book is priced adequately following significant re-rating and we are benefitting from attractive new growth opportunities in upstream energy, marine and renewables. In Retail, the opportunity remains significant, particularly in the USA, as the digitalisation of small businesses continues to accelerate and new business formation levels remain strong.

With a focus on quality growth, we have maintained our commitment to disciplined underwriting. For example, in Retail, where we have faced downward pressure on rates in certain segments of our cyber portfolio, we have remained disciplined and accepted a decline in share to maintain quality of earnings. As previously disclosed, we have also been exiting some non-core underwriting partnerships in the UK which are outside of our risk appetite. These two factors, which we consider to be transitory, have tempered headline growth in order to maintain quality of earnings. The strength and diversity in our Retail business means that the underlying growth[2] in Retail is 7.3% in constant currency.

One of our current priorities is to continue our investment in technology and expand our distribution capabilities. We are making material progress that positions Hiscox to achieve sustained long-term growth. Our technology investment in the USA is beginning to drive benefits, with digital direct now achieving double-digit growth and digital partnerships gaining momentum in the second quarter. Our core system implementation in Europe is also going well and we anticipate operational benefits as the programme proceeds.

We continue to expand our product and distribution capabilities with solid progress in our e-broker extranet roll-out in the UK and, in an exciting step in the USA, we have agreed a new partnership with a multi-line US insurer to distribute workers' compensation, thereby materially increasing our reach and relevance in our target addressable market whilst also creating a new fee income stream. In London Market the ESG sub-syndicate is now operational and we have begun writing incremental new business.

Rates

The rating environment has been favourable in aggregate across all Hiscox businesses, and in particular in property lines, which continued to experience hard market conditions in both reinsurance and primary lines.

Hiscox Re & ILS benefitted from an average rate increase of 34%, with positive trends experienced in all lines of business – most notably in North American natural catastrophe (up 43%) and retrocession (up 42%). This is the sixth successive year of rate improvement in Hiscox Re & ILS with cumulative rate increases of 95% since 2018. Cyber reinsurance continues to benefit from notable rate increases (25% at half year), and our terror business saw rates increase by 31%. Importantly, in these hard market conditions we have improved the quality of our book by significantly removing aggregate contracts and moving to higher attachment points.

[2]Excludes Retail cyber and UK underwriting partnerships.

Hiscox London Market achieved a 9% rate increase in the first half of 2023, with an overall 72% cumulative rate increase since 2018. Property lines are seeing the strongest increases, with 27% in household and 23% in major property, and we see the potential for further rate hardening through the rest of the year. Terrorism rates are up 15%, as expected, driven by geopolitical uncertainty, which allowed us to maintain top-line premiums whilst reducing exposure, thus further increasing the overall profitability of the portfolio. In contrast, casualty lines, in particular D&O and cyber, continue to see rate decreases. Overall, we expect London Market rates to continue their current trajectory for the remainder of 2023.

Hiscox Retail benefitted from an average rate increase of 6% in the first half of 2023 with rates remaining in aggregate positive across all markets.

Claims

While there were tragically several natural catastrophes during the first half, including New Zealand floods, Syria/Turkey earthquake, winter storm Elliot and cyclone Gabrielle, as well as other non-natural catastrophe events, the total estimated net losses are within our modelled expectations. In addition, our net loss reserved for the Russia/Ukraine conflict remains unchanged. Large and attritional losses across the Group are within our expectations.

While inflationary pressures continue to persist across our markets, the impact on our business is relatively contained due to the short-tail nature of our book, with the average duration of our liabilities at 1.9 years.

The Group has a conservative reserving philosophy and continuously evaluates reserve adequacy to ensure we maintain a robust balance sheet position, with net reserves at the 77% confidence level (FY 2022: 78%) and a risk adjustment above best estimate of $211.1[3] million (FY 2022: $217.6 million). The Group's legacy portfolio transactions (LPTs) continue to provide protection of 25% for 2019 and prior-year gross reserves from inflationary pressures up to a 1-in-200 downside risk. The favourable prior-period run-off is reflected in reserve releases of $61.7 million, broadly in line with prior year.

With regards to the new business we are writing, we mitigate inflationary pressures through a combination of exposure indexation and rate increases. The inflation assumptions included in our pricing and reserving models across the Group remain robust. The increased premiums being collected through rate and indexation are keeping pace with our view of expected inflation.

Hiscox Retail

Hiscox Retail comprises our retail businesses around the world: Hiscox UK, Hiscox Europe, Hiscox USA and DirectAsia. In this segment, our specialist knowledge and ongoing investment in the brand, distribution and technology reinforce our strong market position in an increasingly digital world.

Retail ICWP of $1,271.0 million (H1 2022: $1,237.7 million) increased by 5.5% in constant currency.

We continue to achieve strong top-line growth in Europe, improving momentum in the UK and acceleration in US DPD. Overall retail growth was tempered by the business maintaining discipline in the face of increased competition and reducing prices in the cyber product line, particularly prevalent in the USA. While not significant in absolute terms for the Retail division, it has impacted growth by 0.8 percentage points as we experience a reduction in cyber new business and retention. As previously reported, in the UK we have been exiting some non-core underwriting partnerships business which are outside our risk appetite, impacting top line by 1.0 percentage points. Excluding these two temporary factors, Retail growth continues to deliver in line with expectations. Looking forward, taking into account these factors, we expect the full year headline growth to be in line with the half-year trend.

On an undiscounted basis, Hiscox Retail's combined ratio is 93.8%. Under IFRS 4, the Group had a Retail combined ratio operating range of 90% to 95% in normal circumstances, equivalent to 89%-94% under IFRS 17 on an undiscounted basis. Our first half result is within the range on both bases.

[3] Allows for the reclassification of LPT recoveries into claims.

The IFRS 17 accounting standard introduces discounting of liabilities, which results in greater volatility in the combined ratio purely due to external macro-economic factors with potential off-setting elements captured outside the combined ratio, therefore reducing its usefulness as a measure of underwriting profits. We will report the combined ratio on an undiscounted basis, which we believe is a useful measure of underwriting profits, and improves comparability period on period. Considering the definitional changes, the new standard requires reclassification of some expenses, primarily related to brand and some other overheads, as non-attributable, which results in a permanent definitional benefit to the Retail combined ratio. This is partially offset by the negative impact from moving to the own share presentation, thus resulting in an overall small net benefit leading to the restated operating range. For clarity, there is no change to the economics of our business.

Insurance contract written premium	$1,271.0 million (H1 2022: $1,237.7 million)
Net insurance contract written premium	$1,157.1 million (H1 2022: $1,103.5 million)
Insurance service result	$113.2 million (H1 2022: $75.7 million)
Profit before tax	$153.3 million (H1 2022: $4.3 million)
Combined ratio	89.2% (H1 2022: 92.6%)
Undiscounted combined ratio	93.8% (H1 2022: 94.4%)

Hiscox UK

Hiscox UK provides commercial insurance for small and medium-sized businesses, as well as personal lines cover, including high-value household, fine art and luxury motor.

Hiscox UK ICWP grew by 4.0% on a constant currency basis. In US Dollars this reduced by 1.7% to $399.3 million (H1 2022: $406.4 million). The business delivered solid growth in commercial lines, with commercial property, general liability and emerging professions showing sustained momentum. Pleasingly, the art and private client (APC) book has seen growth momentum in the first half of 2023, as we continue to sharpen the focus of the book on our target high net worth segment.

The previously reported course correction to reduce exposure to some non-core delegated authority partnerships had a 2.6 percentage points impact on growth in the first half of 2023. We expect the impact of this course correction to continue to moderate into the fourth quarter. The core portfolio continues to grow well.

To reinforce the strength of our brand and support the acquisition marketing engine in the UK, we are increasing our investment in brand advertising for the second half of the year. Our new brand campaign will run nationally from September and will target primarily small business and APC customers.

Our e-trade extranet has been live since the start of the year and now has over 200 brokers. During the second quarter, we have continued to improve the core platform capability with ongoing builds of specialty product extranets, a high net worth product build, and we are in the early stages of developing the technology for our schemes business.

Earlier this year Hiscox UK launched its Underwriting Academy, the latest incarnation of the long tradition we have of investing in talent across our underwriting ecosystem to ensure we are training, developing and growing top-tier capabilities in this area.

Hiscox Europe

Hiscox Europe provides both personal lines cover, including high-value household, fine art and classic car, and commercial insurance for small- and medium-sized businesses.

Our European business has again delivered excellent growth, with ICWP of $365.6 million (H1 2022: $339.3 million) up 11.2% in constant currency, or 7.8% in US Dollars. France, Benelux and Iberia grew particularly well in the first half of the year.

France, Europe’s second largest market, continues to demonstrate strong top-line growth of 16.8% in constant currency, benefitting from proactive management actions in the prior years which laid the groundwork for profitable growth. In Germany, we continue to see good growth of 8.0% in constant currency. Throughout the Group there is a strong culture of being attentive to customer needs and innovating to meet these needs as they evolve. In response to newly passed legislation, Hiscox Germany has developed and launched a new whistle blower assistance programme for small businesses that are unable to offer this function in-house.

We continue to make significant progress in the technology re-platforming programme in Europe, with its phased roll-out across our European markets progressing as planned.

Hiscox USA

Hiscox USA focuses on underwriting small commercial risks with distribution through brokers, partners and direct-to-consumer using a wide range of trading models – traditional, service centre, portals and application programming interfaces (APIs). Our aspiration is to build America's leading small business insurer.

Hiscox USA's ICWP grew 2.0% to $475.8 million (H1 2022: $466.3 million). US DPD is accelerating growth in line with expectations following the technology re-platforming, with growth accelerating in the second quarter to 8.9% from 6.8% in the first quarter with overall growth for the first six months of the year at 7.8%.

The Direct business has now been live on the new technology for 12 months, delivering a positive and accelerating growth trend. Direct ICWP growth rate has improved reaching double digits, underpinned by particularly strong momentum in new business, where the top line grew in excess of 30%, supported by increasing marketing expenditure.

As anticipated, the embedding of the new technology in our partnerships business slowed growth in the first quarter of the year; this has now begun to recover from its low point over the past three months, albeit at a moderate pace. To accelerate technology adoption and new business generation among the established partners, we have ongoing tailored partner engagement and introduced temporary financial incentives. Since the start of the year, we have added 17 new portal partners to our digital platform and have a healthy pipeline of further opportunities. We also continue to refine our internal onboarding processes to find ways to accelerate the timeline from sign-up to production.

A key part of building America's leading small business insurer is to increasingly become the destination brand for a wider breadth of insurance customer needs in our DPD business - whether we underwrite those ourselves or partner with others where we do not take insurance risk onto our own balance sheet. A prerequisite to being able to attract high-quality partners is to have the gravitational pull of a substantial customer base – with customer numbers now well in excess of 500,000 we have reached a tipping point. In June, we launched a workers' compensation product in partnership with a multi-line US insurer. This is a balance sheet 'lite' approach, with Hiscox taking no underwriting risk and, instead, generating fee income.

The addition of this product from a high-quality partner enables Hiscox to reach a greater proportion of the target market, it increases our potential share of wallet from existing customers through cross-selling opportunities and introduces a new non-insurance fee income stream. At present the product has been soft launched (available through the Hiscox call centre) with the full launch due in the next six months; this will include integration into the Hiscox digital shop front and straight-through processing to our partner, providing a more efficient and seamless customer experience.

Our confidence in the value of the new platform is increasing, as the Direct business is showing sustained positive momentum, although embedding of the partnerships business will take longer as discussed in March. The combination of continued acceleration in the digital direct business and improving momentum in digital partnerships is expected to drive US DPD growth towards the middle of the 5% to 15% range in 2023.

Growth in the US broker business has been tempered by the business maintaining discipline in the face of increased competition and reducing prices in the cyber product line, as a result US broker revenue has reduced by 4.2%.

Hiscox Asia

DirectAsia delivered insurance contract written premiums growth of 16.1% in constant currency to $30.3 million (H1 2022: $25.7 million). This was driven by a good performance in both Singapore and Thailand, where both markets benefitted from an increase in both partnership and travel insurance business, and a strong renewal performance.

Hiscox London Market

Hiscox London Market uses the global licences, distribution network and credit rating of Lloyd's to insure clients throughout the world.

Insurance contract written premium	$654.4 million (H1 2022: $591.8 million)
Net insurance contract written premium	$443.4 million (H1 2022: $388.2 million)
Insurance service result	$75.5 million (H1 2022: $53.6 million)
Profit before tax	$106.9 million (H1 2022: $17.8 million)
Combined ratio	79.6% (H1 2022: 85.6%)
Undiscounted combined ratio	83.7% (H1 2022: 87.9%)

Hiscox London Market had a strong first half, increasing ICWP by 10.6% to $654.4 million (H1 2022: $591.8 million). This was driven by a combination of strong rate in property and new business growth in upstream energy and renewables, partially offset by softening rates in casualty lines. We continue to see a strongly positive underwriting environment in our property and marine, energy and specialty divisions, delivering growth of 16.8% and 37.9% respectively. Net ICWP grew 14.2% on prior year and we expect this positive growth momentum to continue throughout the rest of the year.

All property classes are enjoying hard market conditions due to the reduced availability of capital, with particularly strong ICWP momentum in major property, up 75% and household binders up 68%. Upstream energy is also benefitting from strong growth, particularly in the newly formed 'power and renewables' division, where new business is flowing in from the extensive amount of construction taking place in the renewable energy sector. Earlier this year we launched our ESG sub-syndicate, which has been well received by the market, with the first risks written being a wind farm in Europe and a solar farm based in the USA, and it is an area where we anticipate good momentum over time. We have seen extremely high interest from third-party capital providers (reinsurers) and have already secured the desired level of quota share capacity.

As previously flagged, market conditions in casualty, notably in D&O and cyber, continue to be challenging with rates declining in both classes. In line with the wider market, our cyber growth was impacted by the Lloyd's war exclusion mandate which has made writing new business more challenging. In D&O, where rates declined 11% year-on-year but still remain attractive (up 203% since 2018), we have taken our foot off the accelerator and maintained line size discipline.

Overall, we remain focused on profitable growth through effective cycle management: shrinking exposure in casualty classes where margins have started to contract, and deploying capital in more attractively priced business classes, such as property and marine and energy. Testament to the success of this strategy has been the consistency of the strong underwriting result. The London Market insurance service result is up 40.9% to $75.5 million (H1 2022: $53.6 million) with an undiscounted combined ratio of 83.7%, a 4.2 percentage point improvement on the prior period.

Hiscox Re & ILS

Hiscox Re & ILS comprises the Group's reinsurance businesses in London and Bermuda and insurance-linked securities (ILS) activity written through Hiscox ILS.

Insurance contract written premium	$797.9 million (H1 2022: $787.7 million)
Net insurance contract written premium	$345.1 million (H1 2022: $292.8 million)
Insurance service result	$32.7 million (H1 2022: $10.9 million)
Profit/(loss) before tax	$55.1 million (H1 2022: $(12.2) million)
Combined ratio	76.3% (H1 2022: 91.7%)
Undiscounted combined ratio	81.2% (H1 2022: 92.8%)

Hiscox Re & ILS net ICWP grew 17.9% in the first half to $345.1 million (H1 2022: $292.8 million)[4], underpinned by strong double-digit growth in the North American natural catastrophe, retrocession and marine books. Leaning into the hard market, the Group has allocated additional organic capital to the Hiscox Re & ILS business. The business grew natural catastrophe exposure at a double-digit rate while also moving up in layers, further de-risking the bottom line from attritional or low severity events; this also explains the dynamic between net premium growth and rate increases. While the exceptional conditions seen at January renewals have eased, the momentum in the market remains strong. A slight slowdown from the growth seen in the first quarter is due to our decision to keep exposure flat in Japan, where we are already at our target market share, and in Florida, where we grew exposure only slightly, due to the complex underwriting and legislative environment.

The powerful combination of exposure growth and the best-rated reinsurance market in a decade is expected to result in material increases in profits in a normal loss year. In addition, the favourable market conditions allowed a continuing trend of improvement to the quality of the book, where both participations on aggregate excess of loss deals, and exposure to secondary perils, have been reduced.

The January renewals saw a seismic shift in pricing following Hurricane Ian, with the market conditions akin to those following Hurricane Andrew in 1992. All lines of business saw significant rate increases, which resulted in a total risk-adjusted rate change of over 30%. The April renewals, dominated by Japanese clients and some specific larger US cedants, met the anticipated rate increases of 20%, following a significant re-rating over the prior two years, and we maintained our share of the market. The June renewals also saw significant rate increases in US catastrophe and retrocession and we have again grown exposure, although less so than in January. As Florida remains a highly uncertain legal and regulatory jurisdiction, renewal rates were pushed up by over 40%, which allowed us to increase exposure in the state minimally while growing net premiums at a double-digit rate.

In line with the first quarter trend we delivered modest ICWP growth at 1.3% in the first half to $797.9 million (H1 2022: $787.7 million), in contrast with the net ICWP growth noted above. This is to be expected for the Hiscox Re & ILS model at this point in the cycle – a key factor resulting in hard market conditions is a reduction in available capital, which has manifested itself in ILS net outflows of $219 million, as third-party capital investment appetite remains subdued. ILS assets under management were $1.7 billion as at 30 June 2023. The reduction in ILS capital has been partially offset by increased allocation of own capital, thereby boosting net ICWP growth at an attractive point in the cycle. Notwithstanding this, the ILS funds are performing at inception-to-date highs as a result of rate improvements, heightened interest earnings, and modest loss activity in the first half of the year. While there is a likelihood that we will continue to experience ILS outflows as that sector rebalances, our quota share capital strategy welcomed new partners at both 1 January and mid-year, demonstrating our ability to access different mechanisms of third-party capital. The Hiscox ILS offering remains attractive and well positioned to support new flows of capital into this segment when the market trends reverse.

The business delivered a strong insurance service result of $32.7 million (H1 2022: $10.9 million) and a combined ratio on an undiscounted basis of 81.2%. In our Re & ILS business we have chosen to reduce vulnerability to attritional losses through higher attachment points and reductions in our non-property aggregate excess of loss book which, given the market experience in the first half, appears to have shielded our business from much of the heightened loss activity. Under IFRS 17, reinsurance commissions are classified as earnings rather than offsetting expenses under IFRS 4, which increases the combined ratio by 4.5 percentage points; however, this does not change the economic benefit of our reinsurance programmes.

Investments

The investment result for the first half of 2023 was $121.8million (H1 2022: loss of $214.1 million), or a return of 1.7% year to date (H1 2022: negative return of 3.0%). Assets under management at 30 June 2023 were $7.4 billion (FY 2022: $7.1 billion).

While inflation is falling in most developed economies, it remains elevated, as growth and employment have remained firm. Central banks' commitment to lowering inflation remains unchanged and they have continued to raise rates. The economic resilience surprised markets which had anticipated slower growth, and so expectations shifted to pricing potential rate cuts much later and bond yields drifted higher. The rise in yields was particularly

[4]The net ICWP compared to NWP is negatively impacted due to the way that ceding commissions are booked. There is no change to the economics, however, relative to IFRS 4, with the net growth being a lower percentage.

sharp in the UK, after surprising inflation numbers and the Bank of England reverting to a rate increase of 0.5% in June.

After a strong first quarter, our investment portfolio made modest gains in the second quarter. Rising coupons and cash returns combined with gains from equity exposure were sufficient to offset mark-to-market losses on the bond portfolios caused by rising yields. The UK bond portfolio was most impacted and saw the weakest returns. Corporate bond returns were positive given only limited movement in credit spreads over the first six months of 2023. Better than expected growth has meant markets remain sanguine about the prospects for businesses and borrowers. The bond reinvestment yield has improved to 5.6% on 30 June 2023 from 5.1% on 31 March 2023, indicative of a further uplift in future investment income expectations.

Equity markets have made gains so far this year, on signs that any recessionary risk has been delayed, and a downturn, should it happen, is expected to be brief. Equity investors seem untroubled by rising rates and events in the bond markets. We have slightly reduced our equity exposure and maintain a cautious stance.

Overall, the Group maintains a modest exposure to selected risk assets. Our book has no direct exposure to commercial real estate and had no defaults in the first half.

Dividend, capital and liquidity management

Hiscox remains strongly capitalised from both a regulatory and a ratings agency perspective, allowing us to pursue our ambitious business plan while being sufficiently protected against market events.

The Hiscox Group Bermuda solvency capital requirement (BSCR) ratio is estimated at 30 June 2023 at 199% (31 December 2022: 199%). Capital generation exceeded capital consumption, despite the Group growing natural catastrophe exposure in the hard market. We remain comfortably above the S&P ‘A’ rating threshold and significantly above the regulatory capital ratio requirement. Even after a severe loss scenario, our solvency position remains consistent with the S&P ‘A’ rating.

The Group continues to retain a significant level of liquidity with fungible assets in the region of $1 billion, comprised of liquid assets and undrawn borrowing facilities. Leverage for the Group at the half year is 18.9%[5], 1.7 percentage points lower than the prior year due to the uplift in shareholder equity – the result of the transition to IFRS 17.

The Board believes that paying a dividend is an important indicator of the financial health of the Group, and having considered the capital requirements of the business, the Board has recommended to shareholders for approval the payment of an interim dividend of 12.5 cents per share, an increase of 4.2%. The record date for the dividend will be 18 August 2023 and the payment date will be 26 September 2023. The Board proposes to offer a Scrip alternative, subject to the terms and conditions of the Group’s 2023 Scrip Dividend Scheme. The last date for receipt of Scrip elections will be 4 September 2023 and the reference price will be announced on 12 September 2023. Further details on the dividend election process and Scrip alternative can be found on the investor relations section of our corporate website, www.hiscoxgroup.com.

IFRS 17

Our finance function reached a significant milestone when we commenced reporting under IFRS 17, which coincided with a period of significant interest rate volatility. Interest rate increases in the first six months of the year resulted in a net positive impact to earnings from the discounting of liabilities of $32.4 million, as the benefit from the initial recognition of claims more than offset the negative impact of discount unwind.

On the asset side, rising coupons, cash returns and gains from equity exposure in the first half of 2023 in combination with the reduction of credit spreads more than offset mark-to-market losses on bond portfolios due to rising yields, which are largely non-economic in nature. Under IFRS 17, the discounting of both liabilities and assets creates a better symmetry as movements arising from the unwinding of claims discount and changes in the claims discount rate partially offset fair value movements on bonds.

[5]Leverage defined as borrowings over borrowings and shareholder equity.

People

In May we announced the appointment of our new Chairman, Jonathan Bloomer, who brings a wealth of experience and a real passion for building businesses. Jonathan started his financial services career at Arthur Andersen, where he became Partner before joining the Prudential plc. as Group Finance Director. Jonathan has held numerous financial services positions and Board roles including operating partner at Cerberus Capital Management. He is currently Chair of Morgan Stanley International and DWF Group PLC.

In addition, we have two other notable senior hires - Fabrice Brossart, who will be taking on the Group Chief Risk Officer role, and Chris Loake, our new Group Chief Information Officer. These are key appointments that will help to drive the business forwards and I look forward to working with them to deliver on our strategy.

Brand

We always strive to do the right thing for our customers, our people, and our partners, but what that looks like changes over time. That is why we have refreshed our brand promise, to better reflect the needs of our people and customers for today and tomorrow. It sets a clear vision for our people and reflects the strong values and distinctive culture that we have always fostered at Hiscox. It will also be reflected in our brand-building and advertising and, thanks to an increased investment in our brand during the second half of the year, we will soon launch new creative and advertising campaigns across the UK, with our European and US markets to follow suit from next year.

Outlook

Our diversified business portfolio is well positioned to deliver high-quality growth in revenue and earnings, as we continue to drive disciplined growth in positive market conditions across our big-ticket segments, and to pursue the attractive long-term structural growth opportunity in retail, combined with investment income tailwinds.

Our Retail businesses continue to see positive growth momentum, albeit tempered by our deliberate actions not to prioritise growth at the expense of quality of earnings. As such, we expect the full-year headline growth to be in line with the half-year trend.

I anticipate that our London Market business will continue to grow on its current trajectory, as we face into multiple attractive growth opportunities; and in Re & ILS, we wrote over three-quarters of this year’s reinsurance premiums in the first half, with a greater share of these premiums to be earned in the second half in line with the risk profile of the business. We look ahead to the US wind season well capitalised and with a high-quality portfolio written at an attractive rate.

Our portfolio of businesses and our people position us well to continue delivering high-quality disciplined growth and earnings.

Aki Hussain

Group Chief Executive
9 August 2023

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Condensed consolidated interim income statement

For the six month period ended 30 June 2023

	Note	**Six months to 30 June 2023**	Six months to 30 June 2022 (restated*)	Year to 31 Dec 2022 (restated*)
	Note	**$m**	$m	$m
Insurance revenue	6	**1,941.1**	1,880.5	4,273.3
Insurance service expenses	6	**(1,486.7)**	(1,468.9)	(3,485.9)
Insurance service result before reinsurance contracts held		**454.4**	411.6	787.4
Allocation of reinsurance premiums	6	**(417.3)**	(423.0)	(1,264.8)
Amounts recoverable from reinsurers for incurred claims	6	**184.3**	151.6	838.3
Net expenses from reinsurance contracts held		**(233.0)**	(271.4)	(426.5)
Insurance service result	6	**221.4**	140.2	360.9
Investment result	9	**121.8**	(214.1)	(187.3)
Net finance (expenses)/income from insurance contracts		**(64.4)**	165.2	213.7
Net finance income/(expenses) from reinsurance contracts		**26.6**	(77.4)	(102.1)
Net insurance finance (expenses)/income	9	**(37.8)**	87.8	111.6
Net financial result	9	**84.0**	(126.3)	(75.7)
Other income	10	**33.7**	18.7	42.3
Other operational expenses	6	**(33.8)**	(34.5)	(67.8)
Net foreign exchange (losses)/gains		**(16.5)**	45.7	54.7
Other finance costs	11	**(24.0)**	(18.4)	(39.7)
Share of profit of associates after tax		**-**	-	0.9
Profit before tax		**264.8**	25.4	275.6
Tax (expense)/credit	12	**(14.7)**	8.2	(21.7)
Profit for the period (all attributable to owners of the Company)		**250.1**	33.6	253.9
Earnings per share on profit attributable to owners of the Company				
Basic	14	**72.2¢**	9.8¢	73.8¢
Diluted	14	**70.8¢**	9.7¢	72.7¢

*restated for the adoption of IFRS 17 and IFRS 9, see note 2.1.

The notes to the condensed consolidated interim financial statements are an integral part of this document.

Condensed consolidated interim statement of comprehensive income

For the six month period ended 30 June 2023

	Note	**Six months to 30 June 2023**	Six months to 30 June 2022 (restated)	Year to 31 Dec 2022 (restated)
		$m	$m	$m
Profit for the period		**250.1**	33.6	253.9
Other comprehensive income				
Items that will not be reclassified to the income statement:				
Remeasurements of the net defined benefit pension scheme	19	**(2.8)**	34.4	34.9
Income tax effect		**(1.7)**	(10.8)	(7.7)
		(4.5)	23.6	27.2
Items that may be reclassified subsequently to the income statement:				
Exchange gains/(losses) on translation of foreign operations		**21.0**	(91.2)	(118.0)
Other comprehensive income net of tax		**16.5**	(67.6)	(90.8)
Total comprehensive income for the period (all attributable to owners of the Company)		**266.6**	**(34.0)**	**163.1**

The notes to the condensed consolidated interim financial statements are an integral part of this document.

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Condensed consolidated interim balance sheet

As at 30 June 2023

	Note	**30 June 2023** $m	30 June 2022 (restated) $m	31 Dec 2022 (restated) $m
Assets				
Employee retirement benefit asset	19	**32.2**	20.9	20.9
Goodwill and intangible assets		**329.0**	302.8	320.4
Property, plant and equipment		**130.2**	132.0	133.1
Investments in associates		**6.0**	5.2	5.6
Deferred tax assets		**38.1**	71.2	38.2
Financial assets carried at fair value	16	**6,151.7**	5,684.2	5,812.1
Reinsurance contract held assets	13	**2,514.3**	2,535.9	2,517.2
Trade and other receivables		**206.7**	206.7	160.6
Current tax assets		**4.2**	8.2	4.0
Cash and cash equivalents		**1,289.9**	1,413.9	1,350.9
Total assets		**10,702.3**	10,381.0	10,363.0
Equity and liabilities				
Shareholders' equity				
Share capital		**38.7**	38.7	38.7
Share premium		**522.2**	517.2	517.6
Contributed surplus		**184.0**	184.0	184.0
Currency translation reserve		**(383.2)**	(377.4)	(404.2)
Retained earnings		**2,482.5**	2,100.9	2,297.8
Equity attributable to owners of the Company		**2,844.2**	2,463.4	2,633.9
Non-controlling interest		**1.1**	1.1	1.1
Total equity		**2,845.3**	2,464.5	2,635.0
Deferred tax liabilities		**20.1**	16.0	4.1
Insurance contract liabilities	13	**6,804.5**	6,732.9	6,694.3
Financial liabilities	16	**692.3**	683.2	636.2
Current tax liabilities		**9.4**	17.2	14.1
Trade and other payables		**330.7**	467.2	379.3
Total liabilities		**7,857.0**	7,916.5	7,728.0
Total equity and liabilities		**10,702.3**	10,381.0	10,363.0

The notes to the condensed consolidated interim financial statements are an integral part of this document.

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Condensed consolidated interim statement of changes in equity

For the six month period ended 30 June 2023

	Share capital	Share premium	Contributed surplus	Currency translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 1 January 2023 (restated, see note 2.1)	**38.7**	**517.6**	**184.0**	**(404.2)**	**2,297.8**	**2,633.9**	**1.1**	**2,635.0**
Profit for the period	**-**	**-**	**-**	**-**	**250.1**	**250.1**	**-**	**250.1**
Other comprehensive income net of tax	**-**	**-**	**-**	**21.0**	**(4.5)**	**16.5**	**-**	**16.5**
Employee share options:								
Equity settled share-based payments	**-**	**-**	**-**	**-**	**19.7**	**19.7**	**-**	**19.7**
Proceeds from shares issued	**-**	**3.5**	**-**	**-**	**-**	**3.5**	**-**	**3.5**
Deferred and current tax on employee share options	**-**	**-**	**-**	**-**	**2.2**	**2.2**	**-**	**2.2**
Shares issued in relation to Scrip Dividend	**-**	**1.1**	**-**	**-**	**-**	**1.1**	**-**	**1.1**
Dividends paid to owners of the Company	**-**	**-**	**-**	**-**	**(82.8)**	**(82.8)**	**-**	**(82.8)**
Balance at 30 June 2023	**38.7**	**522.2**	**184.0**	**(383.2)**	**2,482.5**	**2,844.2**	**1.1**	**2,845.3**

The notes to the condensed consolidated interim financial statements are an integral part of this document.

Condensed consolidated interim statement of changes in equity (continued)

For the six month period ended 30 June 2022

	Share capital	Share premium	Contributed surplus	Currency translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 31 December 2021 (as previously reported)	38.7	516.8	184.0	(289.3)	2,088.0	2,538.2	1.1	2,539.3
IFRS 17 and IFRS 9 opening equity adjustments (note 2.1)	-	-	-	3.1	20.8	23.9	-	23.9
Balance at 1 January 2022	38.7	516.8	184.0	(286.2)	2,108.8	2,562.1	1.1	2,563.2
Profit for the period	-	-	-	-	33.6	33.6	-	33.6
Other comprehensive income net of tax	-	-	-	(91.2)	23.6	(67.6)	-	(67.6)
Employee share options:								
Equity settled share-based payments	-	-	-	-	13.8	13.8	-	13.8
Proceeds from shares issued	-	0.1	-	-	-	0.1	-	0.1
Deferred and current tax on employee share options	-	-	-	-	0.3	0.3	-	0.3
Shares issued in relation to Scrip Dividend	-	0.3	-	-	-	0.3	-	0.3
Dividends paid to owners of the Company	-	-	-	-	(79.2)	(79.2)	-	(79.2)
Balance at 30 June 2022	38.7	517.2	184.0	(377.4)	2,100.9	2,463.4	1.1	2,464.5

The notes to the condensed consolidated interim financial statements are an integral part of this document.

Condensed consolidated interim statement of changes in equity (continued)

For the year ended 31 December 2022

	Share capital	Share premium	Contributed surplus	Currency translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 31 December 2021 (as previously reported)	38.7	516.8	184.0	(289.3)	2,088.0	2,538.2	1.1	2,539.3
IFRS 17 and IFRS 9 opening equity adjustments (note 2.1)	-	-	-	3.1	20.8	23.9	-	23.9
Balance at 1 January 2022	38.7	516.8	184.0	(286.2)	2,108.8	2,562.1	1.1	2,563.2
Profit for the year	-	-	-	-	253.9	253.9	-	253.9
Other comprehensive income net of tax	-	-	-	(118.0)	27.2	(90.8)	-	(90.8)
Employee share options:								
Equity settled share-based payments	-	-	-	-	27.2	27.2	-	27.2
Proceeds from shares issued	-	0.1	-	-	-	0.1	-	0.1
Deferred and current tax on employee share options	-	-	-	-	1.2	1.2	-	1.2
Shares issued in relation to Scrip Dividend	-	0.7	-	-	-	0.7	-	0.7
Dividends paid to owners of the Company	-	-	-	-	(120.5)	(120.5)	-	(120.5)
Balance at 31 December 2022	38.7	517.6	184.0	(404.2)	2,297.8	2,633.9	1.1	2,635.0

The notes to the condensed consolidated interim financial statements are an integral part of this document.

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Condensed consolidated interim cash flow statement

For the six month period ended 30 June 2023

	Note	**Six months to June 2023 $m**	Six months to June 2022 (restated) $m	Year to 31 Dec 2022 (restated) $m
Profit before tax		**264.8**	25.4	275.6
Adjustments for:				
Net foreign exchange losses/(gains)		**16.5**	(45.7)	(54.7)
Interest and equity dividend income	9	**(105.3)**	(46.5)	(119.5)
Interest expense	11	**24.0**	18.4	39.7
Net fair value (gains)/losses on financial assets		**(29.3)**	228.3	254.2
Depreciation, amortisation and impairment	10	**30.6**	29.2	60.0
Charges in respect of share-based payments		**19.7**	13.8	27.2
Realised gain on sale of subsidiary undertaking, intangible assets and property plant and equipment		**-**	(1.0)	0.1
Changes in operational assets and liabilities:				
Insurance and reinsurance contracts		**50.5**	16.3	2.2
Financial assets carried at fair value		**(248.1)**	14.7	(128.3)
Financial liabilities carried at fair value		**(0.2)**	(0.1)	-
Financial liabilities carried at amortised cost		**0.2**	0.4	0.9
Other assets and liabilities		**(72.1)**	(0.5)	(49.8)
Cash paid to the pension fund	19	**(12.2)**	(13.5)	(13.5)
Interest received		**97.9**	44.4	109.1
Equity dividends received		**0.7**	2.0	3.9
Interest paid		**(3.9)**	(2.6)	(31.3)
Current tax paid		**(4.2)**	(1.2)	(2.4)
Net cash flows from operating activities		**29.6**	281.8	373.4
Purchase of property, plant and equipment		**-**	(9.9)	(20.9)
Proceeds from the sale of property, plant and equipment		**0.1**	2.4	0.9
Purchase of intangible assets		**(20.6)**	(24.1)	(61.9)
Net cash flows used in investing activities		**(20.5)**	(31.6)	(81.9)
Proceeds from the issue of ordinary shares		**3.5**	0.1	0.1
Proceeds from the issue of loan notes		**-**	-	279.1
Distributions made to owners of the Company		**(81.7)**	(78.9)	(119.8)
Repayments of borrowings		**-**	-	(336.6)
Principal elements of lease payments		**(8.7)**	(6.9)	(13.7)
Net cash flows used in financing activities		**(86.9)**	(85.7)	(190.9)
Net (decrease)/increase in cash and cash equivalents		**(77.8)**	164.5	100.6
Cash and cash equivalents at 1 January		**1,350.9**	1,300.7	1,300.7
Net (decrease)/increase in cash and cash equivalents		**(77.8)**	164.5	100.6
Effect of exchange rate fluctuations on cash and cash equivalents		**16.8**	(51.3)	(50.4)
Cash and cash equivalents at end of period	18	**1,289.9**	1,413.9	1,350.9

The notes to the condensed consolidated interim financial statements are an integral part of this document.

Notes to the condensed consolidated interim financial statements

1. General information

Hiscox Ltd (the ‘Company’) is a public limited company registered and domiciled in Bermuda. The condensed consolidated interim financial statements for the Company as at, and for the six months ended, 30 June 2023 comprise the Company and its subsidiaries (together referred to as the ‘Group’) and the Group’s interest in associates. The CEO’s statement accompanying these condensed consolidated interim financial statements forms the Interim Statement for the half year ended 30 June 2023.

The Directors of Hiscox Ltd are listed in the Group’s 2022 Report and Accounts. A list of current Directors is maintained and available for inspection at the registered office of the Company located at Chesney House, 96 Pitts Bay Road, Pembroke HM 08, Bermuda. Jonathan Bloomer was appointed on 1 June 2023 and has joined the Board as Chair, succeeding Robert Childs who retired on 1 July 2023.

2. Basis of preparation

These condensed consolidated interim financial statements for the six months to 30 June 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, the UK-adopted international accounting standards, and the Disclosure Rules Sourcebook and Transparency Rules issued by the Financial Conduct Authority.

The accounting policies applied, the significant judgements made, and the key sources of estimation uncertainty in the condensed consolidated interim financial statements are the same as those applied in Hiscox Ltd’s 2022 consolidated financial statements, except for those discussed in note 2.1. On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exception under the IAS 12 amendment to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

These condensed consolidated interim financial statements are unaudited but have been reviewed by the auditor, PricewaterhouseCoopers Ltd. The comparative results for the year ended 31 December 2022 and 30 June 2022 have been taken from the Group's 2022 Annual Report and Accounts, and the 2022 Interim Statements except for certain balances which have been restated but not audited following the implementation of IFRS 17 *Insurance Contracts* and IFRS *9 Financial Instruments* (see notes 2.1 and 2.2). They should be read in conjunction with the audited consolidated financial statements of the Group as at, and for the year ended, 31 December 2022.

In preparing these condensed consolidated interim financial statements, management makes judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at, and for the year ended, 31 December 2022, except for those discussed in notes 2.3 and 2.4.

The condensed consolidated interim financial statements have been prepared on a going concern basis. In adopting the going concern basis, management has reviewed the Group's current and forecast solvency and liquidity positions for the next 12 months and beyond. As part of this consideration, management uses scenario analysis and stress testing to assess the robustness of the Group's solvency and liquidity positions.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the condensed consolidated interim financial statements. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

Items included in the financial statements of each of the Group’s entities are measured in the currency of the primary economic environment in which that entity operates (‘the functional currency’). The condensed consolidated interim financial statements are stated in US Dollars which is the Group’s presentation currency. Except where otherwise indicated, all amounts presented in the financial statements are in US Dollars millions ($m) rounded to the nearest hundred thousand Dollars.

These condensed consolidated interim financial statements were approved by the Board for issue on Wednesday, 9 August 2023.

2.1 New and amended accounting standards adopted by the Group

In these condensed consolidated interim financial statements, the Company has applied IFRS 17 and IFRS 9 for the first time.

	2022/2023 $m	2021/2022 $m
Equity as at 31 December as previously reported	2,416.7	2,539.3
Impact of IFRS 17	219.6	25.1
Impact of IFRS 9	(1.3)	(1.2)
Restated equity 1 January	2,635.0	2,563.2

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2.1 New and amended accounting standards adopted by the Group (continued)

2.1.1 IFRS 17 Insurance Contracts

The Group has restated comparative information for 2022 applying the full retrospective transitional provisions of IFRS 17 Insurance Contracts.

The nature of the changes in accounting policies can be summarised, as follows:

The Group was permitted under IFRS 4 *Insurance Contracts* to continue to adopt the existing accounting policies that were applied prior to the adoption of IFRS ('grandfathered') or the date of the acquisition of a subsidiary. IFRS 17 replaces IFRS 4 and is effective for annual periods beginning on or after 1 January 2023. IFRS 17 establishes specific principles for the recognition, measurement and presentation of insurance contracts issued and reinsurance contracts held by the Group. Under IFRS 17, the liability for incurred claims (LIC) is equivalent to the liabilities for claims reported, claims adjustment expenses, and claims incurred but not reported under IFRS 4 and the liability for remaining coverage (LRC) is equivalent to unearned premium liabilities for premiums received.

Measurement

IFRS 17 requires a current measurement model where estimates are remeasured each reporting period. Under the General Measurement Model ("GMM"), contracts are measured using the building blocks of discounted probability-weighted fulfilment cash flows, including an explicit risk adjustment, and a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. A simplification, the Premium Allocation Approach (PAA), can be applied if certain eligibility criteria are met. The majority of the Group's policies have a coverage period of 12 months or less and so are eligible for the PAA. Management applies significant judgements in assessing whether applying the PAA to groups of contracts with a coverage period extending beyond 12 months would produce a measurement of the LRC that would not differ materially from the one that would be produced applying GMM. Management has concluded that a majority of the Group's insurance contracts issued and reinsurance contracts held meet the criteria and the PAA is applied to measure them.

The measurement principles differ from the approach used by the Group under IFRS 4. The key areas are:

- the LRC reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in insurance service revenue;
- measurement of the LRC does not require separate identification of the risk adjustment for non-financial risk and the CSM;
- measurement of the LRC is adjusted if a group of contracts is expected to be onerous (i.e. loss making) over the remaining coverage period and a loss is recognised immediately in the consolidated income statement under 'insurance service expenses' with the recoveries in 'amounts recoverable from reinsurers for incurred claims'. A loss component is measured as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the LRC of the group of contracts;
- measurement of the LIC is determined on a probability-weighted expected value basis. In contrast to IFRS 4, the LIC is discounted. The LIC also includes an explicit risk adjustment to compensate for non-financial risk. The liability includes the Group's obligation to pay other incurred insurance expenses;
- the discount rates used to calculate the LIC are constructed using risk-free rates, plus an illiquidity premium, where applicable. Risk-free rates are determined by reference to the market observable data (swap rates or highly liquid sovereign bonds) in the currencies of the respective (re)insurance contract liabilities. The illiquidity premium is determined based on market observable illiquidity premiums in financial assets, adjusted to reflect the liquidity characteristics of the liability cash flows;
- the risk adjustment for non-financial risk is the estimated compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. Management applies significant judgements in determining the risk adjustment amount;
- measurement of the reinsurance contract asset for remaining coverage (ARC) reflecting reinsurance premiums paid for reinsurance held is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous contracts;
- measurement of the reinsurance asset for incurred claims (AIC) is similar to the LIC as set out above except for the adjustment for the effect of the risk of reinsurer's non-performance;
- the expected premium received is recognised in the consolidated income statement as part of insurance service revenue over the insurance coverage period on the basis of the passage of time unless the expected pattern of release from risk differs significantly from the passage of time, in which case it is recognised based on the expected timing of incurred claims and benefits;
- all insurance and reinsurance contract assets and liabilities are monetary items. As a result, those balances denominated in foreign currencies are subject to revaluation at foreign exchange rates prevailing at the reporting date, with the impact of changes in foreign exchange rates recognised in the consolidated income statement;
- under IFRS 4, acquisition costs were recognised and presented separately as 'deferred acquisition costs'. Under IFRS 17, the Group has taken the option to include directly attributable acquisition cash flows in the LRC which are tested separately for recoverability and are amortised as part of insurance service expenses.

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2.1 New and amended accounting standards adopted by the Group

2.1.1 IFRS 17 Insurance Contracts (continued)

Changes to presentation and disclosure

The presentation of the consolidated income statement changes, with premium and claims figures being replaced with insurance contract revenue, insurance service expense and insurance finance income and expenses. Gross and net written premium will no longer be presented on the face of the consolidated income statement.

Further, reinsurance commission income that is contingent on claims, for example, profit commission income is treated as a part of claims recoveries cash flows and that which is not contingent on claims e.g. overrider commission is accounted for as part of premium paid or received cash flows.

Transition

On transition date, 1 January 2022, the Group:

- has identified, recognised and measured each group of insurance contracts as if IFRS 17 requirements had always applied;
- derecognised any existing balances that would not exist had IFRS 17 requirements always applied;
- performed a PAA eligibility assessment for the 2021 and prior unexpired groups of insurance and reinsurance contracts with coverage periods of longer than 12 months;
- has determined that the net impact to equity at 1 January 2022 was $25.1 million (increase) driven by the following factors:
    - the application of the discounting of the insurance contract liabilities and assets of $55.0 million (increase); and
    - offset by other differences including the recognition of onerous contract net loss components, non-performance risk, and alignment of risk adjustment and accounting policies on a consistent basis under IFRS17 of $29.9 million (decrease).

2.1.2 IFRS 9 Financial Instruments

The Group has adopted IFRS 9 *Financial instruments* with effect from 1 January 2023. IFRS 9 replaces IAS 39 and addresses the classification and measurement of financial assets and liabilities; impairment of financial assets; and general hedge accounting. Comparatives have been restated with adjustments to the carrying amounts of financial assets and liabilities at the date of transition recognised in retained earnings.

The adoption of IFRS 9 has resulted in changes to the Group's accounting policies for recognition, classification and measurement of financial assets and liabilities.

Transition

On the transition date, 1 January 2022, the net impact recognised in equity is $1.2 million (decrease) driven by the recognition of expected credit losses (ECL) under IFRS 9 for financial assets carried at amortised cost, net of tax.

Classification and measurement of financial instruments

IFRS 9 contains three principal classification categories for financial assets: amortised cost; fair value through other comprehensive income (FVOCI); and fair value through profit or loss (FVPL). On transition to IFRS 9, the Group assessed the business models and contractual cash flows of its financial instruments.

The following table reconciles the carrying amounts of financial instruments, from their previous measurement category in accordance with IAS 39, to the measurement categories upon transition to IFRS 9 on 1 January 2022, including any re-measurement impact. Certain balances previously disclosed within Trade and other receivables/payables are in scope of IFRS 17 as they are attributable to insurance contracts; these balances have been excluded from the table below as they are not in scope of IFRS 9.

2.1 New and amended accounting standards adopted by the Group
2.1.2 IFRS 9 Financial Instruments (continued)

Classification and measurement of financial instruments

	31 December 2021		1 January 2022	
	IAS 39		IFRS 9	
	Measurement category	**Carrying Amount ($m)**	**Measurement category**	**Carrying Amount ($m)**
Financial assets				
Government gilts/Bonds	FVPL	907.4	FVPL (mandatory)	907.4
Corporate bonds	FVPL	3,600.8	FVPL (mandatory)	3,600.8
Asset backed securities	FVPL	116.6	FVPL (mandatory)	116.6
Mortgage-backed securities	FVPL	360.1	FVPL (mandatory)	360.1
Other fixed income holdings	FVPL	434.3	FVPL (mandatory)	434.3
Hedge/Equity funds	FVPL	417.0	FVPL (mandatory)	417.0
Strategic investments	FVPL	44.2	FVPL (mandatory)	44.2
Insurance linked funds	FVPL	50.9	FVPL (mandatory)	50.9
Deposits with credit institutions (Lloyds deposits)	Loans and receivables (Amortised cost)	108.9	Amortised cost	108.9
Derivatives	FVPL	1.1	FVPL (mandatory)	1.1
Trade and other receivables	Loans and receivables (Amortised cost)	68.5	Amortised cost	67.3
Cash and cash equivalents	Amortised cost	1,300.7	Amortised cost	1,300.7
Total		**7,410.5**		**7,409.3**
Financial liabilities				
Borrowings and accrued interest	Amortised cost	746.5	Amortised cost	746.5
Derivatives	FVPL	0.2	FVPL (mandatory)	0.2
Trade and other payables	Amortised cost	22.4	Amortised cost	22.4
Total		**769.1**		**769.1**

The classification of financial instruments under IFRS 9 has had no impact on the carrying values previously measured under IAS 39.

The difference in the carrying amount for Trade and other receivables is due to the expected credit loss (ECL) impairment methodology introduced by IFRS 9.

Impairment allowances

IFRS 9 introduces an ECL approach for measuring impairment allowances. The ECL methodology is an unbiased, probability-weighted estimation that incorporates all available information relevant to the assessment of credit risk, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. The forward-looking aspect of IFRS 9 requires judgement as to how changes in economic factors affect ECLs.

Hedge accounting

IFRS 9 introduces changes to the qualifying criteria for hedge accounting and expands the financial and non-financial instruments which may be designated as hedged items and hedging instruments in order to align hedge accounting with business strategy. As the Group does not currently employ any hedge accounting, these changes do not impact the consolidated financial statements of the Group.

2.2 Summary of material accounting policies in relation to insurance contracts and financial instruments

Insurance and reinsurance contracts

The accounting policy set out below is applicable to insurance and reinsurance contracts that are issued by the Group and reinsurance contracts held by the Group unless indicated otherwise.

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2.2 Summary of material accounting policies in relation to insurance contracts and financial instruments
Insurance and reinsurance contracts (continued)

(a) Classification
Insurance contracts are defined as those containing significant insurance risk. Significant insurance risk criteria are met if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

The Group issues short-term casualty and property (re)insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. The Group also enters into ceded reinsurance contracts with reinsurers under which the Group transfers significant insurance risk to reinsurers and is compensated for claims on contracts issued by the Group.

(b) Separating components
The Group assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Group's products do not include any distinct components that require separation.

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a guaranteed minimum amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The guaranteed minimum amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are excluded from insurance service revenue and expenses.

(c) Level of aggregation
Insurance contracts are aggregated into groups for measurement purposes. The level of aggregation for the Group is determined firstly by grouping contracts into portfolios which, with some limited exceptions, are set as the reserving classes of each legal entity. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. No group for level of aggregation purposes may contain contracts issued more than one year apart. The grouping of contracts is not subsequently reconsidered.

A group of insurance contracts is considered to be onerous at initial recognition if the fulfilment cashflows allocated to that group of contracts in total are a net outflow. That is if the present value of expected claims, attributable expenses and risk adjustment exceeds the premium.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Reinsurance contracts held cannot be onerous.

(d) Recognition and derecognition
Groups of insurance contracts issued are initially recognised from the earliest of the following:
- the beginning of the coverage period;
- the date when the first payment from the policyholder is due, or actually received if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

Insurance contracts acquired in a business combination within the scope of IFRS 3 Business Combinations or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Reinsurance contracts held are recognised as follows:
- a group of reinsurance contracts held that provide proportionate coverage is recognised at the later of the following dates (unless underlying contracts are onerous, in which case earlier recognition is required):
    - the beginning of the coverage period of the group; and
    - the initial recognition of any underlying insurance contract;
- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held; unless the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria. Composition of the groups is not reassessed in subsequent periods.

2.2 Summary of material accounting policies in relation to insurance contracts and financial instruments
Insurance and reinsurance contracts (continued)

An insurance contract is derecognised when it is:
- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified such that the modification results in a change in the measurement model e.g. GMM or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contracts to be included in a different group.

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification of the contract as an adjustment to the relevant liability or asset for remaining coverage.

When a group of insurance contracts is derecognised, adjustments to remove related rights and obligations result in the following amounts being charged immediately to consolidated income statement:
- if the contract is extinguished, any net difference between the derecognised part of the liability for remaining coverage (LRC) of the original contract and any other cash flows arising from extinguishment;
- if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
- if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

(e) Contract boundary
The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:
- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
    - The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio;
    - The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

(f) Measurement – Premium Allocation Approach
Initial measurement
The Group applies the premium allocation approach (PAA) to the majority of the insurance contracts that it issues and reinsurance contracts that it holds, because:
- The coverage period of each contract in the group is one year or less; or
- For contracts longer than one year, the Group has modelled possible future scenarios and reasonably expects that the measurement of the LRC for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model.

For insurance contracts issued, on initial recognition, the Group measures the LRC as the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows.

For reinsurance contracts held, on initial recognition, the Group measures assets for the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are recognised over the coverage period of contracts in the group. For reinsurance contracts held, broker fees are recognised over the coverage period of contracts in a group.

2.2 Summary of material accounting policies in relation to insurance contracts and financial instruments
Insurance and reinsurance contracts (continued)

Subsequent measurement
For insurance contracts issued, at each of the subsequent reporting dates, the LRC is
- increased for premiums received in the period;
- decreased for insurance acquisition cash flows paid in the period;
- decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period;
- increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses; and decreased for any investment component paid or transferred to the liability for incurred claims.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:
- increased for ceding premiums paid in the period;
- increased for broker fees paid in the period;
- decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period; and
- decreased for any investment component paid or transferred to the reinsurance assets for incurred claims.

The Group does not adjust the LRC for insurance contracts issued or the remaining coverage for reinsurance contracts held for the effect of the time value of money, because associated premiums are due within one year of the coverage period. The Group only adjusts the remaining coverage for reinsurance contracts held for the time value of money in relation to the legacy portfolio transactions (LPT) that were held as the associated premiums are not due within one year of the coverage period.

The Group estimates the Liability for Incurred Claims (LIC) as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the entity, and include an explicit adjustment for non-financial risk (the risk adjustment). In addition, the Group adjusts the AIC for the effect of the risk of reinsurers' non-performance.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or has become onerous subsequently, the Group increases the carrying amount of the LRC, recognising a loss component, to the amounts of the excess of the fulfilment cash flows that relate to the remaining coverage of the group of contracts, over the carrying amount of the LRC of the group. The amount of such an increase is recognised in insurance service expenses. Subsequently, the loss component is amortised over the coverage period of the group of contracts.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the reinsurance asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of expected recoveries that will be in the consolidated income statement and a loss recovery component is established or adjusted for that amount. The loss recovery component is calculated by multiplying the loss component recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts. When underlying insurance contracts that are reinsured are included in the same group as insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

(g) Insurance revenue
The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, for example a group of contracts that is exposed to large natural catastrophe risk concentrated in the first or second half of the year, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

Changes to the basis of allocation are accounted for prospectively as a change in accounting estimate.

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2.2 Summary of material accounting policies in relation to insurance contracts and financial instruments
Insurance and reinsurance contracts (continued)

(h) Insurance service expenses
Insurance service expenses include the following:
- incurred claims, excluding investment components reduced by loss component allocations;
- other incurred directly attributable expenses;
- insurance acquisition cash flows amortisation using the pattern that is consistent with the insurance revenue;
- changes that relate to past service;
- changes that relate to future service;
- insurance acquisition cash flows assets impairment; and
- mandatory reinstatement premiums.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated Income statement.

(i) Allocation of reinsurance premiums
The allocation of reinsurance premiums includes reinsurance premiums and other incurred directly attributable expenses. Reinsurance premium and expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services. Additionally, broker fees and ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance premiums.

In addition, the allocation of reinsurance premiums also includes changes in the reinsurance assets arising from retroactive reinsurance contracts held and voluntary reinstatement ceded premiums.

(j) Amounts recoverable from reinsurers for incurred claims
The amounts recoverable from reinsurers for incurred claims include:
- incurred claims recoveries, excluding investment components;
- loss-recovery component allocations;
- changes that relate to past service;
- effect of changes in the risk of reinsurers' non-performance;
- amounts relating to accounting for onerous groups of underlying insurance contracts issued;
- ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery; and
- mandatory reinstatement ceded premiums.

(k) Insurance finance income or expenses
Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:
- the effect of the time value of money and changes in the time value of money. This mainly comprises of interest accreted on the LIC and interest unwind on the AIC; and
- the effect of financial risk and changes in financial risk. This mainly includes the effect of changes in interest rates i.e., discount rates.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses. The change in the risk adjustment is entirely presented as part of the insurance service result.

Foreign exchange gains and losses continue to be presented as Net other foreign exchange gain/(loss) line item.

Financial assets and liabilities

The Group classifies its financial assets in the following measurement categories, which depends on the business model for managing the financial assets and the contractual terms of the cash flows:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at fair value through profit or loss (FVPL), are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Such assets held by the Group include cash and cash equivalents, receivables from brokers, prepayments and accrued income, receivables and accrued interest and other debtors.

2.2 Summary of material accounting policies in relation to insurance contracts and financial instruments
Financial assets and liabilities (continued)

- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, and where the cash flows represent SPPI, and that are not designated as FVPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss on the instrument's amortised cost previously recognised in OCI is reclassified from equity to profit or loss. Interest from these financial assets is included in interest income using the effective interest rate method. The Group does not hold any assets at FVOCI as the business model criteria are not met.

- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Assets can also be designated to FVPL if in doing so it eliminates, or significantly reduces, an accounting mismatch. The gains or losses arising from fair value changes on assets measured at FVPL are recognised in profit or loss and presented within investment result in the period in which it arises. The Group's investment assets in this category include government bonds, corporate bonds, asset and mortgage-backed securities, other fixed income holdings, equities, investment funds, insurance linked funds and derivatives. All these assets are at FVPL because of the business model test.

(a) Recognition
The Group recognises a financial asset or a financial liability in its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(b) Impairment allowances
IFRS 9 outlines an expected credit loss (ECL) model for all assets measured at amortised cost and FVOCI.
The assessment of credit risk and the estimation of an ECL are unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. The forward-looking aspect of IFRS 9 requires judgement as to how changes in economic factors affect ECLs. Impairment charges are recognised in the Income Statement within operational expenses.

The ECL is a three-stage model based on forward looking information regarding changes in credit quality since inception. Credit risk is measured using a probability of default (PD); exposure at default (EAD); and loss given default (LGD) as follows:
- PD is an estimate of the likelihood of default of the asset.
- EAD is an estimate of the exposure at that future default date, taking into account expected changes in the exposure after the reporting date.
- LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive. It is usually expressed as a percentage of the exposure at default.

The three stages of ECL are defined and assessed as follows:
Stage 1 – no significant increase in credit risk since inception, ECL is calculated using a 12-month PD.
Stage 2 – a significant increase in credit risk since inception, ECL is calculated using a lifetime PD.
Stage 3 – credit impaired, ECL is calculated using a lifetime PD.

A significant increase in credit risk is considered to have incurred when payments are 30 days past due, or earlier if other factors indicate the risk has increased significantly since inception.

Financial assets are written off when there is no reasonable expectation of recovery on a case-by-case basis.

(c) Derecognition
Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets have expired; or they have been transferred and the Group transfers substantially all the risks and rewards of ownership; or they have been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control. Any gain or loss arising from derecognition is recognised directly in profit or loss. A financial liability is derecognised when the obligation under that liability is discharged, cancelled or expires.

(d) Investment income
The total gain/loss from financial assets carried at fair value through profit or loss (FVPL) is recognised in profit or loss and disclosed in the notes as investment income comprising interest received, realised gains/losses and unrealised gains/losses.

2.2 Summary of material accounting policies in relation to insurance contracts and financial instruments
Financial assets and liabilities (continued)

(e) Financial liabilities
At initial recognition, the Group classifies a financial liability at fair value and subsequently at amortised cost using the effective interest rate method. Financial liabilities mainly include payables to brokerage customers, short term borrowings, long term borrowings and bonds payable.

When all or part of the current obligations of a financial liability have been discharged, the Group derecognises the portion of the financial liability or obligation that has been discharged. The difference between the carrying amount of the derecognised liability and the consideration is recognised in profit or loss.

Derivative financial liabilities are measured at fair value through profit or loss. All the related realised and unrealised gains or losses and transaction costs are recognised in profit or loss.

(f) Derivative financial instruments
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently valued at fair value at each balance sheet date. Fair values are obtained from quoted market values and, if these are not available, valuation techniques including option pricing models are used as appropriate. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. For derivatives not formally designated as a hedging instrument, fair value changes are recognised immediately in the consolidated income statement. Changes in the value of derivatives and other financial instruments formally designated as hedges of net investments in foreign operations are recognised in the currency translation reserve to the extent they are effective; gains or losses relating to the ineffective portion of the hedging instruments are recognised immediately in the consolidated income statement.

The Group had no derivative instruments designated for hedge accounting during the current period and prior financial year.

2.3 Significant accounting judgements

Insurance and reinsurance contracts
The Group applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group applies discounting and includes an explicit risk adjustment for non-financial risk.

(a) Liability for incurred claims
The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. The Group relies on actuarial analysis to estimate the settlement cost of future claims. Via a formal governed process, there is close communication between the actuaries and other key stakeholders, such as the underwriters, claims and finance teams when setting and validating the assumptions. The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

(b) Risk adjustment for non-financial risk
The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

To determine the risk adjustment for non-financial risk for reinsurance contracts, the Group applies a combination of a Value at Risk (VaR) (or a percentile) approach and a scenario-based approach both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results. Most business is measured under the PAA model and therefore the Group does not calculate a risk adjustment in relation to LRC excluding loss component.

2.3 Significant accounting judgements (continued)

Insurance and reinsurance contracts

For the incurred claim liabilities measurement purposes, the Group calculates the risk adjustment at each insurance undertaking entity in accordance with its risk profile using a combination of Value at Risk method and scenario analysis targeting an overall confidence level for the aggregate risk distribution. Scenario analysis is used to determine the level of compensation that the Group requires for bearing uncertainty about the large event-driven claims e.g. natural catastrophe. This element of the compensation for risk takes into consideration the range of potential outcomes from an event and the sensitivities of the loss positions in any modelled scenarios. Given the nature of the underlying business and losses it is normal for new risks to become apparent or for the magnitude of existing risks to change over time.

Group diversification benefit is not considered at the individual insurance undertaking entity level but is considered in determining the confidence level at a consolidated level for disclosure purposes. At 30 June 2023, the risk adjustment in respect of the LIC net of reinsurance is at the 77th percentile (31 December 2022: 78th percentile).

(c) Premium Allocation Approach (PAA) eligibility assessment
A simplified measurement model, the PAA, can be applied if certain eligibility criteria are met. The majority of the Group's policies have a coverage period of 12 months or less and so are eligible for the PAA. Management applies significant judgements in assessing whether to apply the PAA to groups of contracts with a coverage period extending beyond 12 months.

2.4 Significant estimates and assumptions

The preparation of consolidated financial statements requires the use of accounting estimates which could differ to the actual results. This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the condensed consolidated interim financial statements.

Insurance and reinsurance contracts

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios. For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17 please refer to note 3 Management of risk.

(a) Discount rates
Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates were derived using swap rates available in the market denominated in the same currency as the insurance contracts being measured. When swap rates are not available, highly liquid sovereign bonds with the highest e.g., AAA/AA credit rating were used.

Management uses judgement to assess liquidity characteristics of the liability cash flows. The illiquidity premium was estimated based on market observable liquidity premiums in financial assets, adjusted to reflect the illiquidity characteristics of the liability cash flows. The illiquidity premium is determined by reference to market observable AA-rated bonds yield curve in the currency of the insurance contract being measured adjusted to remove both expected and unexpected credit risk.

The following discount rates were applied for the currencies and periods presented below:

	Period end 30 June 2023		
	1 year	**3 year**	**5 year**
USD	**5.22%**	**4.33%**	**3.98%**
GBP	**6.04%**	**5.70%**	**5.32%**
EUR	**3.91%**	**3.66%**	**3.49%**
CAD	**5.11%**	**4.42%**	**3.97%**

	Year end 31 December 2022		
	1 year	3 year	5 year
USD	4.90%	4.24%	4.00%
GBP	4.59%	4.64%	4.55%
EUR	3.12%	3.28%	3.31%
CAD	4.66%	4.03%	3.74%

2.4 Significant estimates and assumptions (continued)

(b) Estimates of future cash flows to fulfil insurance contracts
Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In setting these expectations, the Group uses information about past events, current conditions and forecasts of future conditions. The Group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method. The Group has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. This includes an allocation of acquisition cash flows among existing groups of insurance contracts issued. Claims settlement-related expenses are largely allocated based on claims costs.

Uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims and uncertainties regarding future inflation rates leading to claims and claims-handling expenses growth. Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

3. Management of risk

Operational risk
The Group demonstrates continued operational resilience, underscoring the benefits of its business model, disciplined risk management and ongoing investment in technology and infrastructure.

Insurance risk
The insurance risks are consistent with those disclosed within the Report and Accounts 2022 on pages 181 to 184. The Group continues to assess, review and monitor its underwriting and reserve risk.

Financial risk
The Group continues to monitor all aspects of its financial risk appetite and the resultant exposure is taken with caution.

Reliability of fair value
As detailed in note 16, the Group's investment allocation is broadly comparable to that at 31 December 2022. In order to assist users, the Group has disclosed the measurement attributes of its investment portfolio in a fair value hierarchy in note 17 in accordance with IFRS 13 Fair Value Measurement. At 30 June 2023, only 2.1% (31 December 2022: 2.4%) of the Group's investments are categorised as Level 3.

Price risk
The price risks are consistent with those disclosed within the Report and Accounts 2022 on pages 184 to 185. The Group's equity and investment fund holdings are limited to a relatively small and controlled proportion of the overall investment portfolio. The equity and investment funds holdings are diversified over a number of companies and industries. The fair value of equity and investment fund assets in the Group's balance sheet at 30 June 2023 was $308 million (31 December 2022: $339 million).

Interest rate risk
The interest rate risks are broadly consistent with those disclosed within the Report and Accounts 2022 on page 185. The fair value of the Group's investment portfolio of debt and fixed income holdings is normally inversely correlated to movements in market interest rates. When market interest rates decrease, the fair value of the Group's debt and fixed income investments would tend to increase and vice versa if credit spreads remained constant. The fair value of debt and fixed income assets on the Group's balance sheet at 30 June 2023 was $5,802 million (31 December 2022: $5,427 million).

The liability for incurred claims, reinsurance assets for incurred claims and certain reinsurance assets for remaining coverage are subject to discounting. Please refer to note 2.4(a) for further details regarding the discount rate used.

One method of assessing interest rate sensitivity is through the examination of duration-convexity factors in the underlying portfolio. Duration is the weighted average length of time required for an instrument's cash flow stream to be recovered, where the weightings involved are based on the discounted present values of each cash flow. A closely related concept, modified duration, measures the sensitivity of the instrument's price to a change in its yield to maturity. Convexity measures the sensitivity of modified duration to changes in the yield to maturity.

3. Management of risk

Interest rate risk (continued)

The Group has used a duration-convexity-based sensitivity analysis for the debt and fixed income holdings, and recalculated the discounting impact for the reinsurance contract assets and insurance contract liabilities, to estimate that a movement in interest rates may affect the Group equity and profit after tax for the period/year as follows:

30 June 2023	**1% increase/decrease in interest rates**
	Equity/Profit after tax $m
Reinsurance contract assets	**(39)/39**
Insurance contract liabilities	**90/(90)**
Debt and fixed income holdings	**(86)/86**

31 December 2022	1% increase/decrease in interest rates
	Equity/Profit after tax $m
Reinsurance contract assets	(43)/43
Insurance contract liabilities	92/(92)
Debt and fixed income holdings	(77)/77

Credit risk
The credit risks are consistent with those disclosed within the Report and Accounts 2022 on pages 185 to 187.

The Group Credit Committee assesses the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information detailing their financial strength and performance as well as details of recent payment history and the status of any ongoing negotiations between Group companies and these third parties. As at 30 June 2023, 99% (31 December 2022: 99%) of Group's reinsurance assets are rated BBB or higher, or are fully collateralised.

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 Group, and obtaining collateral from unrated counterparties.

The Group mitigates credit risk by investing predominantly in high-quality debt and fixed income instruments. As at 30 June 2023, 92.8% (31 December 2022: 92.6%) of the Group's investments are rated BBB or higher.

Liquidity risk
The liquidity risks are consistent with those disclosed within the Report and Accounts 2022 on pages 187 to 188.

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

Strong treasury management has ensured that the Group's balance sheet remains well funded and its operations are financed to accommodate liquidity demands, together with a high level of undrawn funds that are sufficient to meet future catastrophe obligations even if difficult investment market conditions were to prevail for a period of time.

The Group 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 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 Group's investments is in highly liquid assets which could be converted to cash in a prompt fashion and at minimal expense. The Group's exposure to equities is concentrated on shares and funds that are traded on internationally recognised stock exchanges.

The main focus of the investment portfolio is on high-quality, short-duration debt and fixed income securities and cash. There are no significant holdings of investments with specific repricing dates. Notwithstanding the regular interest receipts, and also the Group'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 fair value of these securities is presented below.

HISCOX

3. Management of risk

Liquidity risk (continued)

Fair values at balance sheet date analysed by contractual maturity:

As at 30 June 2023	**Within one year $m**	**Between one and two years $m**	**Between two and three years $m**	**Between three and four years $m**	**Between four and five years $m**	**Over five years $m**	**2023 total $m**
Debt and fixed income holdings	**1,367.5**	**1,564.2**	**1,510.8**	**625.2**	**260.4**	**474.3**	**5,802.4**
Cash and cash equivalents	**1,289.9**	**-**	**-**	**-**	**-**	**-**	**1,289.9**
Total	**2,657.4**	**1,564.2**	**1,510.8**	**625.2**	**260.4**	**474.3**	**7,092.3**

As at 31 December 2022	Within one year $m	Between one and two years $m	Between two and three years $m	Between three and four years $m	Between four and five years $m	Over five years $m	2022 total $m
Debt and fixed income holdings	1,355.5	1,519.6	1,296.1	495.0	272.7	487.7	5,426.6
Cash and cash equivalents	1,350.9	-	-	-	-	-	1,350.9
Total	2,706.4	1,519.6	1,296.1	495.0	272.7	487.7	6,777.5

The Group's equities, equity funds, hedge funds and credit funds and other non-dated instruments have no contractual maturity terms but predominantly could be liquidated in an orderly manner for cash in a prompt and reasonable time frame within one year of the balance sheet date.

The following is an analysis by liability type of the estimated timing of net cash flows based on the liability for incurred claims. The estimated phasing of settlement is based on current estimates and historical trends and the actual timing of future settlement cash flows may differ materially from the disclosure below.

Liquidity requirements to settle estimated profile of net undiscounted liability for incurred claims on balance sheet:

As at 30 June 2023	**Within one year $m**	**Between one and two years $m**	**Between two and three years $m**	**Between three and four years $m**	**Between four and five years $m**	**Over five years $m**	**2023 Total $m**
Total	**1,730.2**	**1,017.6**	**543.9**	**350.9**	**197.4**	**359.7**	**4,199.7**

As at 31 December 2022	Within one year $m	Between one and two years $m	Between two and three years $m	Between three and four years $m	Between four and five years $m	Over five years $m	2022 Total $m
Total	1,642.8	975.9	521.6	336.5	189.3	344.8	4,010.9

Currency risk
The currency risk is consistent with the disclosures in the 2022 Report and Accounts on pages 188 to 190, except for liabilities and reinsurance assets for remaining coverage which are now remeasured at the balance sheet date under IFRS 17. The Group remains susceptible to fluctuations in rates of foreign exchange, in particular between US Dollars and Sterling.

Capital risk management
The Group's capital risk management approach is consistent with the disclosures described within the Report and Accounts 2022 on pages 190 to 192. Prudent capital management is critical to ensure the Group is able to continue to serve its customers, pay valid claims and grow where opportunity permits. As a result, at 30 June 2023, the Group remains strongly capitalised against both our regulatory and rating agency requirements. The Group's available capital on an IFRS 17 basis was $2,865.9 million (31 December 2022: $2,645.4 million), comprising net tangible asset value of $2,516.3 million (31 December 2022: $2,314.6 million) and subordinated debt of $349.6 million (31 December 2022: $330.8 million).

4. Seasonality and weather

The Group's material exposure to catastrophe losses on certain lines of business such as reinsurance inwards and marine and major property risk mainly in Re & ILS segment is greater during the second half of the calendar year, broadly in line with the most active period of the North Atlantic windstorm season.

In contrast, a majority of gross premium income written in these lines of business occurs during the first half of the calendar year. The Group actively participates in many regions and, if any catastrophic events do occur, it is likely that the Group will share some of the market's losses. Consequently, the potential for significant volatility in expected returns remains during the second half of the year.

5. Related-party transactions

Transactions with related parties during the period are consistent in nature and scope with those disclosed in note 33 of the Group's Report and Accounts 2022.

6. Operating segments

The Group's operating segment reporting follows the organisational structure and management's internal reporting systems, which form the basis for assessing the financial reporting performance of, and allocation of resources to, each business segment.

The Group's four primary business segments are identified as follows:

Hiscox Retail brings together the results of the Group's retail business divisions in the UK, Europe, USA and Asia. Hiscox UK and Hiscox Europe underwrite personal and commercial lines of business through Hiscox Insurance Company Limited and Hiscox Société Anonyme (Hiscox SA), together with the fine art and non-US household insurance business written through Syndicate 33. Hiscox USA comprises commercial, property and specialty business written by Hiscox Insurance Company Inc. and Syndicate 3624.

Hiscox London Market comprises the internationally traded insurance business written by the Group's London-based underwriters via Syndicate 33, including lines in property, marine and energy, casualty and other specialty insurance lines.

Hiscox Re & ILS is the reinsurance division of the Hiscox Group, combining the underwriting platforms in Bermuda and London. The segment comprises the performance of Hiscox Insurance Company (Bermuda) Limited, excluding the internal quota share arrangements, with the reinsurance contracts written by Syndicate 33. In addition, the healthcare and casualty reinsurance contracts written in Bermuda on Syndicate capacity are included. The segment also includes the performance and fee income from the Insurance Linked Securities (ILS) funds, along with the gains and losses made as a result of the Group's investment in the funds.

Corporate Centre comprises finance costs and administrative costs associated with Group management activities and intragroup borrowings, as well as all foreign exchange gains and losses.

All amounts reported on the following pages represent transactions with external parties only. In the normal course of trade, the Group's entities enter into various reinsurance arrangements with one another. The related results of these transactions are eliminated on consolidation and are not included within the results of the segments. This is consistent with the information used by the chief operating decision-maker when evaluating the results of the Group. Performance is measured based on each reportable segment's profit or loss before tax and combined ratio.

HISCOX

6. Operating segments (continued)
Profit before tax by segment

Six months ended 30 June 2023

	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Insurance revenue	1,139.7	499.3	302.1	-	1,941.1
Insurance service expenses	(996.9)	(372.7)	(117.1)	-	(1,486.7)
Incurred claims and changes to liabilities for incurred claims	(480.9)	(212.2)	(44.1)	-	(737.2)
Acquisition costs *	(322.0)	(104.0)	(37.7)	-	(463.7)
Other attributable expenses *	(187.8)	(56.5)	(35.3)	-	(279.6)
Losses on onerous contracts and reversals	(6.2)	-	-	-	(6.2)
Insurance service result before reinsurance contracts held	142.8	126.6	185.0	-	454.4
Allocation of reinsurance premiums	(119.8)	(139.4)	(158.1)	-	(417.3)
Amount recoverable from reinsurers for incurred claims	90.2	88.3	5.8	-	184.3
Net expense from reinsurance contracts held	(29.6)	(51.1)	(152.3)	-	(233.0)
Insurance service result	113.2	75.5	32.7	-	221.4
Investment result	64.7	34.8	22.3	-	121.8
Net finance expense from insurance contracts	(27.3)	(18.7)	(18.4)	-	(64.4)
Net finance income from reinsurance contracts	4.8	7.9	13.9	-	26.6
Net insurance finance expense	(22.5)	(10.8)	(4.5)	-	(37.8)
Net financial result	42.2	24.0	17.8	-	84.0
Other income	11.4	11.0	10.5	0.8	33.7
Other operational expenses *	(12.9)	(3.5)	(5.5)	(11.9)	(33.8)
Net foreign exchange losses	-	-	-	(16.5)	(16.5)
Other finance costs	(0.6)	(0.1)	(0.4)	(22.9)	(24.0)
Profit/(loss) before tax	153.3	106.9	55.1	(50.5)	264.8
Ratio analysis					
Claims ratio (%)	40.2	36.0	23.6	-	37.7
Expense ratio (%)	49.0	43.6	52.7	-	48.0
Combined ratio (%)	89.2	79.6	76.3	-	85.7

***** Total marketing expenditure for the period was $37.2 million (30 June 2022: $31.4 million; 31 Dec 2022: $65.8 million).

The claims ratio is calculated as incurred claims and losses on onerous contracts net of reinsurance recoveries, as a proportion of insurance revenue net of allocation of reinsurance premiums. The expense ratio is calculated as acquisition costs and other attributable expenses, as a proportion of insurance revenue net of allocation of reinsurance premiums. The combined ratio is the total of the claims and expense ratios. All ratios are on an own share basis, which reflects the Group's share in Syndicate 33, and includes a reclassification of LPT premium from allocation of reinsurance premium into amounts recoverable from reinsurers as detailed below.

Costs allocated to Corporate Centre along with other non-attributable expenses are non-underwriting-related costs and are not included within the combined ratio.

HISCOX

6. Operating segments (continued)

As noted above, the claims ratio, expense ratio and combined ratio include a reclassification of LPT premium from allocation of reinsurance premiums into amounts recoverable from reinsurers for incurred claims. The subsequent impacts of LPTs within reinsurance expenses and reinsurance income are analysed on a net basis within the net claims to provide a view of the underlying development on these contracts, against the corresponding development of the gross reserves, consistent with the focus on net performance when assessing underwriting performance. The impact on profit is neutral, however this reclassification for the ratios removes any volatility on a year-on-year comparison.

Six months ended 30 June 2023

	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Total $m
Insurance revenue	**1,139.7**	**499.3**	**302.1**	**1,941.1**
Allocation of reinsurance premiums	**(119.8)**	**(139.4)**	**(158.1)**	**(417.3)**
LPT premium	**21.3**	**8.6**	**(5.6)**	**24.3**
Allocation of reinsurance premiums after reclassifying LPT premium	**(98.5)**	**(130.8)**	**(163.7)**	**(393.0)**
Adjusted net insurance revenue	**1,041.2**	**368.5**	**138.4**	**1,548.1**
Incurred claims and changes to liabilities for incurred claims	**(480.9)**	**(212.2)**	**(44.1)**	**(737.2)**
Amounts recoverable from reinsurers for incurred claims	**90.2**	**88.3**	**5.8**	**184.3**
LPT premium	**(21.3)**	**(8.6)**	**5.6**	**(24.3)**
Amounts recoverable from reinsurers for incurred claims after reclassifying LPT premium	**68.9**	**79.7**	**11.4**	**160.0**
Adjusted net incurred claims	**(412.0)**	**(132.5)**	**(32.7)**	**(577.2)**
Remove benefit from discounting of claims	**(48.3)**	**(15.1)**	**(6.8)**	**(70.2)**
Undiscounted adjusted net incurred claims	**(460.3)**	**(147.6)**	**(39.5)**	**(647.4)**

The following ratios reflect the reclassification of LPT premium and removes the impact of discounting.

Ratio analysis (undiscounted)				
Claims ratio (%)	**44.8**	**40.1**	**28.5**	**42.2**
Expense ratio (%)	**49.0**	**43.6**	**52.7**	**48.0**
Combined ratio (%)	**93.8**	**83.7**	**81.2**	**90.2**

The impact on profit before tax of a 1% change in each component of the segmental combined ratios is shown in the following table. Any further ratio change is linear in nature.

	Six months ended 30 June 2023		
	Hiscox Retail $m	**Hiscox London Market $m**	**Hiscox Re & ILS $m**
1% change in claims or expense ratio	**10.4**	**3.7**	**1.4**

6. Operating segments (continued)

Six months ended 30 June 2022 (restated)	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Insurance revenue	1,106.1	504.0	270.4	-	1,880.5
Insurance service expenses	(1,021.9)	(426.9)	(20.1)	-	(1,468.9)
Incurred claims and changes to liabilities for incurred claims	(516.7)	(252.3)	42.6	-	(726.4)
Acquisition costs	(304.0)	(129.5)	(33.2)	-	(466.7)
Other attributable expenses	(199.6)	(45.1)	(29.1)	-	(273.8)
Losses on onerous contracts and reversals	(1.6)	-	(0.4)	-	(2.0)
Insurance service result before reinsurance contracts held	84.2	77.1	250.3	-	411.6
Allocation of reinsurance premiums	(128.8)	(125.5)	(168.7)	-	(423.0)
Amount recoverable from reinsurers for incurred claims	120.3	102.0	(70.7)	-	151.6
Net expense from reinsurance contracts held	(8.5)	(23.5)	(239.4)	-	(271.4)
Insurance service result	75.7	53.6	10.9	-	140.2
Investment result	(113.3)	(62.0)	(38.8)	-	(214.1)
Net finance income from insurance contracts	83.4	44.4	37.4	-	165.2
Net finance expense from reinsurance contracts	(31.1)	(19.3)	(27.0)	-	(77.4)
Net insurance finance income	52.3	25.1	10.4	-	87.8
Net financial result	(61.0)	(36.9)	(28.4)	-	(126.3)
Other income	5.1	3.9	8.7	1.0	18.7
Other operational expenses	(14.5)	(2.7)	(2.9)	(14.4)	(34.5)
Net foreign exchange gains	-	-	-	45.7	45.7
Other finance costs	(1.0)	(0.1)	(0.5)	(16.8)	(18.4)
Profit/(loss) before tax	4.3	17.8	(12.2)	15.5	25.4
Ratio analysis					
Claims ratio (%)	43.3	38.9	44.0	-	42.2
Expense ratio (%)	49.3	46.7	47.7	-	48.6
Combined ratio (%)	92.6	85.6	91.7	-	90.8

6. Operating segments (continued)

The impact of the reclassification of LPT premium is shown in the following table.

Six months ended 30 June 2022

	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Total $m
Insurance revenue	1,106.1	504.0	270.4	1,880.5
Allocation of reinsurance premiums	(128.8)	(125.5)	(168.7)	(423.0)
LPT premium	43.8	(5.2)	28.9	67.5
Allocation of reinsurance premiums after reclassifying LPT premium	(85.0)	(130.7)	(139.8)	(355.5)
Adjusted net insurance revenue	1,021.1	373.3	130.6	1,525.0
Incurred claims and changes to liabilities for incurred claims	(516.7)	(252.3)	42.6	(726.4)
Amounts recoverable from reinsurers for incurred claims	120.3	102.0	(70.7)	151.6
LPT premium	(43.8)	5.2	(28.9)	(67.5)
Amounts recoverable from reinsurers for incurred claims after reclassifying LPT premium	76.5	107.2	(99.6)	84.1
Adjusted net incurred claims	(440.2)	(145.1)	(57.0)	(642.3)
Remove benefit from discounting of claims	(18.3)	(8.6)	(1.5)	(28.4)
Undiscounted adjusted net incurred claims	(458.5)	(153.7)	(58.5)	(670.7)
Ratio analysis (undiscounted)				
Claims ratio (%)	45.1	41.2	45.1	44.1
Expense ratio (%)	49.3	46.7	47.7	48.6
Combined ratio (%)	94.4	87.9	92.8	92.7

The impact on profit before tax of a 1% change in each component of the segmental combined ratios is shown in the following table. Any further ratio change is linear in nature.

	Six months ended 30 June 2022		
	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m
1% change in claims or expense ratio	10.2	3.7	1.3

HISCOX

6. Operating segments (continued)

Year ended 31 December 2022 (restated)

	Hiscox Retail	Hiscox London Market	Hiscox Re & ILS	Corporate Centre	Total
	$m	$m	$m	$m	$m
Insurance revenue	2,218.0	1,130.6	924.7	-	4,273.3
Insurance service expenses	(2,002.2)	(881.9)	(601.8)	-	(3,485.9)
Incurred claims and changes to liabilities for incurred claims	(958.0)	(506.4)	(436.7)	-	(1,901.1)
Acquisition costs	(618.4)	(276.6)	(110.5)	-	(1,005.5)
Other attributable expenses	(422.5)	(98.7)	(54.3)	-	(575.5)
Losses on onerous contracts and reversals	(3.3)	(0.2)	(0.3)	-	(3.8)
Insurance service result before reinsurance contracts held	215.8	248.7	322.9	-	787.4
Allocation of reinsurance premiums	(293.3)	(356.3)	(615.2)	-	(1,264.8)
Amount recoverable from reinsurers for incurred claims	260.0	230.9	347.4	-	838.3
Net expense from reinsurance contracts held	(33.3)	(125.4)	(267.8)	-	(426.5)
Insurance service result	182.5	123.3	55.1	-	360.9
Investment result	(98.9)	(54.4)	(34.0)	-	(187.3)
Net finance income from insurance contracts	107.0	56.0	50.7	-	213.7
Net finance expense from reinsurance contracts	(38.5)	(27.5)	(36.1)	-	(102.1)
Net insurance finance income	68.5	28.5	14.6	-	111.6
Net financial result	(30.4)	(25.9)	(19.4)	-	(75.7)
Other income	11.7	7.4	20.8	2.4	42.3
Other operational expenses	(32.1)	(3.8)	(8.4)	(23.5)	(67.8)
Net foreign exchange gains	-	-	-	54.7	54.7
Other finance costs	(1.5)	-	(1.2)	(37.0)	(39.7)
Share of profit of associates	-	-	-	0.9	0.9
Profit/(loss) before tax	130.2	101.0	46.9	(2.5)	275.6
Ratio analysis					
Claims ratio (%)	40.0	37.3	38.1	-	39.1
Expense ratio (%)	51.0	47.2	46.4	-	49.6
Combined ratio (%)	91.0	84.5	84.5	-	88.7

HISCOX

6. Operating segments (continued)

The impact of the reclassification of LPT premium is shown in the following table.

Year ended 31 December 2022

	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Total $m
Insurance revenue	2,218.0	1,130.6	924.7	4,273.3
Allocation of reinsurance premiums	(293.3)	(356.3)	(615.2)	(1,264.8)
LPT premium	114.0	20.8	46.0	180.8
Allocation of reinsurance premiums after reclassifying LPT premium	(179.3)	(335.5)	(569.2)	(1,084.0)
Adjusted net insurance revenue	2,038.7	795.1	355.5	3,189.3
Incurred claims and changes to liabilities for incurred claims	(958.0)	(506.4)	(436.7)	(1,901.1)
Amounts recoverable from reinsurers for incurred claims	260.0	230.9	347.4	838.3
LPT premium	(114.0)	(20.8)	(46.0)	(180.8)
Amounts recoverable from reinsurers for incurred claims after reclassifying LPT premium	146.0	210.1	301.4	657.5
Adjusted net incurred claims	(812.0)	(296.3)	(135.3)	(1,243.6)
Remove benefit from discounting of claims	(53.9)	(17.7)	(4.0)	(75.6)
Undiscounted adjusted net incurred claims	(865.9)	(314.0)	(139.3)	(1,319.2)
Ratio analysis (undiscounted)				
Claims ratio (%)	42.7	39.5	39.2	41.5
Expense ratio (%)	51.0	47.2	46.4	49.6
Combined ratio (%)	93.7	86.7	85.6	91.1

The impact on profit before tax of a 1% change in each component of the segmental combined ratios is shown in the following table. Any further ratio change is linear in nature.

	Year ended 31 December 2022		
	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m
1% change in claims or expense ratio	20.4	8.0	3.6

HISCOX

7. Net asset value (NAV) per share and net tangible asset value per share

	30 June 2023		30 June 2022 (restated)		31 December 2022 (restated)	
	Net asset value (total equity)	**NAV per share cents**	Net asset value (total equity)	NAV per share cents	Net asset value (total equity)	NAV per share cents
	$m		$m		$m	
Net asset value	**2,845.3**	**823.3**	2,464.5	715.6	2,635.0	764.5
Net tangible asset value	**2,516.3**	**728.1**	2,161.7	627.6	2,314.6	671.5

The NAV per share is based on 345,588,027 shares (30 June 2022: 344,417,619; 31 December 2022: 344,672,172), being the shares in issue at 30 June 2023, less those held in treasury and those held by the Group Employee Benefit Trust. Net tangible assets comprise total equity excluding intangible assets. The NAV per share expressed in pence is 647.6 pence (30 June 2022: 589.3 pence; 31 December 2022: 635.5 pence). Previously reported NAV were 30 June 2022: $2,340.4 million (679.5 cents) and 31 December 2022: $2,416.7 million (701.2 cents) and previously reported net tangible asset value was 30 June 2022: $2,037.6 million (591.6 cents) and 31 December 2022: $2,096.3 million (608.2 cents).

8. Return on equity (ROE)

	Six months to 30 June 2023	Six months to 30 June 2022 (restated)	Year to 31 Dec 2022 (restated)
	$m	$m	$m
Profit for the period	**250.1**	33.6	253.9
Opening total equity	**2,635.0**	2,563.2	2,563.2
Adjusted for the time-weighted impact of capital distributions and issuance of shares	**(3.4)**	(3.7)	(54.9)
Adjusted opening total equity	**2,631.6**	2,559.5	2,508.3
Annualised return on equity (%)	**19.9**	2.6	10.1

The ROE is calculated by using profit or loss for the period divided by the adjusted opening total equity. The adjusted opening total equity represents the equity on 1 January of the relevant year as adjusted for time-weighted aspects of capital distributions and issuing of shares or treasury share purchases during the period. The time-weighted positions are calculated on a daily basis with reference to the proportion of time from the transaction to the end of the period. Previously reported ROE was (6.8)% (30 June 2022) and 1.7% (31 December 2022).

HISCOX

9. Net investment and insurance finance result

	Six months to 30 June 2023 $m	Six months to 30 June 2022 (restated) $m	Year to 31 Dec 2022 (restated) $m
Investment result			
Investment income including interest receivable	**105.3**	46.5	119.5
Net realised losses on financial investments at fair value through profit or loss	**(10.3)**	(32.6)	(54.1)
Net fair value gains/(losses) on financial investments at fair value through profit or loss	**29.3**	(228.3)	(254.2)
Investment return – financial assets	**124.3**	(214.4)	(188.8)
Net fair value gains on derivative financial instruments	**1.2**	3.8	8.5
Investment expenses	**(3.7)**	(3.5)	(7.0)
Total investment return	**121.8**	(214.1)	(187.3)
Net finance (expense)/income from insurance contracts:			
Interest accreted	**(107.7)**	(7.4)	(35.7)
Effects of changes in interest rates and other financial assumptions	**43.3**	172.6	249.4
Total net finance (expense)/income from insurance contracts	**(64.4)**	165.2	213.7
Net finance income/(expenses) from reinsurance contracts:			
Interest accreted	**44.0**	0.6	9.5
Effects of changes in interest rates and other financial assumptions	**(17.4)**	(78.0)	(111.6)
Total net finance income/(expenses) from reinsurance contracts	**26.6**	(77.4)	(102.1)
Net insurance finance (expense)/income	**(37.8)**	87.8	111.6
Net financial result	**84.0**	(126.3)	(75.7)

Annualised investment return

	Six months to 30 June 2023		Six months to 30 June 2022		Year to 31 Dec 2022	
	Return $m	**Return %**	Return $m	Return %	Return $m	Return %
Debt and fixed income holdings	**90.5**	**3.2**	(170.8)	(6.5)	(169.1)	(3.2)
Equities and investment funds	**13.3**	**7.6**	(44.8)	(22.0)	(29.6)	(7.3)
Deposits with credit institutions/cash and cash equivalents	**20.5**	**3.2**	1.2	0.2	9.9	0.7
Investment return – financial assets	**124.3**	**3.4**	(214.4)	(6.1)	(188.8)	(2.6)

10. Other income and operational expenses

	Six months to 30 June 2023	Six months to 30 June 2022 (restated)	Year to 31 Dec 2022 (restated)
	$m	$m	$m
Other income	**33.7**	18.7	42.3
Staff costs	**146.7**	148.7	313.4
Depreciation, amortisation and impairment	**30.6**	29.2	60.0
Other expenses	**136.1**	130.4	269.9
Operational expenses	**313.4**	308.3	643.3

The total operational expenses have been restated by $1.0 million for the year ended 31 December 2022 in relation to a reclassification from acquisition costs plus an impact from the IFRS 9 credit loss impairment ($0.7 million for the six months to 30 June 2022).

11. Finance costs

	Six months to 30 June 2023	Six months to 30 June 2022 (restated)	Year to 31 Dec 2022 (restated)
	$m	$m	$m
Interest charge associated with borrowings	**19.3**	14.5	32.2
Interest and expenses associated with bank borrowing facilities	**1.5**	0.8	2.5
Interest and charges associated with Letters of Credit	**1.8**	2.0	4.0
Other interest expenses*	**1.4**	1.1	1.0
Finance costs	**24.0**	18.4	39.7

* Other interest expenses included interest on funds withheld which is included in insurance finance expenses under IFRS 17. Previously reported finance costs were 30 June 2022: $21.7 million and 31 December 2022: $48.1 million.

12. Tax (credit)/expense

The Company and its subsidiaries are subject to enacted tax laws in the jurisdictions in which they are incorporated and domiciled. The amount charged in the condensed consolidated income statement comprises the following:

	Six months to 30 June 2023	Six months to 30 June 2022 (restated)	Year to 31 Dec 2022 (restated)
	$m	$m	$m
Current tax expense/(credit)	**0.2**	(3.4)	2.8
Deferred tax expense/(credit)	**14.5**	(4.8)	18.9
Total tax charged/(credited) to the income statement	**14.7**	(8.2)	21.7

The current tax expense of $0.2 million arises on taxable profit based on a forecast effective tax rate for the full year, and includes the adjustments in respect of prior year.

Previously reported current tax was 30 June 2022: $(3.4) million credit and 31 December 2022: $2.8 million charge and previously reported deferred tax was 30 June 2022: $(16.9) million credit and 31 December 2022: $0.2 million charge.

13. Insurance liabilities and reinsurance contract
Net insurance contract liabilities

Net insurance contracts – Analysis by remaining coverage and incurred claims

	Six months to 30 June 2023				
	Net liabilities for remaining coverage		Net liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	$m	$m	$m	$m	$m
Opening assets	**186.8***	**(0.6)**	**(2,282.4)**	**(421.0)**	**(2,517.2)**
Opening liabilities	**287.4**	**2.5**	**5,737.1**	**667.3**	**6,694.3**
Net opening balance	**474.2**	**1.9**	**3,454.7**	**246.3**	**4,177.1**
Changes in the income statement					
Insurance revenue, net of allocation of reinsurance premiums**	**(1,523.8)**	**-**	**-**	**-**	**(1,523.8)**
Insurance service expenses, net of amounts recoverable from reinsurers					
Incurred claims and other attributable expenses	**-**	**(1.4)**	**917.1**	**22.8**	**938.5**
Acquisition costs	**463.7**	**-**	**-**	**-**	**463.7**
Adjustments to liabilities for incurred claims relating to past service	**-**	**-**	**(83.8)**	**(21.0)**	**(104.8)**
Losses and reversals of losses on onerous contracts	**-**	**6.2**	**-**	**-**	**6.2**
Effect of changes in non-performance risk of reinsurers	**-**	**-**	**(1.2)**	**-**	**(1.2)**
Total net insurance service expenses	**463.7**	**4.8**	**832.1**	**1.8**	**1,302.4**
Insurance service result	**(1,060.1)**	**4.8**	**832.1**	**1.8**	**(221.4)**
Net finance (income)/expenses from insurance contracts	**(3.5)**	**-**	**41.3**	**-**	**37.8**
Net foreign exchange losses	**12.9**	**-**	**42.4**	**7.3**	**62.6**
Total change recognised in comprehensive income	**(1,050.7)**	**4.8**	**915.8**	**9.1**	**(121.0)**
Investment components	**8.6**	**-**	**(8.6)**	**-**	**-**
Transfer to other items in balance sheet	**(124.8)**	**-**	**(307.6)**	**-**	**(432.4)**
Net cash flows					
Net premium received	**1,572.5**	**-**	**-**	**-**	**1,572.5**
Net claims and other insurance service expenses paid	**-**	**-**	**(456.4)**	**-**	**(456.4)**
Insurance acquisition cash flows	**(449.6)**	**-**	**-**	**-**	**(449.6)**
Total cash flows	**1,122.9**	**-**	**(456.4)**	**-**	**666.5**
Closing assets	**(46.3)***	**(0.2)**	**(2,028.7)**	**(439.1)**	**(2,514.3)**
Closing liabilities	**476.5**	**6.9**	**5,626.6**	**694.5**	**6,804.5**
Net closing balance	**430.2**	**6.7**	**3,597.9**	**255.4**	**4,290.2**

* Includes LPT ARC gross of premium payables of $534.1 million at 31 December 2022 and $520.4 million at 30 June 2023.
** includes allocation of LPT premium of $24.3 million.

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13. Insurance liabilities and reinsurance contract (continued)

Net insurance contract liabilities

Net insurance contracts – Analysis by remaining coverage and incurred claims

	Six months to 30 June 2022				
	Net liabilities for remaining coverage		Net liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	$m	$m	$m	$m	$m
Opening assets	266.7*	(4.2)	(2,616.0)	(503.4)	(2,856.9)
Opening liabilities	130.1	16.5	6,188.0	852.3	7,186.9
Net opening balance	396.8	12.3	3,572.0	348.9	4,330.0
Changes in the income statement					
Insurance revenue, net of allocation of reinsurance premiums**	(1,457.5)	-	-	-	(1,457.5)
Insurance service expenses, net of amounts recoverable from reinsurers					
Incurred claims and other attributable expenses	-	(8.4)	962.4	27.1	981.1
Acquisition costs	466.7	-	-	-	466.7
Adjustments to liabilities for incurred claims relating to past service	-	-	(82.2)	(48.8)	(131.0)
Losses and reversals of losses on onerous contracts	-	1.1	-	-	1.1
Effect of changes in non-performance risk of reinsurers	-	-	(0.6)	-	(0.6)
Total net insurance service expenses	466.7	(7.3)	879.6	(21.7)	1,317.3
Insurance service result	(990.8)	(7.3)	879.6	(21.7)	(140.2)
Net finance (income)/expenses from insurance contracts	20.4	-	(108.2)	-	(87.8)
Net foreign exchange losses	(59.9)	(0.2)	(81.3)	(7.9)	(149.3)
Total change recognised in comprehensive income	(1,030.3)	(7.5)	690.1	(29.6)	(377.3)
Investment components	11.6	-	(11.6)	-	-
Transfer to other items in balance sheet	(117.7)	-	(273.8)	-	(391.5)
Net cash flows					
Net premium received	1,657.2	-	-	-	1,657.2
Net claims and other insurance service expenses paid	-	-	(586.7)	-	(586.7)
Insurance acquisition cash flows	(434.7)	-	-	-	(434.7)
Total cash flows	1,222.5	-	(586.7)	-	635.8
Closing assets	79.6*	(1.8)	(2,251.3)	(362.4)	(2,535.9)
Closing liabilities	403.3	6.6	5,641.3	681.7	6,732.9
Net closing balance	482.9	4.8	3,390.0	319.3	4,197.0

* Includes LPT ARC gross of premium payables of $493.0 million at 31 December 2021 and $521.6 million at 30 June 2022.

** includes allocation of LPT premium of $67.5 million.

13. Insurance liabilities and reinsurance contract (continued)

Net insurance contract liabilities

Net insurance contracts – Analysis by remaining coverage and incurred claims

	Year to 31 December 2022				
	Net liabilities for remaining coverage		Net liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	$m	$m	$m	$m	$m
Opening assets	266.7*	(4.2)	(2,616.0)	(503.4)	(2,856.9)
Opening liabilities	130.1	16.5	6,188.0	852.3	7,186.9
Net opening balance	396.8	12.3	3,572.0	348.9	4,330.0
Changes in the income statement					
Insurance revenue, net of allocation of reinsurance premiums**	(3,008.5)	-	-	-	(3,008.5)
Insurance service expenses, net of amounts recoverable from reinsurers					
Incurred claims and other attributable expenses	-	(12.8)	2,001.5	32.6	2,021.3
Acquisition costs	1,005.5	-	-	-	1,005.5
Adjustments to liabilities for incurred claims relating to past service	-	-	(258.3)	(120.2)	(378.5)
Losses and reversals of losses on onerous contracts	-	2.5	-	-	2.5
Effect of changes in non-performance risk of reinsurers	-	-	(3.2)	-	(3.2)
Total net insurance service expenses	1,005.5	(10.3)	1,740.0	(87.6)	2,647.6
Insurance service result	(2,003.0)	(10.3)	1,740.0	(87.6)	(360.9)
Net finance (income)/expenses from insurance contracts	38.2	-	(149.8)	-	(111.6)
Net foreign exchange losses	(65.9)	(0.1)	(74.1)	(15.0)	(155.1)
Total change recognised in comprehensive income	(2,030.7)	(10.4)	1,516.1	(102.6)	(627.6)
Investment components	20.4	-	(20.4)	-	-
Transfer to other items in balance sheet	(235.9)	-	(575.4)	-	(811.3)
Net cash flows					
Net premium received	3,091.3	-	-	-	3,091.3
Net claims and other insurance service expenses paid	-	-	(1,037.6)	-	(1,037.6)
Insurance acquisition cash flows	(767.7)	-	-	-	(767.7)
Total cash flows	2,323.6	-	(1,037.6)	-	1,286.0
Closing assets	186.8*	(0.6)	(2,282.4)	(421.0)	(2,517.2)
Closing liabilities	287.4	2.5	5,737.1	667.3	6,694.3
Net closing balance	474.2	1.9	3,454.7	246.3	4,177.1

* includes LPT ARC gross of premium receivable $493.0 million at 31 December 2021 and $534.0 million at 31 December 2022.

** includes allocation of LPT premium of $180.8 million.

13. Insurance liabilities and reinsurance contract (continued)
Net insurance contract liabilities

Prior year development recognised for the period amounts to $61.7 million (30 June 2022: $67.2 million, 31 December 2022: $209.4 million) comprises:

· the total adjustments to liabilities for incurred claims relating to past service, net of reinsurance recoveries (on a present value basis) of $104.8 million (30 June 2022: $131.0 million, 31 December 2022: $378.5 million);

· adjusted for discounting impact of $(18.8) million (30 June 2022: $3.7 million, 31 December 2022: $11.7 million);

· adjusted for LPT premium and experience adjustment of $(24.3) million (30 June 2022: $(67.5) million, 31 December 2022: $(180.8) million).

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14. Earnings per share

Basic

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held in treasury as own shares. Previously reported EPS was 30 June 2022: (25.3) cents and 31 December 2022: 12.1 cents.

	Six months to 30 June 2023	Six months to 30 June 2022 (restated)	Year to 31 Dec 2022 (restated)
Profit for the period attributable to owners of the Company ($m)	**250.1**	33.6	253.9
Weighted average number of ordinary shares in issue (thousands)	**346,546**	343,712	344,130
Basic earnings per share (cents per share)	**72.2¢**	9.8 ¢	73.8 ¢
Basic earnings per share (pence per share)	**58.7p**	7.5 p	59.5 p

Diluted

Diluted earnings per share is calculated by adjusting the assumed conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, share options and awards. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months to 30 June 2023	Six months to 30 June 2022 (restated)	Year to 31 Dec 2022 (restated)
Profit for the period attributable to owners of the Company ($m)	**250.1**	33.6	253.9
Weighted average number of ordinary shares in issue (thousands)	**346,546**	343,712	344,130
Adjustment for share options (thousands)	**6,929**	4,023	4,908
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**353,475**	347,735	349,038
Diluted earnings per share (cents per share)	**70.8¢**	9.7¢	72.7¢
Diluted earnings per share (pence per share)	**57.5p**	7.4p	58.6p

Diluted earnings per share has been calculated after taking account of Performance share plan awards (adjusted for the impacts of adoption of IFRS 17 and IFRS 9), options under Save As You Earn schemes and employee share awards. Previously reported diluted EPS was 30 June 2022: (25.3) cents and 31 December 2022: 12.0 cents.

15. Dividends paid to owners of the Company

	Six months to 30 June 2023 $m	Six months to 30 June 2022 $m	Year to 31 Dec 2022 $m
Final dividend for the year ended:			
31 December 2022 of 24.0¢ (net) per share	**82.8**	-	-
31 December 2021 of 23.0¢ (net) per share	**-**	79.2	79.2
Interim dividend for the year ended:			
31 December 2022 of 12.0¢ (net) per share	**-**	-	41.3
	82.8	79.2	120.5

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15. Dividends paid to owners of the Company (continued)

The final dividend for the year ended 31 December 2022 of 24.0¢ was paid in cash of $81.7 million and 77,904 shares for the Scrip Dividend. The interim dividend for the year ended 31 December 2022 of 12.0¢ was paid in cash of $40.9m and 34,760 shares for a Scrip Dividend. The final dividend for the year ended 31 December 2021 of 23.0¢ was paid in cash of $78.9 million and 27,940 shares for the Scrip Dividend.

The Board has declared an interim dividend of 12.5¢ per share payable on 26 September 2023 to shareholders registered on 18 August 2023 in respect of the six months to 30 June 2023. The dividends will be paid in Sterling unless shareholders elect to be paid in US Dollars. The foreign exchange rate to convert the dividends declared in US Dollars into Sterling will be based on the average exchange rate in the five business days prior to the Scrip dividend price being determined. On this occasion, the period will be between 5 September 2023 and 11 September 2023 inclusive.

When determining the level of dividend each year, the Board considers the ability of the Group to generate cash and the availability of that cash in the Group, while considering constraints such as regulatory capital requirements and the level required to invest in the business. This is a progressive policy and is expected to be maintained for the foreseeable future.

16. Financial assets and liabilities

i. Analysis of financial assets carried at fair value

	30 June 2023	30 June 2022	31 Dec 2022
	$m	$m	$m
Debt and fixed income holdings	**5,802.4**	5,246.4	5,426.6
Equities and investment funds	**307.8**	391.1	339.1
Investments	**6,110.2**	5,637.5	5,765.7
Insurance-linked funds	**41.3**	46.2	45.3
Derivative financial instruments	**0.2**	0.5	1.1
Total financial assets carried at fair value	**6,151.7**	5,684.2	5,812.1

ii. Analysis of financial liabilities carried at fair value

	30 June 2023	30 June 2022	31 Dec 2022
	$m	$m	$m
Derivative financial instruments	**0.1**	0.2	0.3
Total financial liabilities carried at fair value	**0.1**	0.2	0.3

iii. Analysis of financial liabilities carried at amortised cost

	30 June 2023	30 June 2022	31 Dec 2022
	$m	$m	$m
Borrowings	**664.8**	667.1	628.8
Accrued interest on borrowings	**27.4**	15.9	7.1
Total financial liabilities carried at amortised cost	**692.2**	683.0	635.9
Total financial liabilities	**692.3**	683.2	636.2

On 24 November 2015, the Group issued £275.0 million 6.125% fixed-to-floating rate callable subordinated notes due 2045, with a first call date of 2025.

The notes bear interest from and including 24 November 2015 at a fixed rate of 6.125% per annum annually in arrears starting 24 November 2016 up until the first call date in November 2025, and thereafter at a floating rate of interest equal to the sum of compounded daily Sterling Overnight Index Average (SONIA), the reference rate adjustment of 0.1193% and a margin of 5.076% payable quarterly in arrears on each floating interest payment date.

On 25 November 2015, the notes were admitted for trading on the London Stock Exchange's regulated market. The notes were rated BBB- by S&P and Fitch.

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16. Financial assets and liabilities (continued)

On 22 September 2022, the Group issued £250.0 million 6% notes due September 2027. The notes will be redeemed on the maturity date at their principal amount together with accrued interest.

The notes bear interest from, and including, 22 September 2022 at a fixed rate of 6% per annum annually in arrears starting 22 September 2022 until maturity on 22 September 2027. On 22 September 2022, the notes were admitted for trading on the Luxembourg Stock Exchange's Euro MTF. The notes were rated BBB+ by S&P as well as by Fitch.

iv. Investment and cash allocation

	30 June 2023		30 June 2022		31 Dec 2022	
	$m	**%**	$m	%	$m	%
Debt and fixed income holdings	**5,802.4**	**78.4**	5,246.4	74.4	5,426.6	76.2
Equities and investment funds	**307.8**	**4.2**	391.1	5.5	339.1	4.8
Cash and cash equivalents	**1,289.9**	**17.4**	1,413.9	20.1	1,350.9	19.0
Total	**7,400.1**	**100.0**	7,051.4	100.0	7,116.6	100.0

v. Total investments and cash allocation by currency

	30 June 2023 %	30 June 2022 %	31 Dec 2022 %
US Dollars	**68.3**	69.3	68.9
Sterling	**17.5**	18.5	16.6
Euro	**9.7**	9.0	10.4
Other currencies	**4.5**	3.2	4.1

17. Fair value measurements

An analysis of assets and liabilities carried at fair value, categorised by fair value hierarchy that reflects the significance of the inputs used in measuring the fair value, is set out below.

As at 30 June 2023	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**
Financial assets				
Debt and fixed income holdings	**1,217.9**	**4,523.0**	**61.5**	**5,802.4**
Equities and investment funds	**-**	**279.4**	**28.4**	**307.8**
Insurance-linked funds	**-**	**-**	**41.3**	**41.3**
Derivative financial instruments	**-**	**0.2**	**-**	**0.2**
Total	**1,217.9**	**4,802.6**	**131.2**	**6,151.7**
Financial liabilities				
Derivative financial instruments	**-**	**0.1**	**-**	**0.1**
Total	**-**	**0.1**	**-**	**0.1**

As at 30 June 2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Debt and fixed income holdings	996.2	4,219.7	30.5	5,246.4
Equities and investment funds	-	353.4	37.7	391.1
Insurance-linked funds	-	-	46.2	46.2
Derivative financial instruments	-	0.5	-	0.5
Total	996.2	4,573.6	114.4	5,684.2
Financial liabilities				
Derivative financial instruments	-	0.2	-	0.2
Total	-	0.2	-	0.2

As at 31 December 2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Debt and fixed income holdings	1,122.4	4,237.1	67.1	5,426.6
Equities and investment funds	-	311.8	27.3	339.1
Insurance-linked funds	-	-	45.3	45.3
Derivative financial instruments	-	1.1	-	1.1
Total	1,122.4	4,550.0	139.7	5,812.1
Financial liabilities				
Derivative financial instruments	-	0.3	-	0.3
Total	-	0.3	-	0.3

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows:

- Level 1 - fair values measured using quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 - fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on market observable data;
- Level 3 - fair values measured using valuation techniques for which significant inputs are not based on market observable data.

17. Fair value measurements (continued)

The fair values of the Group's financial assets are typically based on prices from numerous independent pricing services. The pricing services used by the investment manager obtain actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use 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.

Investments in mutual funds comprise a portfolio of stock investments in trading entities which are invested in various quoted investments. The fair value of these investment funds is based on the net asset value of the fund reported by independent pricing sources or the fund manager.

Included within Level 1 of the fair value hierarchy are certain government bonds, treasury bills, borrowings and exchange-traded equities which are measured based on quoted prices in active markets.

Level 2 of the hierarchy contains certain government bonds, US government agencies, corporate securities, asset-backed securities and mortgage-backed securities. The fair value of these assets is based on the prices obtained from independent pricing sources, investment managers and investment custodians as discussed above. The Group records the unadjusted price provided and validates the price through a number of methods including a comparison of the prices provided by the investment managers with the investment custodians and the valuation used by external parties to derive fair value. Quoted prices for US government agencies and corporate securities are based on a limited number of transactions for those securities and as such the Group considers these instruments to have similar characteristics to those instruments classified as Level 2. Also included within Level 2 are units held in collective investment vehicles investing in traditional and alternative investment strategies and over-the-counter derivatives.

Level 3 contains investments in a limited partnership and unquoted equity securities and insurance-linked funds which have limited observable inputs on which to measure fair value. Unquoted equities, including equity instruments in limited partnerships, are carried at fair value. Fair value is determined to be net asset value for the limited partnerships, and for the equity holdings it is determined to be the latest available traded price. The effect of changing one or more of the inputs used in the measurement of fair value of these instruments to another reasonably possible assumption would not be significant. At 30 June 2023, the insurance-linked funds of $41.3 million (30 June 2022: $46.2m; 31 December 2022: $45.3m) represents the Group's investment in the unconsolidated Kiskadee funds.

The fair value of the Kiskadee funds is estimated to be the net asset value as at the balance sheet date. The net asset value is based on the fair value of the assets and liabilities in the funds. The majority of the assets of the funds are cash and cash equivalents. Significant inputs and assumptions in calculating the fair value of the assets and liabilities associated with reinsurance contracts written by the Kiskadee funds include the amount and timing of claims payable in respect of claims incurred and periods of unexpired risk. The Group has considered changes in the net asset valuation of the Kiskadee funds if reasonably different inputs and assumptions were used and has found that a 12% change to the fair value of the liabilities would increase or decrease the fair value of funds by $2.0 million.

In certain cases, the inputs used to measure the fair value of a financial instrument may fall into more than one level within the fair value hierarchy. In this instance, the fair value of the instrument in its entirety is classified based on the lowest level of input that is significant to the fair value measurement.

There were no transfers of assets into or out of level 3 during the current period.

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17. Fair value measurements (continued)

The following tables present a reconciliation of opening and closing balances for financial instruments classified under Level 3 of the fair value hierarchy:

30 June 2023	**Debt and fixed income holdings**	**Equities and investment funds**	**Insurance-linked funds**	**Total**
Financial assets	**$m**	**$m**	**$m**	**$m**
Balance at 1 January	**67.1**	**27.3**	**45.3**	**139.7**
Fair value gains through profit or loss	**0.9**	**-**	**3.2**	**4.1**
Foreign exchange gains	**0.6**	**1.1**	**-**	**1.7**
Settlements	**(7.1)**	**-**	**(7.2)**	**(14.3)**
Closing balance	**61.5**	**28.4**	**41.3**	**131.2**
Unrealised gains in the period on securities held at the end of the period	**0.2**	**-**	**1.6**	**1.8**

30 June 2022	Debt and fixed income holdings	Equities and investment funds	Insurance-linked funds	Total
Financial assets	$m	$m	$m	$m
Balance at 1 January	30.1	44.7	50.9	125.7
Fair value gains or losses through profit or loss	0.4	(2.8)	(1.0)	(3.4)
Foreign exchange (losses)/gains	-	(4.1)	0.1	(4.0)
Settlements	-	(0.1)	(3.8)	(3.9)
Closing balance	30.5	37.7	46.2	114.4
Unrealised gains/(losses) in the period on securities held at the end of the period	0.4	(2.1)	0.2	(1.5)

31 December 2022	Debt and fixed income holdings	Equities and investment funds	Insurance-linked funds	Total
Financial assets	$m	$m	$m	$m
Balance at 1 January	30.1	44.7	50.9	125.7
Fair value gains or losses through profit or loss	1.3	(3.0)	1.3	(0.4)
Foreign exchange (losses)/gains	(1.2)	(3.3)	0.1	(4.4)
Settlements	-	(0.1)	(7.0)	(7.1)
Transfers	36.9	(11.0)	-	25.9
Closing balance	67.1	27.3	45.3	139.7
Unrealised gains/(losses) in the period on securities held at the end of the period	1.3	(2.4)	1.7	0.6

18. Condensed consolidated interim cash flow statement

The purchase, maturity and disposal of financial assets and liabilities, including derivatives, is part of the Group's insurance activities and is therefore classified as an operating cash flow.

Included within cash and cash equivalents held by the Group are balances totalling $231 million (30 June 2022: $323 million; 31 December 2022: $178 million) not available for immediate use by the Group outside of the Lloyd's Syndicates within which they are held. Additionally, $66 million (30 June 2022: $0.5 million; 31 December 2022: $89 million) is pledged cash held against Funds at Lloyd's, and $0.5 million (30 June 2022: $0.5 million; 31 December 2022: $0.5 million) is held within trust funds against reinsurance arrangements.

19. Employee retirement benefit asset

The table below provides a reconciliation of the movement in the Group's net defined benefit (surplus)/liability position under IAS 19 Employee Benefits.

	Six months to 30 June 2023 $m	Year to 31 December 2022 $m
Group defined benefit (surplus)/liability at beginning of period/year	**(20.9)**	35.1
Third-party Names' share at beginning of period/year	**(4.3)**	(12.3)
Net defined benefit (surplus)/liability at beginning of period/year	**(25.2)**	22.8
Defined benefit (income)/expense included in the income statement	**(0.5)**	0.4
Contribution by employer	**(12.2)**	(13.5)
Total remeasurements included in other comprehensive income	**2.8**	(34.9)
Other movements	**(2.0)**	-
Net defined benefit surplus at end of period/year	**(37.1)**	(25.2)
Third-party Names' share at end of period/year	**4.9**	4.3
Group defined benefit surplus at end of period/year	**(32.2)**	(20.9)

There was a contribution paid from the Company of $12.2 million in the six months to 30 June 2023 (year to 31 December 2022: $13.5 million).

20. Post balance sheet events

There are no material events that have occurred after the reporting date.

Directors' responsibilities statement

The Directors confirm, to the best of our knowledge, that these condensed consolidated interim financial statements have been prepared in accordance with UK-adopted international accounting standard 34, '*Interim Financial Reporting'* and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the Interim Statement includes a fair review of the information required by DTR 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last report and accounts.

The Interim Statement 2023 was approved by the Board for issue on Wednesday, 9 August 2023.

Alternative performance measures

The Group uses, throughout its financial publications, alternative performance measures (APMs) in addition to the figures that are prepared in accordance with UK-adopted international accounting standards. The Group believes that these measures provide useful information to enhance the understanding of its financial performance. The APMs are: combined, claims and expense ratios, return on equity, net asset value per share and net tangible asset value per share, insurance contract written premium and prior-year developments. These are common measures used across the industry, and allow the reader of the report to compare across peer companies. The APMs should be viewed as complementary to, rather than a substitute for, the figures prepared in accordance with accounting standards.

- **Combined, claims and expense ratios**

The combined, claims and expense ratios are common measures enabling comparability across the insurance industry, that measure the relevant underwriting profitability of the business by reference to its costs as a proportion of the insurance revenue net of allocation of reinsurance premiums. Claims are discounted under IFRS 17 which can introduce volatility to the ratios if interest rates move significantly during a period, therefore ratios are also presented on an undiscounted basis. The calculation is discussed further in note 6, operating segments. The combined ratio is calculated as the sum of the claims ratio and the expense ratio.

- **Return on Equity (ROE)**

Use of return on equity is common within the financial services industry, and the Group uses ROE as one of its key performance metrics. While the measure enables the Group to compare itself against other peer companies in the immediate industry, it is also a key measure internally where it is used to compare the profitability of business segments, and underpins the performance-related pay and pre-2018 share-based payment structures. The ROE is shown in note 8, along with an explanation of the calculation.

- **Net asset value (NAV) per share and net tangible asset value per share**

The Group uses NAV per share as one of its key performance metrics, including using the movement of NAV per share in the calculation of the options vesting of awards granted under performance share plans (PSP) from 2018 onwards. This is a widely used key measure for management and also for users of the financial statements to provide comparability across peers in the market. Net tangible asset value comprises total equity excluding intangible assets. NAV per share and net tangible asset value per share are shown in note 7, along with an explanation of the calculation.

- **Insurance contract written premium and net insurance contract written premium**

Insurance contract written premium (ICWP) is the Group's top-line key performance indicator, comprising premiums on business incepting in the financial year, adjusted for estimates of premiums written in prior accounting periods, reinstatement premium and non-claim dependent commissions to ensure consistency with insurance revenue under IFRS 17.

The definition of net insurance contract written premium (NICWP) has been adjusted for certain items to ensure consistency with insurance revenue under IFRS 17. The adjustments primarily relate to reinstatement premium and non-claim dependent commissions, along with reinsurance commissions offset.

- **Prior-year developments**

Prior-year developments are a measure of favourable or adverse development on claims reserves, net of reinsurance, that existed at the prior balance sheet date. It enables the users of the financial statements to compare and contrast the Group's performance relative to peer companies.

The prior-year development is calculated as the positive or negative movement in ultimate losses on prior accident years between the current and prior-year balance sheet date on an undiscounted basis adjusted for LPT premium. The LPT premium reclass captures the LPT reinsurance recoveries due to changes in ultimate losses related to the covered business which is recognised in the reinsurance asset held for remaining coverage.