

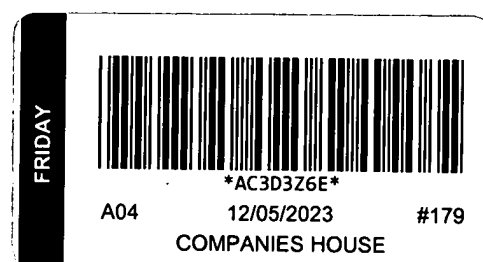
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HISCOX DEDICATED CORPORATE MEMBER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022



HISCOX DEDICATED CORPORATE MEMBER LIMITED

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HISCOX DEDICATED CORPORATE MEMBER LIMITED

COMPANY INFORMATION

Directors

R S Childs
P D Cooper (appointed 30 June 2022)
H A Hussain
B E Masojada
H Rawal

Registered Office

22 Bishopsgate
London
EC2N 4BQ

Registered Number

02858319

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Bankers

Lloyds Bank Plc
113 Leadenhall Street
London
EC3A 4AX

HISCOX DEDICATED CORPORATE MEMBER LIMITED

STRATEGIC REPORT

The Directors present their strategic report, Directors' report and financial statements for the year ended 31 December 2022, which have been prepared in accordance with UK-adopted International Accounting Standards.

The Company is a Lloyd's Corporate Name investing in the underwriting capacity of syndicates in the Lloyd's of London market. The Company has continued to follow the strategy of participating on Syndicates 33 and 3624, which are managed by Hiscox Syndicates Limited, with the intention of generating profits without endangering the capital of the Company. Syndicate 33 is one of the largest composite syndicates at Lloyd's and has an A.M. Best Syndicate rating of A (Excellent). Syndicate 3624, which receives only capacity from this Company, commenced underwriting on 1 January 2009. The principal activity of both Syndicates 33 and 3624 remains the transaction of general insurance and reinsurance business.

Lloyd's has an A (Excellent) rating from A.M. Best, an A+ (Strong) rating from Standard & Poor's, an AA- (Very strong) rating from Fitch and an AA- from Kroll Bond Rating Agency. Both Syndicates benefit from the Lloyd's brand and chain of security.

The Company provides capacity on the following Syndicates to underwrite at Lloyd's of London:

Year of account	2019	2020	2021	2022	2023
Syndicate 33 (£m)	1,015	1,233	1,233	1,233	1,233
Syndicate 33 (\$m)*	1,221	1,483	1,483	1,483	1,483
Syndicate 3624 (£m)	360	400	400	400	400
Syndicate 3624 (\$m)*	433	481	481	481	481
Total (£m)	1,375	1,633	1,633	1,633	1,633
Total (\$m)*	1,654	1,964	1,964	1,964	1,964

* Converted at the closing rate at 31 December 2022 of 1.2029

Principal risks and uncertainties

The Company's primary source of income is derived from its participation in the underwriting activities of Syndicates 33 and 3624. The Company also receives investment income on its own investment assets, including those held as Funds at Lloyd's. The principal risks and uncertainties of this business are detailed in Note 3 and include: insurance risk, financial risk, regulatory risk, operational risk and climate risk.

Key performance indicators

We consider that the key financial performance indicators (KPIs) are those that communicate the underwriting performance of the Company to the shareholders. The KPIs comprise:

	2022 \$000	2021 \$000	Movement \$000
Gross premium written	1,756,425	1,769,115	(12,690)
Gross premium earned	1,736,420	1,814,308	(77,888)
Net premium earned	603,417	598,033	5,384
Profit for the financial year	8,533	42,579	(34,046)
	%	%	%
Claims ratio	34	38	(4)
Commission ratio	48	49	(1)
Expense ratio	11	9	2
Combined ratio	93	96	(3)

HISCOX DEDICATED CORPORATE MEMBER LIMITED

STRATEGIC REPORT *continued*

The claims ratio is calculated as claims and claims adjustment expenses, net of reinsurance, as a proportion of net premium earned. The commission ratio is calculated as expenses for the acquisition of insurance contracts, as a proportion of net premium earned. The expense ratio is calculated as administration expenses, investment management fees, net foreign exchange gains or losses and finance costs, as a proportion of net premium earned. The combined ratio is the sum of the claims ratio, the commission ratio and the expense ratio.

The historic performance of each year of account the Company participated on, at the point of closure is shown below:

Return on capacity	2016 Year of account %	2017 Year of account %	2018 Year of account %	2019 Year of account %	2020 Year of account %
Syndicate 33	7	0	0	(1.5)	4.5
Syndicate 3624	(9)	(9)	(21)	(19)	(18)

Result for the year

The result for the year is a profit of \$8.5m (2021: profit of \$42.6m). The 2022 results have been impacted by foreign exchange losses and the bond market delivering mark-to-market investment losses. Syndicate 33 has continued to take advantage of rate rises and recent underwriting actions are taking effect. It has benefitted from strong favourable development on prior-year losses and weathered Hurricane Ian and losses arising from the Russia/Ukraine conflict during 2022. This is offset by the Syndicate 3624 result being impacted by adverse prior-year loss experience within US cyber and broker general liability business. The Company did not declare or pay an interim dividend during 2022 or 2021. The final dividend payable is \$nil (2021: \$nil). The shareholders' equity is \$104.8 million (2021: \$96.3 million). The Company's share of the Syndicates result is reduced through the quota share in place with Hiscox Insurance Company (Bermuda) Limited. The Company also achieves investments results in its own right through investment returns on its Funds at Lloyds.

Statement by the directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

The Board of Directors of the Company both individually and collectively act in the way they consider in good faith would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and considerations set out in s172 (1) (a-f) of the Act). In decisions taken to the year ended 31 December 2022, we would reference our approach to the business plans and the refresh, cascade and implementation of the wider Hiscox Group Strategy and the supporting control environment which deliver good outcomes for the Company and wider stakeholders. In achieving this, the following areas are highlighted:

- a) Our Company's plan was designed to have a long term beneficial impact on the Company and to contribute to the success in delivering the business of a Lloyd's Corporate Name investing in the underwriting capacity of syndicates in the Lloyd's of London market. We continue to operate our business within a structured control environment. Hiscox Group's values reiterate this longer term perspective with the desire to build a business that lasts and that everyone is proud to be part of.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

STRATEGIC REPORT *continued*

Statement by the directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006 *continued*

- b) Our employees are fundamental to the delivery of our business and our staff are supplied via service agreements with a sister Hiscox Group company (Hiscox Underwriting Group Services Limited (HUGS)). The Hiscox Group aims to build teams that are as diverse as our customers and create a vibrant work environment where all employees can thrive. Hiscox Group has a Diversity, Equity and Inclusion (DEI) strategy framework and vision based on values which anchor and align to the corporate culture. These support a vision of a healthy and successful Hiscox that is powered by diverse people and fuelled by inclusion. In addition to the Hiscox Group strategy, each business unit has a set DEI action plan that further details key performance indicators (KPIs) and actions for a localised approach. We have put steps in place for workforce engagement, training and development, employee networks, regular communication updates, launch events for major projects and Partner's events. We are a Living Wage employer in the UK. Hiscox Group's values reiterate that our growth and success has been built on team work, having shared goals and celebrating together when things go well and supporting each other when they do not.
- c) Time is taken to get to know the people we work with and work for – our customers. Throughout the Hiscox Group, we think about the implications of our decisions on everyone else in our Group, our industry and our community, because we are committed to building a sustainable business with a legacy we can all be proud of. Our success depends on our relationships with a network of experts beyond our business. All of our activities are informed by appropriate engagement with stakeholders to gain an understanding of our operating environment and the market in which we operate. We value our suppliers and have a Group Prompt Payment Policy which states our intention to pay what we owe, when it is owed.
- d) Our plan takes into account the impact of the Company's operations on the community, the environment and wider societal responsibilities. As a company within Hiscox Group, we operate in line with the Hiscox Environmental, Social and Governance (ESG) framework which ensures that we play a responsible part in society and that our customers and society benefit when times are tough. Like others, we are responding to a changing climate, and are helping our customers and business partners to adapt through our products and services. We also evolve as regulation changes and public interest in emerging issues grows. ESG issues touch many different parts of our business – such as HR, risk, finance, underwriting, investments and the ESG framework we have developed helps us stay focussed and make an impact. It ensures we are pragmatic and consistent, teaming Group-wide themes with local market relevance. Our ESG efforts are measured both internally and externally. Externally, we participate in a number of key ESG indices including CDP, and we report against TCFD in the Hiscox Ltd Annual Report and Accounts. For assets under management by the Company, 100% of our Investment Managers are signed up to the UN Principles of Responsible Investments (UNPRI) as is the Hiscox Group, which is also signed up to the Principles for Sustainable Insurance (PSI).
- e) The Board of Directors' intention is to behave responsibly and ensure that the business operates in a responsible manner with the high standards of business conduct and good governance. There is a clear policy in place for whistleblowing and this ensures that employees feel empowered to raise concerns in confidence and without fear of unfair treatment.

Task Force on Climate-Related Financial Disclosures (TCFD)

Reporting against TCFD is a requirement of the FCA for all premium-listed firms on a 'comply or explain' basis. Hiscox Group has been reporting against the TCFD-aligned ClimateWise Principles through our annual climate report since 2019 and are public supporters of TCFD. The Group's climate report sets out the approach to climate-related matters in every part of our business: governance, risk management, operations, underwriting, investments, marketing and so on. It is one of our richest sources of climate-related information and is available at: www.hiscoxgroup.com/2022climatereport.pdf.

In addition, the Hiscox Ltd Report and Accounts 2022 includes Hiscox Group's disclosures against TCFD, in accordance with the FCA requirements. This can be found at: www.hiscoxgroup.com/sites/group/files/documents/2022-03/TCFD.pdf.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

STRATEGIC REPORT *continued*

Streamlined Energy and Carbon Reporting (SECR)

The cornerstone of our climate-related metrics and targets is our greenhouse gas (GHG) emission reduction targets. In 2022, we published new Group targets which have been created using SBTi methodologies and which align with a 1.5°C net-zero world by 2050. This is in keeping with our commitments as a signatory to the 2015 Paris Climate Agreement. More information on our new GHG emission reduction targets can be found in the Hiscox Ltd Report and Accounts 2022.

All of the employees of the Company and its UK affiliates are employed by HUGS, which also provides and manages the premises which the Company and its UK affiliates occupy. For the year ended 31 December 2022, Hiscox Dedicated Corporate Member Limited is not required to disclose the energy consumption and emissions between the Company and its UK affiliates so the amounts shown below are the totals incurred throughout the Hiscox Group.

Hiscox Group Streamlined Energy and Carbon Reporting (SECR) GHG emissions

Activity	2022		2021		Year-on-year change in emissions (tCO ₂ e) %
	Energy kWh	Emissions tCO ₂ e	Energy kWh	Emissions tCO ₂ e	
Scope 1 total		786		678	16
Natural gas	2,439,188	445	2,342,644	441	1
Company cars	1,048,235	250	377,056	87	187
Refrigerants		91		150	(39)
Scope 2 (market-based) total		927		866	7
Electricity (location- based)	5,311,279	1,313	5,603,303	1,484	(12)
Electricity (market-based)	5,311,279	874	5,603,303	847	3
District heating	307,720	53	108,999	19	179
Operational Scope 3 total		19,298		17,116	13
Total operational footprint (market-based)		21,011		18,660	13
Total Scope 1 and 2 - UK proportion (market-based)		29%		36%	(19)

GHG emissions are calculated according to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition) and UK government SECR guidelines. Note some emissions totals may not tally due to rounding. A copy of the Group's full GHG inventory is also available in the Hiscox Ltd Annual Report and Accounts.

On behalf of the Board



Hemang Rawal
Director
2 May 2023

HISCOX DEDICATED CORPORATE MEMBER LIMITED

DIRECTORS' REPORT

Directors

The names of the Directors of the Company during the period and to the date of this report are listed on page 2 of these financial statements. None of the Directors of the Company who served during the year ended 31 December 2022 were underwriting Names at Lloyd's for 2020, 2021, 2022 or 2023 years of accounts.

The Directors have no interests in the shares of the Company, nor in any shares of any other Group company other than in the ultimate parent company, Hiscox Ltd. The interests of the director, who is also a director of the ultimate parent company, is shown in the consolidated financial statements of Hiscox Ltd.

Dividend

The Company did not declare or pay an interim dividend during 2022 or 2021. The final dividend payable is \$nil. (2021: \$nil).

Going concern

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

As part of the consideration of the appropriateness of adopting the going concern basis, the Directors use scenario analysis and stress testing to assess the robustness of solvency and liquidity positions of the syndicates on which the Company participates. Scenarios and stresses assessed include further losses from business interruption claims and reinsurance recoveries, economic downturn/shocks and natural catastrophe events. A number of potential mitigating factors and management actions have been identified to address the potential adverse effects on the Company's solvency and liquidity. Stress and scenario testing is based on expert opinion and as such is highly subjective. Multiple experts within the business review the provisional results in order to reduce individual biases and to try and ensure all possibilities are considered and captured. In undertaking this analysis, no material uncertainty in relation to going concern has been identified. The Directors have reviewed the Company's forecast solvency position and are content that this supports the continued use of the going concern basis in preparing the financial statements.

The Company's cash resources are also managed within the Group framework. Working capital forecasts, which have been prepared for the Group as part of its three year operating plan demonstrate that the Group has sufficient resources to continue in operational existence for the foreseeable future.

As described in note 26, the Company and its reinsurer Hiscox Insurance Company (Bermuda) Limited (HIB) provide assets under a Security and Trust Deed, charged to Lloyd's of London, to meet any liabilities they incur from their interest in Syndicates 33 and 3624. This is known as Funds at Lloyd's (FAL) and as at 31 December 2022, total FAL assets held were valued at \$1,119 million, of which the Company provided \$429 million.

Indemnity insurance

A policy of indemnity insurance cover to the benefit of the directors of the company has been in force during the year ended 31 December 2022 and at the date of this report.

Political and Charitable Contributions

The Company made no political contributions during the year (2021: \$nil) and no charitable donations (2021: \$nil).

Employees and pension arrangements

All employees are employed by HUGS. Its management charge to the Syndicates on which the Company participates includes basic salary cost, employee benefits and pension expenses.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

DIRECTORS' REPORT continued

Business relationships

We have a diverse range of stakeholders whose engagement is critical to our continued success. We engage with, consider and respond to our stakeholders needs at various levels and as part of the Hiscox Group. Our success depends on our relationships with a network of experts beyond our business. Our business relationships can be seen via the core themes in the Hiscox Environmental, Social and Governance Framework.

Environmental - We carefully manage our environmental impact and work with our customers, suppliers and business partners to respond to the changing climate. For Hiscox, this means looking at our operations and how we can reduce waste – water, electricity and other consumption helped by our global network of green teams. It also means investing in areas such as research, catastrophe modelling and new technologies that improve our underwriting capabilities and benefit our brokers and customers. As part of the Hiscox Group, we have been reporting against the Task Force on Climate-Related Financial Disclosure (TCFD)-aligned ClimateWise Principles since 2019 and are public supporters of TCFD. Subsidiary level TCFD reporting is not yet available and therefore the Company aligns itself to the Group position. Our annual climate report sets out our approach to climate-related matters in every part of our business: governance, risk management, operations, underwriting, investments, and marketing. It is our richest source of climate-related information and expands on the information set out below, so for more information go to: <https://www.hiscoxgroup.com/blog/hiscox/hiscox-climate-report-2022-year-pragmatism-and-progress>. The Board are actively involved in the oversight of managing risks from climate change. The PRA focus on the financial risks associated with the transition to a low carbon economy and their expectations are set out in Supervisory Statement 3/19 (SS3/19) which have been addressed by the Company through a "Strategic (Climate) Action Plan". Each year, the Board reviews and agrees actions to help further embed ongoing activities in this area which are expected to continue in 2023 and in future years.

Social – We strive to be a good employer, a trusted insurer and a good corporate citizen, recognising that there is not a 'one-size-fits-all' solution to such matters; no claim, person or plight is the same as another. We take our role in the world seriously and so our claims philosophy, our strategy for charitable giving and our employment practices all contribute to our social narrative. Hiscox's charitable foundation – The Hiscox Foundation – has been in place since 1987, along with Hiscox Gives which creates meaningful volunteering opportunities for employees.

Governance – Good governance practices are essential to our day-to-day business of serving customers and paying claims. Good governance encompasses not just having the appropriate internal controls, policies and procedures, and structures and oversight; it also requires our employees to be accountable for their actions and empowered to raise their hand if something goes wrong. Naturally it also means complying with the laws and regulations that are relevant to our Company.

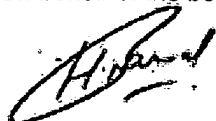
Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Future Developments

Syndicates 33 and 3624 will continue to transact insurance business and Hiscox Dedicated Corporate Member Limited will continue to be a Corporate member

On behalf of the board



Hemang Rawal
Director
2 May 2023

HISCOX DEDICATED CORPORATE MEMBER LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HISCOX DEDICATED CORPORATE MEMBER LIMITED

Independent auditors' report to the members of Hiscox Dedicated Corporate Member Limited

Report on the audit of the financial statements

Opinion

In our opinion, Hiscox Dedicated Corporate Member Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2022; the Statement of profit or loss, Statement of cash flows and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

HISCOX DEDICATED CORPORATE MEMBER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HISCOX DEDICATED CORPORATE MEMBER LIMITED

With respect to the Strategic report and Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Director's Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Director's Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manual journals. Audit procedures performed by the engagement team included:

- Discussions with senior management involved in the Risk and Compliance functions, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of any matters reported on the company's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Reading key correspondence with Lloyd's, the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant board meeting minutes;
- Testing journal entries identified in accordance with our risk assessment; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

HISCOX DEDICATED CORPORATE MEMBER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HISCOX DEDICATED CORPORATE MEMBER LIMITED

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Thomas Robb (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

2 May 2023

HISCOX DEDICATED CORPORATE MEMBER LIMITED

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 \$000	2021 \$000
Income			
Gross premiums written	7	1,756,425	1,769,115
Outward reinsurance premiums		(1,136,350)	(1,190,238)
Net premiums written		620,075	578,877
Gross premiums earned	7	1,736,420	1,814,308
Premiums ceded to reinsurers		(1,133,003)	(1,216,275)
Net premiums earned		603,417	598,033
Investment result	6	(23,468)	17,616
Total income		579,949	615,649
Expenses			
Claims and claim adjustment expenses, net of reinsurance	22	(207,595)	(227,783)
Expenses for the acquisition of insurance contracts	5	(288,778)	(290,192)
Administration expenses	5	(51,220)	(49,062)
Other expenses	5	(971)	(672)
Net foreign exchange losses	5	(11,398)	(511)
Total expenses		(559,962)	(568,220)
Profit of operating activities		19,987	47,429
Finance costs	5	(3,506)	(2,569)
Profit before tax		16,481	44,860
Tax expense	8	(7,948)	(2,281)
Profit for the year (all attributable to the owner of the Company)		8,533	42,579

All of the operations of the Company are continuing.

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

The notes on pages 17 to 51 form an integral part of this document.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 \$000	2021 \$000
Assets			
Intangible assets	9	33,082	33,082
Deferred tax assets	16	10,246	57,205
Deferred acquisition costs	10	190,130	190,911
Financial assets carried at fair value	11	2,098,908	2,061,944
Reinsurance assets	20	2,921,029	3,436,300
Loans and receivables	12	656,702	722,294
Current tax assets	17	7,444	321
Cash and cash equivalents	13	198,316	221,867
Total assets		6,115,857	6,723,924
Equity and liabilities			
Shareholders' equity			
Share capital	14	2,025	2,025
Foreign currency reserve	15	22,049	22,049
Retained earnings		80,748	72,215
Total equity (all attributable to the owner of the Company)		104,822	96,289
Deferred tax liabilities	16	5,455	34,250
Insurance liabilities	20, 21	4,317,074	4,383,432
Trade and other payables	18	1,688,506	2,209,953
Total liabilities		6,011,035	6,627,635
Total equity and liabilities		6,115,857	6,723,924

The notes on pages 17 to 51 form an integral part of this document.

The financial statements on pages 13 to 16 were approved by the Board of Directors on 2 May 2023 and signed on its behalf by:



Hemang Rawal
Director
2 May 2023

Hiscox Dedicated Corporate Member Limited
Registered number 02858319

HISCOX DEDICATED CORPORATE MEMBER LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital \$000	Retained earnings \$000	Foreign currency reserve \$000	Total equity \$000
Balance at 1 January 2021	2,025	29,636	22,049	53,710
Profit for the year (all attributable to the owner of the company)	-	42,579	-	42,579
Balance at 31 December 2021	2,025	72,215	22,049	96,289
Balance at 1 January 2022	2,025	72,215	22,049	96,289
Profit for the year (all attributable to the owner of the company)	-	8,533	-	8,533
Balance at 31 December 2022	2,025	80,748	22,049	104,822

The notes on pages 17 to 51 form an integral part of this document.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 \$000	2021 \$000
Profit before tax		16,481	44,860
Adjustments for:			
Net foreign exchange losses	5	11,398	511
Interest and investment income*	6	(16,495)	(16,393)
Effect of exchange rate fluctuation on cash presented separately		(4,095)	(1,980)
Finance interest costs	5	3,506	2,569
Net fair value losses on financial investments*	6	37,381	7,749
Changes in operational assets and liabilities:			
Deferred acquisition costs		781	15,012
Insurance and reinsurance contracts		65,939	12,002
Financial assets carried at fair value*		(74,345)	126,158
Other assets and liabilities*		(76,317)	(145,143)
Interest received		19,931	14,037
Finance interest costs paid		(3,506)	(2,569)
Current tax paid		3,093	(17,395)
Net cash flows from operating activities		(16,248)	39,418
Net cash flows from investing activities		-	-
Distributions made to the owner of the company	23	-	-
Net cash flows from financing activities		-	-
Net movement in cash and cash equivalents		(16,248)	39,418
Cash and cash equivalents at 1 January		221,867	180,980
Net movement in cash and cash equivalents		(16,248)	39,418
Effect of exchange rate fluctuations on cash and cash equivalents		(7,303)	1,469
Cash and cash equivalents at 31 December	13	198,316	221,867

The notes on pages 17 to 51 form an integral part of this document.

*The purchase, maturity and disposal of financial assets are part of the Company's insurance activities and are therefore classified as an operating cashflow.

A significant proportion of the transactions including dividend and tax payments are settled via intercompany balances and as such, the movements in the balances are classified as changes in operational assets and liabilities.

Included within cash and cash equivalents held by the Company are balances totalling \$31.3m (2021: \$9.0m) not available for immediate use by the Company outside of the Lloyd's syndicates within which they are held.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. General information and statement of compliance

1.1 General information

Hiscox Dedicated Corporate Member Limited (the Company) is a private company, limited by shares, and registered in England and Wales under the Companies Act 2006. For the period under review the Company's operations and principal activities are investing in the underwriting capacity of syndicates in the Lloyd's of London market.

In view of the several but not joint liability of underwriting members at Lloyd's for the transactions of syndicates in which they participate, the Company's attributable share of the transactions, assets and liabilities of the syndicates the Company participates on have been included in the financial statements.

1.2 Statement of compliance

The financial statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006.

2. Significant accounting policies

2.1. Basis of preparation

The financial statements are compiled on a going concern basis and prepared on the historical cost basis except that certain financial instruments including derivative instruments, are measured at fair value. The statement of financial position of the Company is presented in order of increasing liquidity. The accounting policies have been applied consistently to all periods presented.

Except as described below and overleaf, the accounting policies adopted are consistent with those of the previous financial year.

(a) New accounting standards, interpretations and amendments to published standards

New standards, amendments to standards and interpretations, as adopted by the United Kingdom, are effective for annual periods beginning on, or after, 1 January 2022. They have been applied in preparing these financial statements and had no material impact.

- IFRS 3 References to the Conceptual Framework (Amendments to IFRS 3)
- IAS 16 Proceeds before intended use and annual improvements
- IAS 37 Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)

(b) Future accounting developments

The following new standards, and amendments to standards, are effective for annual periods beginning after 1 January 2022 and have not been applied in preparing these financial statements:

- Amendments to IAS 1, IAS 8 and IAS 12 effective from 1 January 2023
- **IFRS 9 Financial Instruments**
This standard incorporates new classification and measurement requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39 and new hedge accounting requirements. The Company satisfies the criteria set out in IFRS 4 Insurance Contracts for the temporary exemption from IFRS 9. At 31 December 2015 (the date specified by IFRS 4), the carrying value of the Company's liabilities connected with insurance comprised over 90% of the total liabilities. These include significant insurance liabilities and creditors arising from insurance operations.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Significant accounting policies *continued*

2.1. Basis of preparation *continued*

Under the current requirements (IAS 39), a majority of the Company's investments were designated as at fair value through profit or loss on initial recognition and subsequently remeasured to fair value at each reporting date, reflecting the Company's business model for managing and evaluating the investment portfolio. Adoption of IFRS 9 is not expected to result in any material changes to the measurement of the Company's investments, which continues to be at fair value through profit or loss.

Financial assets within the scope of IFRS 17 Insurance Contracts such as premiums receivable and reinsurance and other recoveries on paid claims, which together form the majority of the carrying value of the Company's loans and receivables, and reinsurance recoveries on outstanding claims are outside the scope of IFRS 9.

Loans and receivables also includes amounts due from brokers, agents and intermediaries and other financial assets which are within the scope of IFRS 9. Under IFRS 9, these assets continue to be recognised at amortised cost less impairment, with the measurement of impairment reflecting expected credit losses. The Company expects a recognition of an earlier and higher loss allowance under this approach compared to the current incurred loss approach, resulting in a negative impact on equity on adoption. IFRS 9 has been endorsed by the UK.

– IFRS 17 Insurance Contracts

The Company will restate 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 Company is 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 Company. 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, 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 Company'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 liability for remaining coverage (LRC) that would not differ materially from the one that would be produced applying GMM. Management has concluded that a majority of the Company'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 Company 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. The Company taken the option not to discount the LRC.
- Measurement of the LRC does not require separate identification of the risk adjustment for non-financial risk and the contractual service margin (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 profit or loss 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;

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Significant accounting policies *continued*

2.1. Basis of preparation *continued*

- Measurement of the liability for incurred claims (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 Company'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 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 liquidity 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 Company 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;
- The expected premium received) is recognised in the profit or loss 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 profit or loss in insurance finance income and expenses.

Under IFRS 4, acquisition costs were recognised and presented as separately as 'deferred acquisition costs'. Under IFRS 17, the Company 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.

IFRS 17 will be applied retrospectively in 2023. The alternative approaches set out in the standard should only be used when retrospective application is impracticable. Due to the short-term nature of the contracts, the Company applies the fully retrospective approach.

Changes to presentation and disclosure

The presentation of the profit or loss will change, with premium and claims figures being replaced with insurance contract revenue, insurance service expense and insurance finance income and expense. Gross and net written premium will no longer be presented on the face of the profit or loss.

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. override commission is accounted for as part of premium paid or received cash flows.

Transition

On transition date, 1 January 2022, the Company has:

- 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;

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Significant accounting policies *continued*

2.1. Basis of preparation *continued*

- estimated the net impact to equity at 1 January 2022 of approximately \$10.1 million (increase) driven by the following factors:
 - the application of the discounting of the insurance contract liabilities and assets of approximately \$12.2 million (increase);
 - 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 approximately \$2.1 million

The Company has not presented here the restated opening statement of financial position on 1 January 2022 or restated accounts for the year end 2022. These will be presented in the accounts for 2023.

2.2. Insurance contracts

2.2.1. Classification

Insurance contracts are defined as those containing significant insurance risk 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 Company issues short-term casualty and property insurance contracts that transfer significant insurance risk.

2.2.2. Recognition and measurement

Gross premiums written and outwards reinsurance premiums comprise premiums on contracts incepting during the financial year. Written premiums are disclosed gross of commission payable to intermediaries and exclude taxes and duties levied on premiums.

Premiums written include estimates for premiums due but not yet received or notified, less an allowance for expected cancellations.

Outwards reinsurance premiums are also disclosed gross of commissions and profit participations recoverable from reinsurers.

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

2.2.3. Deferred acquisition costs (DAC)

Commissions and other direct and indirect costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as deferred acquisition costs. All other costs are recognised as expenses when incurred. DAC are amortised over the terms of the policies as premium is earned.

2.2.4. Unexpired Risk

Provision is made for unexpired risks arising from general business where the expected value of the claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to such policies after the deduction of any acquisition costs deferred. The provision for unexpired risks is assessed at a business unit level which is the level at which the contracts are managed together.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Significant accounting policies *continued*

2.2. Insurance contracts *continued*

2.2.5. Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed by each business unit to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities, are used. Any deficiency is charged to profit or loss initially by writing-off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests ('the unexpired risk reserve'). Any DAC written-off as a result of this test is not subsequently reinstated.

2.2.6. Outward reinsurance contracts held

Contracts entered into by the Company, with reinsurers, under which the Company is compensated for losses on one or more insurance or reinsurance contracts and that meet the classification requirements for insurance contracts, are classified as insurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Company is entitled under outwards reinsurance contracts are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables) as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Reinsurance liabilities primarily comprise premiums payable for 'outwards' reinsurance contracts. These amounts are recognised in profit or loss proportionally over the period of the contract. Receivables and payables are recognised when due.

The Company assesses its reinsurance assets on a regular basis and if there is objective evidence, after initial recognition, of an impairment in value, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises the impairment loss in the statement of profit and loss.

Within the financial statements, the reinsurance to close of underwriting years on syndicates has been treated as the extinguishment of a liability. Whilst IFRS requires assets and liabilities to be presented gross, the directors have chosen to present reinsurance to close as the extinguishment of the insurance liability in accordance with market practice.

2.2.7. Retroactive reinsurance transactions

Retroactive insurance contracts that contain significant insurance risk and that have an insurance component and a deposit component are unbundled providing the deposit component can be measured separately. The deposit component is recorded directly into the statement of financial position within reinsurers' share of insurance liabilities with a corresponding amount in creditors arising out of reinsurance operations. The reinsurers' share of insurance liabilities relating to the contracts is remeasured at each reporting period with movements taken to the reinsurance recoveries in the statement of profit or loss.

Reinsurance transactions that transfer risk but are retroactive are included in reinsurance assets. The excess of estimated liabilities for claims and claim expenses over the consideration paid is established as a deferred credit at inception. The deferred amounts are subsequently amortised using the recovery method over the settlement period of the reserves and reflected through the claims and claim adjustment expenses line. In transactions where the consideration paid exceeds the estimated liabilities for claims and claim adjustment expenses, a loss is recognised immediately.

2.2.8. Receivables and payables related to insurance contracts

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

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Significant accounting policies *continued*

2.2. Insurance contracts *continued*

2.2.9. Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell property acquired in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property. Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.3. Revenue

Revenue comprises insurance and reinsurance premiums earned on the rendering of insurance protection, net of outwards reinsurance, together with profit commission, investment returns and other income inclusive of foreign exchange gains on instruments not formally designated for hedge accounting treatment. The accounting policies for insurance premiums are outlined above. Profit commission, investment income and other sources of income are recognised on an accruals basis net of any discounts and amounts such as sales based taxes collected on behalf of third parties.

2.4. Intangible assets - syndicate capacity

The cost of purchasing the Company's participation in Lloyd's insurance Syndicate 33 is not amortised but is tested annually for impairment and is carried at cost less accumulated impairment losses. Having considered the future prospects of the London insurance market, the Board believes that the Company's ownership of syndicate capacity will provide economic benefits over an indefinite number of future periods. This assumption is reviewed annually to determine whether the asset continues to have an indefinite life.

The Company's intangible asset relating to syndicate capacity has been allocated, for impairment testing purposes to one individual cash generating unit. The Company has considered the asset's recoverability on a value in use basis. This calculation uses cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated based on an average level of return and annual growth consistent with the industry long-term average. A pre-tax discount factor has been applied to projected cash flows as part of the exercise. The results of this exercise indicate that the recoverable amount exceeds the intangible's carrying value on the statement of financial position. The carrying value on a Pence per Pound of capacity basis, on the statement of financial position is also below the average open market price of Syndicate 33 capacity, witnessed in the recent Lloyd's of London capacity auctions in Autumn 2022.

2.5. Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the period in which the dividend is approved by the members for a final dividend or paid for an interim dividend.

2.6. Financial assets and liabilities including loans and receivables

The Company has classified financial assets as

- a) financial assets at fair value through profit or loss, and
- b) Loans and receivables.

Management determines the classification of its financial investments at initial recognition. The decision by the Company to designate all financial investments, comprising debt and fixed income securities, equities and shares in unit trusts, and deposits with credit institutions, at fair value through profit or loss reflects the fact that the investment portfolios are managed, and their performance evaluated, on a fair value basis. Regular purchases and sales of investments are accounted for at the date of trade.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Significant accounting policies *continued*

2.6 Financial assets and liabilities including loans and receivables *continued*

Financial assets are initially recognised at fair value. Subsequent to initial recognition financial assets are measured as described below. Financial assets are de-recognised when the right to receive cash flows from them expires or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Fair value for securities quoted in active markets is the bid price exclusive of transaction costs. For the minority of instruments where no active market exists, fair value is determined by referring to recent transactions and other valuation factors including the discounted value of expected future cash flows. Fair value changes are recognised immediately within the investment result line in the statement of profit and loss.

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

2.7. Cash and cash equivalents

The Company has classified cash deposits and short-term highly liquid investments as cash and cash equivalents. These assets are readily convertible into known amounts of cash and are subject to inconsequential changes in value. Cash equivalents are financial investments with less than three months to maturity at the date of acquisition.

2.8. Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually or whenever there is an indication of impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.8.1. Non-financial assets

Objective factors that are considered when determining whether a non-financial asset such as an intangible asset may be impaired include, but are not limited to, the following:

- adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability;
- the likelihood of accelerated obsolescence arising from the development of new technologies and products; and
- the disintegration of the active markets to which the asset is related.

2.8.2. Financial assets

Objective factors that are considered when determining whether a financial asset or group of financial assets may be impaired include, but are not limited to, the following:

- negative rating agency announcements in respect of security issuers, reinsurers and debtors;
- significant reported financial difficulties of security issuers, reinsurers and debtors;
- actual breaches of credit terms such as persistent late payments or actual default;
- the disintegration of the active markets in which a particular asset is traded or deployed;

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Significant accounting policies *continued*

2.8. Impairment of assets *continued*

2.8.2. Financial assets *continued*

- adverse economic or regulatory conditions that may restrict future cash flows and asset recoverability; and
- the withdrawal of any guarantee from statutory funds or sovereign agencies implicitly supporting the asset.

2.8.3. Impairment loss

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

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

2.9. Share Capital

Shares are classified as equity when there is no obligation to transfer cash or assets and results in the equity holder having a residual interest in the Company's net assets. Dividends are reflected in the financial statements once the dividend is formally declared.

2.10. Functional currency and presentational currency

Items included in the financial statements of each of the syndicates are measured using the currency of the primary economic environment in which the syndicate operates (the 'functional currency'). The functional currency of Hiscox Dedicated Corporate Member Limited is USD.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. Non-monetary items carried at historical cost are translated in the statement of financial position at the exchange rate prevailing on the original transaction date. Non-monetary items measured at fair value are translated using the exchange rate ruling when the fair value was determined.

2.11. Pension recharge

The Hiscox Group operates a defined benefit pension scheme and a defined contribution pension scheme. The accrual of benefit for active members of the defined benefit scheme ceased on 31 December 2006. Syndicate 33 is charged a contribution in the form of a recharge, this amount is not necessarily the whole of any surplus or deficit on the defined benefit scheme. Subsequently the Company presents this charge within administration expenses.

2.12. Current and deferred tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the date of the statement of financial position.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not recognised. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Significant accounting policies *continued*

2.13. Use of critical estimates and assumptions

The preparation of financial statements requires the use of significant estimates, judgements and assumptions. The Directors consider the accounting policies for determining insurance liabilities, the valuation of investments, premium recognition, the valuation of current and deferred tax assets and liabilities as being most critical to an understanding of the Company's result and position.

The inherent uncertainty of insurance risk requires the Company to make estimates and assumptions that affect the reported amounts of insurance and reinsurance assets and liabilities at the date of the statement of financial position. This is the most significant area of potential uncertainty in the Company's financial statements. There are several sources of uncertainty that need to be considered in the estimation of the insurance liabilities that the Company will ultimately pay for valid claims. These include but are not restricted to: inflation; changes in legislation; changes in the Company's claims handling procedures; and discordant judicial opinions which extend the Company's coverage of risk beyond that envisaged at the time of original policy issuance. The Company seeks to gather corroborative evidence from all relevant sources before making judgements as to the eventual outcome of claims, particularly those under litigation, which have occurred and been notified to the Company, but remain unsettled at the date of the statement of financial position.

Estimates are continually evaluated based on entity specific historical experience and contemporaneous developments observed in the wider industry, and are also updated for expectations of prospective future developments. Although the possibility exists for material changes in insurance liabilities estimates to have a critical impact on the Company's reported performance and financial position, it is anticipated that the scale and diversity of the Company's portfolio of insurance business considerably lessens the likelihood of this occurring. Note 3.1 to financial statements provides a greater analysis of the main methods used by the Company when formulating estimates of the insurance claims liabilities at the date of the statement of financial position.

Premium recognition:

Premiums written include an estimate of gross premiums written during the year. For certain contracts, premium is initially recognised based on estimates of ultimate premium. This occurs where pricing is based on variables, which are not known with certainty at the point of binding the policy or where underwriting authority has been delegated and premiums written have not yet been declared. In determining the estimated premium, use is made of information provided by brokers and coverholders, past underwriting experience, the contractual terms of the policy and prevailing market conditions. Subsequently, adjustments to those estimates arise as updated information relating to those pricing variables becomes available, for example due to declarations obtained on binding authority contracts, reinstatement premium on reinsurance contracts or other policy amendments. Such adjustments are recorded in the period in which they are determined and impact gross written premiums in the statement of profit or loss and premiums receivable from insureds and cedants recorded on the statement of financial position.

Outwards reinsurance premiums are also disclosed gross of commissions and profit participations recoverable from reinsurers.

Taxation:

Legislation concerning the determination of taxation assets and liabilities is complex and continually evolving. In preparing the Company's financial statements, the Directors estimate current and deferred taxation assets and liabilities after taking appropriate professional advice.

The determination and finalisation of agreed current and deferred taxation assets and liabilities may not occur until several years after the date of the statement of financial position and consequently the final amounts payable or receivable may differ from those presently recorded in these financial statements.

Investments:

The Company carries its financial investments at fair value through profit and loss with fair value determined with reference to the most active financial markets in which the assets trade. During periods of economic distress and diminished liquidity, the ability to obtain quoted bid prices may be reduced and as such a greater degree of judgment is required in obtaining the most reliable source of valuation.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Significant accounting policies *continued*

2.13. Use of critical estimates and assumptions continued

Pension;

The Hiscox Group operated both defined contribution and defined benefit pension schemes during the year under review. The defined benefit scheme closed to future accrual with effect from 31 December 2006 and active members were offered membership of the defined contribution scheme from 1 January 2007. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and has no further obligation beyond the agreed contribution rate. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The amount recognised on the Hiscox Group balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. Plan assets include insurance contracts. The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit method. As the plan is closed to all future benefit accrual, each participant's benefits under the plan are based on their service to the date of closure or earlier leaving, their final pensionable earnings at the measurement date and the service cost is the expected administration cost during the year. Past service costs are recognised immediately in the profit or loss. Pension contributions relating to Group recharges are charged to the Company via its participation in Syndicate 33 and included within net operating expenses. Contributions and movement in surpluses or deficits on the defined benefit scheme, that relate to the Company are allocated equally between all open years of account.

3. Risk review

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

The Company writes a balanced book of insurance and reinsurance business spread by product and geography. The Directors believe that the Company is well placed to manage its business risk and continue to trade successfully.

The majority of the risks affecting the Company result from its participation on Hiscox Syndicates 33 and 3624 (the Syndicates). Hiscox Syndicates Limited (HSL) is the managing agent for the Syndicates. Therefore a number of risks the Company faces are mitigated by governance and controls provided by HSL.

HSL has a robust governance framework in place to manage risk. The Board of HSL has delegated more detailed oversight of risk management to the HSL Risk Committee. The HSL Risk Committee is chaired by an Independent Non-Executive Director.

The HSL Risk Committee focuses on those areas where there is potential that insufficient action is being taken to mitigate risks and which may need to be escalated to the HSL Board.

The HSL Board approves the risk appetite with more detailed monitoring of exposures against the risk appetite being undertaken by the HSL Risk Committee.

In addition, the HSL Board exercises oversight of the development and operational implementation of its risk management policies and procedures, through the HSL Risk Committee, and ongoing compliance therewith, through a dedicated internal audit function, which has operational independence, a charter and clear upwards reporting structure back into the HSL Audit Committee and the HSL Board.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

3. Risk review *continued*

The Company, in common with the non-life insurance industry generally, is fundamentally driven by a desire to originate, retain and service insurance contracts to maturity. The Company's cash flows are funded mainly through advance premium collections and the timing of such premium inflows is considered to be reasonably predictable. In addition, the majority of material cash outflows are typically triggered by the occurrence of insured events non-correlated to financial markets, and not by the inclination or will of policyholders. The principal sources of risk relevant to the Company's operations and its financial statements fall into five broad categories: insurance risk, financial risk, regulatory risk, operational risk and climate risk.

3.1 Insurance risk

Insurance risk is transferred to the Company by contract holders through the underwriting process. The Company's exposure to insurance risk arises from the possibility that an insured event occurs, and claims subsequently submitted by the insured for payment. In common with other insurers, the Company's earnings can be affected by unpredictable events and circumstances. These may include, but are not limited to, conditions such as natural and other catastrophes, legal developments, social change and the emergence of latent risks. Such events could create significant levels of losses if the Syndicate's underwriting models, aggregation tools and policy wordings do not prevent unplanned concentrations of risk, both in geographical regions and types of policy. Robust risk management and loss mitigation techniques are employed to minimise this risk, including underwriting models, aggregation tools and policy wordings to prevent unplanned concentrations of risk.

3.1.1 Underwriting risk

Underwriting risk is defined as the risk that insurance premiums will not be sufficient to cover future insurance losses and associated expenses. Underwriting risk also encompasses people, process and system risks directly related to underwriting.

HSL Board sets each Syndicate's underwriting strategy and risk appetite, seeking to exploit identified opportunities in the light of other relevant anticipated market conditions.

Specific underwriting objectives such as aggregation limits, reinsurance protection thresholds, geographical disaster event risk exposures and line of business diversification parameters are prepared and reviewed by the HSL management team in order to translate the HSL Board's summarised underwriting strategy into specific measurable actions and targets. These actions and targets are reviewed and approved in advance of each underwriting year. The HSL Board continually reviews its underwriting strategy throughout each underwriting year in light of evolving market pricing, loss conditions and as opportunities present themselves.

HSL's underwriters and management consider underwriting risk at an individual contract level and also from a portfolio perspective where the risks assumed in similar classes of policies are aggregated and the exposure evaluated in light of historical portfolio experience and prospective factors. To assist with the process of pricing and managing underwriting risk the Syndicates routinely perform a wide range of activities including the following:

- regularly updating the Syndicates risk models;
- documenting, monitoring and reporting on the Syndicates' strategy to manage risk;
- developing systems that facilitate the identification of emerging issues promptly;
- utilising sophisticated computer modelling tools to simulate catastrophes and measure the resultant potential losses before and after reinsurance;
- monitoring legal developments and amending the wording of policies when necessary;
- regularly aggregating risk exposures across individual underwriting portfolios and known accumulations of risk;
- examining the aggregated exposures in advance of underwriting further large risks; and
- developing processes that continually factor market intelligence into the pricing process.

The delegation of underwriting authority to specific individuals, both internally and externally, is subject to regular reviews. All underwriting staff and binding agencies are set strict parameters in relation to the levels and types of business they can underwrite, based on individual levels of experience and competence. These parameters cover areas such as maximum sums insured per insurance contract, maximum gross premiums written and maximum aggregated exposures per geographical zone and risk class. All delegations are strictly controlled through these underwriting guidelines and limits and extensive monitoring, review and auditing of the agencies.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

3. Risk review *continued*

3.1 Insurance risk *continued*

3.1.1 Underwriting risk *continued*

However, as there is no absolute guarantee that an agent will comply with the terms of its authority, the Syndicates could be exposed to unanticipated losses. Other business areas where the Syndicates are to some extent reliant on the timely and effective supply of services from third parties include back office policy processing, data entry and cash collection.

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

HSL compiles estimates of losses arising from realistic disaster events using statistical models alongside input from its underwriters. These require significant management judgement. Realistic disaster scenarios are extreme hypothetical events selected to represent major events occurring in areas with large insured values. They also reflect the areas that represent significant exposure to the Company. In addition to understanding the loss the Company may suffer from an event, it is important to ensure that the risk models used are calibrated to the risks faced today. This includes updating trends in claims payments, and capturing climate change related impacts.

The selection of realistic disaster scenario events is adjusted each year and they are not necessarily directly comparable from one year to the next. The events are extreme and as yet untested, and as such these estimates may prove inadequate as a result of incorrect assumptions, model deficiencies, model or losses from unmodelled risks. This means that should a realistic disaster actually eventuate, the final ultimate losses could materially differ from those events modelled by management. The insurance contracts include provisions to contain losses, such as the ability to impose deductibles and demand reinstatement premiums in certain cases. In addition, in order to manage the HSL's exposure to repeated catastrophic events (both man-made and natural catastrophes), relevant policies frequently contain payment limits to cap the maximum amount payable from these insured events over the contract period. In the case of climate-exposed risks specifically, the vast majority of underwriting contracts written are annual in nature and thus can be revised frequently. This flexibility is a key tool for managing the multi-decade challenge of climate risks holistically.

The Syndicates also manage underwriting risk by purchasing reinsurance. Reinsurance protection such as excess of loss and quota share cover is purchased at a Syndicate level to mitigate the effect of catastrophes and unexpected concentrations of risk. The scope and type of reinsurance protection purchased may change depending on the extent and competitiveness of cover available in the market. The Company is exposed to the risk that the reinsurance protection that has been bought is inadequate or inappropriate, but this is monitored and managed using modelling techniques, supervised by a dedicated reinsurance purchase group.

3.1.2 Reserving risk

Reserving risk is defined as the risk that reserves set in respect of insurance claim losses are ultimately insufficient to fully settle these claims and associated expenses. This definition also applies to reserves which have been set previously.

The Syndicates' procedures for estimating the outstanding costs of settling insured losses at the date of the statement of financial position, including claims incurred but not yet reported, are detailed in note 2.2.2.

The majority of the Syndicates' insurance risks are short tail and, based on historical claims experience, significant claims are normally notified and settled within one to two years of the insured event occurring. Those claims taking the longest time to develop and settle, typically relate to casualty risks where legal complexities occasionally develop regarding the insured's alleged omissions or negligence. The length of time required to obtain definitive legal judgements and make eventual settlements exposes the Syndicates to a degree of reserving risk in an inflationary environment.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

3. Risk review *continued*

3.1 Insurance risk *continued*

3.1.2 *Reserving risk* *continued*

The majority of the Syndicates' casualty exposures are written on a claims made basis. However the final quantum of these claims may not be established for a number of years after the event. Consequently a significant proportion of the casualty insurance amounts reserved on the statement of financial position may not be expected to settle within one year of the date of the statement of financial position.

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

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

For the inwards reinsurance lines, there is often a time lag between the establishment and re-estimation of case reserves and reporting to the Syndicates. The Syndicates work closely with the reinsured to ensure timely reporting and also centrally analyse industry loss data to verify the reported reserves. The Company purchases additional reinsurance to mitigate underwriting and reserving risk incurred in its participation on the Syndicates.

In addressing the impact of inflation HSL focuses on:

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

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

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

Booked reserves include a net margin of \$53.3 million (2021: \$69.0 million), representing 8.6% (2021: 10.5%) of net booked reserves. This is the margin above the best estimate to help mitigate the uncertainty within the reserve estimates. As the best estimate matures and becomes more certain, the management margin is gradually released in line with the reserving policy.

3.2 Financial risk

The Company is exposed to financial risk through its ownership of financial instruments including financial liabilities. The Company and Syndicates invest in financial assets in order to fund obligations arising from its insurance contracts and other liabilities. The key financial risk for the Syndicates is that the proceeds from its financial assets and investment result generated thereon are not sufficient to fund the obligations. The most important entity and economic variables that could influence in such an outcome are the reliability of fair values, interest rate risk, credit risk, liquidity risk and currency risk. The Company's and Syndicates' policies and procedures for managing exposure to these specific categories of risk are detailed below.

3.2.1 *Reliability of fair values*

The Company and Syndicates have elected to carry all financial investments at fair value through profit or loss as they are managed and evaluated on a fair value basis in accordance with a documented strategy. All of the financial investments held by the Company and Syndicates are available to trade in markets and the Company and Syndicates therefore seek to determine fair value by reference to published prices or as derived by pricing vendors using observable quotations in the most active financial markets in which the assets trade. The fair value of financial assets is measured primarily with reference to their closing bid market prices at the date of the statement of financial position.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

3. Risk review *continued*

3.2. Financial risk *continued*

3.2.1 *Reliability of fair values continued*

The ability to obtain quoted bid market prices may be reduced in periods of diminished liquidity. In addition, those quoted prices that may be available may represent an unrealistic proportion of market holdings or individual trade sizes that could not be readily available to the Company and Syndicates. In such instances fair values may be determined or partially supplemented using other observable market inputs such as prices provided by market makers such as dealers and brokers, and prices achieved in the most recent regular transaction of identical or closely related instruments occurring before the date of the statement of financial position, but updated for relevant perceived changes in market conditions.

At 31 December 2022 and 2021, the Syndicates held asset-backed and mortgage-backed fixed income instruments in their investment portfolios. Together with the Syndicates' investment managers, Management continues to monitor the potential for any adverse development associated with this investment exposure through the analysis of relevant factors such as credit ratings, collateral, subordination levels and default rates in relation to the securities held. The Company and Syndicates did not experience any material defaults on debt securities during the current or prior year.

Valuation of these securities will continue to be impacted by external market factors including default rates, rating agency actions, and liquidity. The Company and Syndicates will make adjustments to their investment portfolios as appropriate as part of their overall portfolio strategy, but their ability to mitigate risk by selling or hedging its exposures may be limited by the market environment. The Company and Syndicates' future results may be impacted, both positively and negatively, by the valuation adjustments applied to these securities.

3.2.2 *Interest rate risk*

Fixed income investments represent a significant proportion of the Company and Syndicates' assets and the Directors continually monitor investment strategy to minimise the risk of a fall in the portfolio's market value which could affect the amount of business that the Syndicates are able to underwrite or its ability to settle claims as they fall due. The fair value of the Companies and Syndicates' investment portfolio of debt and fixed income securities is inversely correlated to movements in market interest rates. If market interest rates fall, the fair value of the Company's and Syndicates' debt and fixed income investments would tend to rise and vice versa. Debt and fixed income assets are predominantly invested in high quality corporate, government and asset backed bonds. The investments typically have relatively short durations and terms to maturity. The Syndicates portfolio is managed to minimise the impact of interest rate risk on anticipated Syndicates cash flows. The Company portfolio is managed to maximise investment result and maintain capacity to ensure the Syndicates can continue to write business.

The Company, including through the Syndicates, hold significant portfolios of investments to support their obligations, including their insurance liabilities, and their profits depend in part upon the returns that these achieve. Changes in interest rates, equity returns and other economic variables can therefore affect financial performance. To mitigate this risk the Syndicates have detailed investment strategies that seek to minimise the concentration of investment risk in a particular issuer or sector. The majority of investment assets held are low risk, high quality, short duration debt securities and fixed term deposits.

Table a)

Nature of debt and fixed income holdings	31 December 2022 % weighting	31 December 2021 % weighting
Government issued bonds and instruments	20	12
Government supported*	4	10
Asset backed securities	4	2
Mortgage backed instruments – Agency	3	4
Mortgage backed securities – Non Agency	2	3
Corporate bonds	66	68
Credit funds	1	1

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

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

3. Risk review *continued*

3.2. Financial risk *continued*

3.2.2 Interest rate risk *continued*

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.

One method of assessing interest rate sensitivity is through the examination of duration-convexity factors in the underlying portfolio. Using a duration-convexity based sensitivity analysis, if market interest rates had increased/decreased by 50 basis points at the date of the statement of financial position, the fair value might have been expected to decrease/(increase) by \$12.4 million (2021: \$13.9 million) assuming the only statement of financial position area impacted was debt and fixed income financial assets.

Insurance contract liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing. The Syndicates' debt and fixed income assets are further detailed in note 11. The Syndicates have no significant borrowings carrying interest rate risk.

The market value of the Syndicates' and the Company's holdings of deposits with credit institutions are less exposed to movements in interest rates due to the very short time frame to their maturity.

3.2.3 Credit risk

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

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

Key areas of exposure to credit risk include:

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

The Company's and Syndicates' maximum exposure to credit risk is represented by the carrying values of monetary assets and reinsurance assets included in the statement of financial position. The Syndicates structure the levels of credit risk accepted by placing limits on their exposure to a single counterparty, or groups of counterparties. Such risks are subject to an annual or more frequent review. There is no significant concentration of credit risk with respect to loans and receivables, as the Syndicates have a large number of internationally dispersed debtors with unrelated operations.

The Syndicates purchase reinsurance protection to contain exposure from single claims and the aggregation of claims from catastrophic events and to share the exposure with our reinsurance partners. If a reinsurer fails to pay a claim for any reason, the Syndicates remain liable for the payment to the policyholder. The creditworthiness of reinsurers is therefore continually reviewed throughout the year. The Syndicates' experience of bad debt losses arising from its reinsurance arrangements compares favourably with industry averages. HSL has established a reinsurance security committee which assesses and is required to approve all new reinsurers before business is placed with them.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

3. Risk review *continued*

3.2. Financial risk *continued*

3.2.3 Credit risk *continued*

The Syndicates also mitigate credit counterparty risk by concentrating debt and fixed income investments in high quality instruments, including a particular emphasis on government bonds and municipal agency instruments issued mainly by European Union and North American countries.

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposed. An analysis of the Company's and Syndicates' major exposures to counterparty credit risk excluding loans and receivables, based on Standard & Poor's or equivalent rating at 31 December

Table b)

As at 31 December 2022	AAA	AA	A	BBB and below	Total
	\$000	\$000	\$000	\$000	\$000
Financial assets carried at fair value (excluding equities and shares in unit trusts)	175,653	532,852	738,488	540,012	1,987,005
Reinsurers share of technical provisions: claims outstanding	179,552	611,164	1,645,352	1	2,436,069
Debtors: reinsurance recoverable	27,499	30,393	58,221	72	116,185
Cash and cash equivalents	-	9,135	189,181	-	198,316
Total	382,704	1,183,544	2,631,242	540,085	4,737,575
As at 31 December 2021	AAA	AA	A	BBB and below	Total
	\$000	\$000	\$000	\$000	\$000
Financial assets carried at fair value (excluding equities and shares in unit trusts)	164,112	429,455	736,590	593,187	1,923,344
Reinsurers share of technical provisions: claims outstanding	104,563	493,140	2,296,078	74,764	2,968,545
Debtors: reinsurance recoverable	4,415	46,781	116,359	20,410	187,965
Cash and cash equivalents	-	12,435	209,432	-	221,867
Total	273,090	981,811	3,358,459	688,361	5,301,721

The Syndicates have no material debtors arising from direct insurance and reinsurance operations that are past due and impaired at the reporting date. The Syndicates believe that impairment of these debtors is not appropriate on the basis of the stage of collection of amounts owed to the Syndicates.

The Syndicates have no financial assets that would be past due or impaired whose terms have been renegotiated.

At 31 December 2022 the Syndicates held no material debt and fixed income assets that were past due or impaired beyond their reported fair values, either for the current period under review or on a cumulative basis (2021: \$nil). For the current and prior period, the Syndicates did not experience any material defaults on debt securities.

3.2.4 Equity price risk

The Company is exposed to equity price risk through its holding of equity and unit trust investments. This is limited to a relatively small and controlled proportion of the overall investment portfolio and the equity and unit trust holdings involved are diversified over a number of companies and industries. An allocation is made to less volatile, absolute return strategies within the risk assets, so as to balance the maximising of returns with the need to ensure capital is available throughout any downturn in financial markets.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

3. Risk review *continued*

3.2. Financial risk *continued*

3.2.5 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The Syndicates are exposed to daily cash calls on their available cash resources, mostly for the settlement of claims. The Syndicates' approach is to maintain liquid assets that can be translated to cash at short notice without any significant capital loss. These funds are monitored by management on a regular basis. We have determined that the Syndicates have sufficient levels of liquidity to meet its funding requirements in all likely scenarios.

A significant proportion of investment assets held are low risk, high quality, short duration debt securities and fixed term deposits. The contractual maturity profile of investment assets at 31 December was as follows:

Table c)

As at 31 December 2022	Within one year \$000	Between one and three years \$000	Between three and five years \$000	Over five years \$000	Total \$000
Financial assets carried at fair value (excluding equities and shares in unit trusts)	600,664	1,178,789	166,935	40,617	1,987,005
Cash at bank and in hand	198,316	-	-	-	198,316
Total	798,980	1,178,789	166,935	40,617	2,185,321

As at 31 December 2021	Within one year \$000	Between one and three years \$000	Between three and five years \$000	Over five years \$000	Total \$000
Financial assets carried at fair value (excluding equities and shares in unit trusts)	475,169	1,201,815	198,898	47,462	1,923,344
Cash at bank and in hand	221,867	-	-	-	221,867
Total	697,036	1,201,815	198,898	47,462	2,145,211

Average contractual maturity analysed by currency of investments:

Table d)	2022 Years	2021 Years
Pound Sterling	1.4	1.7
US Dollar	1.6	2.5
Euro	2.6	2.7
Canadian Dollar	2.1	1.5

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

3. Risk review *continued*

3.2. Financial risk *continued*

3.2.5 *Liquidity risk continued*

The following is an analysis by business segment of the estimated timing of net cash flows based on the claims liabilities balance held at 31 December 2022 and 2021. The Syndicates do not discount claims liabilities. 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.

Table e)

As at 31 December 2022	Within one year \$000	Between one and three years \$000	Between three and five years \$000	Over five years \$000	Total \$000
Insurance Liabilities	(1,516,046)	(1,243,526)	(438,304)	(334,491)	(3,532,367)
Reinsurance Assets	903,483	1,116,230	228,535	187,821	2,436,069
Net Liabilities	(612,563)	(127,296)	(209,769)	(146,670)	(1,096,298)

As at 31 December 2021	Within one year \$000	Between one and three years \$000	Between three and five years \$000	Over five years \$000	Total \$000
Insurance Liabilities	(1,823,905)	(1,125,511)	(412,925)	(259,035)	(3,621,376)
Reinsurance Assets	1,420,127	996,129	337,205	215,084	2,968,545
Net Liabilities	(403,778)	(129,382)	(75,720)	(43,951)	(652,831)

3.2.6 *Currency risk*

The majority of the Company's gross written premium is in US Dollars, consequently movements in the Sterling against US Dollar exchange rate may have a material effect on its financial performance and position. The Company's financial assets are denominated in the same currencies as its insurance liabilities, leaving the profit or loss as the main currency exposure. This profit and loss is distributed in accordance with Lloyd's rules using a combination of Sterling and US Dollars. The Company's financial assets are denominated in US Dollar and Pound Sterling which can result in exposure to foreign exchange fluctuations.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

3. Risk review *continued*

3.2. Financial risk *continued*

3.2.6 Currency risk *continued*

The profile of the Syndicates' assets and liabilities, categorised by currency at their translated carrying amount was as follows:

Table f)

As at 31 December 2022	Sterling \$000	US Dollar \$000	Euro \$000	Canadian Dollar \$000	Total \$000
Intangible assets	33,082	-	-	-	33,082
Deferred Tax	10,246	-	-	-	10,246
Current Tax	7,444	-	-	-	7,444
Deferred Acquisition Costs	19,575	158,981	3,723	7,851	190,130
Financial assets carried at fair value	203,194	1,705,146	72,384	118,184	2,098,908
Reinsurance assets	223,012	2,591,071	54,618	52,328	2,921,029
Loans and receivables	159,090	488,984	(7,774)	16,402	656,702
Cash and cash equivalents	41,016	137,535	12,895	6,870	198,316
Total assets	696,659	5,081,717	135,846	201,635	6,115,857
Deferred tax	5,455	-	-	-	5,455
Insurance liabilities	423,757	3,647,421	145,549	100,347	4,317,074
Trade and other payables	158,137	1,492,672	18,636	19,061	1,688,506
Total liabilities	587,349	5,140,093	164,185	119,408	6,011,035
Net assets	109,310	(58,376)	(28,339)	82,227	104,822
As at 31 December 2021	Sterling \$000	US Dollar \$000	Euro \$000	Canadian Dollar \$000	Total \$000
Intangible assets	33,082	-	-	-	33,082
Deferred Tax	57,205	-	-	-	57,205
Current Tax	321	-	-	-	321
Deferred acquisition costs	16,757	161,483	3,420	9,251	190,911
Financial assets carried at fair value	226,373	1,628,015	61,150	146,406	2,061,944
Reinsurance assets	183,482	3,171,836	36,984	43,998	3,436,300
Loans and receivables	(24,708)	781,253	21,132	(55,383)	722,294
Cash and cash equivalents	60,258	136,158	14,770	10,681	221,867
Total assets	552,770	5,878,745	137,456	154,953	6,723,924
Deferred tax	34,250	-	-	-	34,250
Insurance liabilities	370,666	3,798,922	109,754	104,090	4,383,432
Trade and other payables	215,706	1,953,433	16,226	24,588	2,209,953
Current Tax	-	-	-	-	-
Total liabilities	620,622	5,752,355	125,980	128,678	6,627,635
Net assets	(67,852)	126,390	11,476	26,275	96,289

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

3. Risk review *continued*

3.2. Financial risk *continued*

3.2.7 Sensitivity analysis

A 10% strengthening of the US Dollar against the following currencies at 31 December would have (decreased)/increased members balances and profit/(loss) for the financial year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Table g)

	31 December 2022 \$000	31 December 2021 \$000
Sterling	10,931	6,785
Euro	(2,834)	(1,148)
Canadian Dollar	8,223	(2,628)

A 10% weakening of the US Dollar against the following currencies at 31 December would have increased/(decreased) members balances and profit/(loss) for the financial year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Table h)

	31 December 2022 \$000	31 December 2021 \$000
Sterling	(10,931)	(6,785)
Euro	2,834	1,148
Canadian Dollar	(8,223)	2,628

Limitations of sensitivity analysis

The above tables demonstrate the impact of a change in a major input assumption while other assumptions remain unchanged. It should be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the company's assets and liabilities are actively managed. Additionally, the financial position of the company may vary at the time that any actual market movement occurs. For example, the company's financial risk management strategies aim to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk. These represent the company's views of possible near-term market changes that cannot be predicted with any certainty, and the assumption that all interest rates move in an identical fashion.

3.3 Regulatory risk

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

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

3. Risk review *continued*

3.4 Operational risk

Operational risk is the risk of loss from internal processes, people or systems, or from external events with origins outside the scope of other risk categories. This includes cyber security risk, as well as major IT, systems or service failures. HSL actively monitors and controls its operational risks through the Operational Risk Committee and Operational Leadership team. HSL demonstrated continued resilience, underscoring the benefits of its business model, disciplined risk management and ongoing investment in technology and infrastructure.

3.5 Climate risk

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

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

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

4. Capital

The capital structure of the Company consists of equity attributable to the owner of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

Hiscox's approach to capital management is to ensure our statement of financial position is sufficiently robust to absorb large shocks, whether due to insurance losses or economic stress, while maintaining the financial flexibility to seize opportunities as they arise.

During the current and prior financial year, the Company complied with all external capital requirements to which it is subject.

The Company is required to hold regulatory capital in compliance with the prudential rules issued by the UK's Prudential Regulation Authority (PRA) and is also subject to Lloyd's capital requirements.

Under PRA rules, the corporate member must hold capital in excess of the higher of two amounts. The first is the Minimum Capital Requirement (MCR), as prescribed by EU directives, calculated by applying fixed percentages to premium and claims and allowing for historic reinsurance recoveries. The second is the calculation of an ultimate Solvency Capital Requirement (uSCR).

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

4. Capital *continued*

Lloyd's require the preparation of a Lloyd's Capital Return (LCR), including a statement of financial position prepared under Solvency II principles and the calculation of a uSCR. The uSCR takes account of one year of new business in full attaching to the next underwriting year and the risks over the lifetime of the liabilities ('to ultimate'). The requirements include risks for all business attaching to the next underwriting year. This is an equivalent recognition of risks and exposures at a 1:200 confidence level as required under ICAS at Lloyd's.

For the final capital requirement, the Economic Capital Assessment (ECA), Lloyd's take the uSCR and apply an uplift currently at 35%. This is then subject to a minimum of 40% (2021:40%) of the Syndicate's agreed premium capacity limit.

The PRA expects management to apply their rules continuously. If a firm's capital falls below its ECA, steps must be taken to restore capital adequacy.

At 31 December 2022, the Company provided sufficient Funds at Lloyd's (FAL) to meet its solvency requirement.

5. Expenses

	2022 \$000	2021 \$000
Brokerage and commissions	371,337	391,448
Other acquisition costs	35,064	15,310
Reinsurers' commissions and profit participations	(120,372)	(141,871)
Change in deferred acquisition costs	2,749	25,305
Expenses for the acquisition of insurance contracts	288,778	290,192
Administration expenses	51,220	49,062
Investment management fees	971	672
Net foreign exchange loss	11,398	511
Finance costs	3,506	2,569
Total expenses (excluding net claims and claims adjustment expenses)	355,873	343,006

Also included in Administration expenses is a pension recharge as detailed in note 2.13. In calendar year 2022 this amounted to a gain of \$18.3m (2021: gain of \$7.1m).

Brokerage and commissions on direct business written was \$305.5m (2021: \$338.6m).

Finance costs include interest and charges associated with funds withheld balances and provision of Funds at Lloyd's that the Company is required to hold to cover circumstances where Syndicates assets prove insufficient to meet the company's underwriting liabilities on the Syndicates it participates on.

The Company has not employed any staff during the current or preceding financial year.

5.1 Directors' remuneration

All the executive directors of the Company are employed by HUGS. The Company was not recharged and directors did not receive any additional remuneration for any of their services during the year (2021: \$nil).

The result of the Company includes amounts in respect of aggregate remuneration paid to the executive directors for their services to Syndicate 33 and Syndicate 3624. These amounts are disclosed within the relevant Syndicate Report and Accounts.

The Directors may be members of a defined contribution scheme. Certain Directors are members of a defined benefit scheme that closed to future accrual with effect from 31 December 2006. These details are shown in the table below, along with aggregate gains made on share options and performance share plan awards during the current and prior year.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

5. Expenses *continued*

5.1 Directors' remuneration *continued*

	2022	2021
Deferred members of the defined benefit scheme	1	1
Pensioner members of the defined benefit scheme	1	1
Active members of the defined contribution scheme	1	1
Deferred members of the defined contribution scheme	-	1
Aggregate gains made on share options and performance share plan awards (\$000)	1,530	29

5.2 Staff numbers and costs

The Company has no direct employees, the employees that provide services to the Company are employed by Hiscox Underwriting Group Services Limited. The Company was not recharged any additional expenses for any of their services during the year (2021: \$nil). The result of the Company includes amounts in respect of recharges for their services to Syndicate 33 and Syndicate 3624. Recharges of expenses to Syndicates the Company participates on are disclosed in the Report and Accounts of those Syndicates.

5.3 Auditors' remuneration

The fees payable to the Company's external auditors PricewaterhouseCoopers LLP, its member firms and its associates (exclusive of VAT) include the following amounts recorded as administration expenses the profit or loss:

	2022 \$000	2021 \$000
Fees payable to the Company's auditors for the audit of the financial statements:		
Fees payable to the Company's auditors for the audit of the Company	39	38
Fees payable to the Syndicate's auditors for the audit of the Syndicate 33 Report and Accounts	444	339
Fees payable to the Syndicate's auditors for the audit of the Syndicate 3624 Report and Accounts	265	257
Fees payable to the Syndicate's auditors for the audit related assurance services to Syndicate 33	88	85
Fees payable to the Syndicate's auditors for the audit related assurance services to Syndicate 3624	60	58
Total auditors' remuneration expense	896	777

The fees disclosed includes a share of fees for the audit of and other services provided to Syndicate 33 equal to the Company's participation on the Syndicate. Other services relate to the audit of the Company's regulatory returns.

5.4 Net foreign exchange losses

The net foreign exchange losses for the year include the following amounts:

	2022 \$000	2021 \$000
Net foreign exchange losses recognised in the profit or loss	(11,398)	(511)
Overall impact of foreign exchange related items on net assets	(11,398)	(511)

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

6. Investment result

The total result before taxation comprises:

	2022 \$000	2021 \$000
Investment income including interest receivable	16,495	16,393
Net realised (losses)/gains on financial investments at fair value through profit or loss	(2,582)	8,972
Net unrealised losses on financial investments at fair value through profit or loss	(37,381)	(7,749)
Total result	(23,468)	17,616

Investment expenses are disclosed in note 5.

7. Segmental analysis

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

	Gross premiums written \$000	Gross premiums earned \$000	Gross claims incurred \$000	Net operating expenses \$000	Reinsurance Balance \$000	Total \$000
2022						
Direct insurance						
Accident and health	19,508	19,518	(1,336)	(6,422)	(6,381)	5,379
Motor - Third Party liability	93	122	(1,043)	(111)	1,616	584
Motor - Other classes	6	6	3,958	(61)	(6,213)	(2,310)
Marine aviation and transport	118,413	122,187	(32,724)	(25,125)	(11,470)	52,868
Fire and other damage to property	547,907	554,198	(239,183)	(104,417)	(209,874)	724
Third party liability	494,897	482,541	(416,877)	(122,381)	104,620	47,903
Miscellaneous	111,928	117,024	(35,778)	(24,553)	(40,270)	16,423
	1,292,752	1,295,596	(722,983)	(283,070)	(167,972)	121,571
Reinsurance	463,673	440,824	(198,603)	(57,899)	(251,040)	(66,718)
Total	1,756,425	1,736,420	(921,586)	(340,969)	(419,012)	54,853

	Gross premiums written \$000	Gross premiums earned \$000	Gross claims incurred \$000	Net operating expenses \$000	Reinsurance Balance \$000	Total \$000
2021						
Direct insurance						
Accident and health	21,272	25,378	(787)	(9,326)	(8,083)	7,182
Motor - Third Party liability	104	75	1,111	(23)	(4,609)	(3,446)
Motor - Other classes	(145)	(145)	12,889	(99)	(16,704)	(4,059)
Marine aviation and transport	130,450	123,699	(70,617)	(27,046)	(6,461)	19,575
Fire and other damage to property	592,555	593,814	(320,629)	(102,389)	(126,075)	44,721
Third party liability	495,111	562,812	(362,484)	(138,536)	(89,991)	(28,199)
Miscellaneous	123,678	123,796	(44,287)	(29,899)	(58,646)	(9,036)
	1,363,025	1,429,429	(784,804)	(307,318)	(310,569)	26,738
Reinsurance	406,090	384,879	(135,848)	(32,608)	(212,837)	3,586
Total	1,769,115	1,814,308	(920,652)	(339,926)	(523,406)	30,324

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

8. Tax expense

The amounts charged in the profit or loss comprise the following:	2022	2021
	\$000	\$000
Current tax credit	(8,096)	(865)
Deferred tax expense	16,044	3,146
	7,948	2,281
Current tax credit	2022	2021
	\$000	\$000
Current tax credit	(7,625)	(315)
Adjustments to UK corporation tax in respect of previous periods	(471)	(550)
	(8,096)	(865)
Deferred tax expense	2022	2021
	\$000	\$000
Origination and reversal of timing differences	12,160	8,500
Adjustments in respect of previous periods	261	210
Effect of rate change	3,623	(5,564)
	16,044	3,146

The tax expense on the Company's profit before tax differs (2021: differs) from the theoretical amount that would arise using the average tax rate applicable to profits of the Company as follows:

	2022	2021
	\$000	\$000
Profit before tax	16,481	44,860
Tax calculated at the standard corporation tax rate applicable in the UK of 19% (2021: 19%)	3,131	8,523
Effects of:		
Change in deferred tax rate	3,623	(5,564)
Items not deductible/(taxable)	1,380	(338)
Overseas taxes	24	-
Prior year tax adjustment to current tax	(471)	(550)
Prior year tax adjustment to deferred tax	261	210
Tax charge for the period	7,948	2,281

Factors affecting tax charges in future years

An increase to the UK corporate tax rate to 25% from 1 April 2023 was substantively enacted on 24 May 2021. All deferred tax balances have been provided at 25%.

The impact of these changes in future periods will be dependent on the level of taxable profits in those periods.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

9. Intangible assets

	2022 \$000	2021 \$000
Net book amount at 1 January		
Cost	33,082	33,082
Accumulated impairment	-	-
Net book amount	33,082	33,082
Year ended 31 December		
Opening net book amount	33,082	33,082
Impairment charges	-	-
Closing net book amount	33,082	33,082
Net book amount at 31 December		
Cost	33,082	33,082
Accumulated impairment charges	-	-
Net book amount	33,082	33,082

Intangible assets represent the cost of acquiring capacity in Syndicate 33 at the Lloyd's auctions less any impairment in this value. The Syndicate's weighted average cost recognised on the statement of financial position is approximately ten pence per pound of capacity, which is significantly below the average open market price of capacity witnessed in the recent Lloyd's of London capacity auctions in Autumn 2022.

The Company also holds capacity on Syndicate 3624 however this was created at zero cost.

10. Deferred acquisition costs

	2022 \$000	2021 \$000
Balance deferred at 1 January	190,911	205,923
Acquisition costs incurred in relation to insurance contracts written	406,401	406,758
Acquisition costs expensed to the statement of profit or loss	(409,150)	(432,063)
Foreign exchange and other adjustments*	1,968	10,293
Balance deferred at 31 December	190,130	190,911

*This includes a reallocation of historical deferred acquisition costs to reinsurers share of unearned premium reserves in the prior year.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

11. Financial assets and liabilities carried at fair value

Financial investments are measured at their bid price values, with all changes from one accounting period to the next being recorded through the profit or loss.

Fair value hierarchy

As at 31 December 2022	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Equities and shares in unit trusts	-	111,903	23,083	134,986
Debt and fixed income securities	465,597	1,498,136	-	1,963,733
Derivative financial assets	-	189	-	189
Derivative financial liabilities	-	(270)	-	(270)

As at 31 December 2021	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Equities and shares in unit trusts	-	138,600	29,056	167,656
Debt and fixed income securities	413,853	1,479,982	-	1,893,835
Derivative financial assets	-	453	-	453
Derivative financial liabilities	-	-	-	-

All financial investments in the current and prior financial year were classified as held for trading and carried at fair value through profit or loss. Other financial assets are cash at bank and in hand, direct insurance and reinsurance debtors, other debtors and accrued income, which are classified as loans and receivables.

The fair value hierarchy classifies financial instruments into Level 1 to Level 3 based on the significance of the inputs used in measuring their fair value with Level 1 being the most reliable. The levels within the fair value hierarchy are defined as follows:

Level 1 – fair values measured using unadjusted quoted prices 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 observable market data;

Level 3 – fair values measured using valuation techniques for which significant inputs are not based on market observable data.

The Company measures the fair value of its financial investments based on prices provided by investment managers who obtain market data 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 service uses common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

Management have refined the criteria for corporate bonds being allocated to level 1, and high quality corporate bonds that can be readily priced with sufficient liquidity are now included in level 1. Previously no corporate bonds were included in level 1. There were no transfers in or out of Level 3 of the fair value hierarchy.

Included within Level 1 of the hierarchy are Government bonds, treasury bills and corporate bonds which are assessed by the Syndicates as being traded in an active market where fair value is based on unadjusted quoted market prices.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

11. Financial assets carried at fair value *continued*

Level 2 of the hierarchy contains US Government agencies, corporate securities, asset backed securities, mortgage backed securities and certain other Government securities. The fair value of these assets are based on, where obtainable, guided prices and prices derived from models with observable market inputs as discussed above. Quoted prices for US Government agencies, certain other Government securities and corporate securities are based on a limited number of transactions for those securities and as such the Company considers these instruments to have similar characteristics of those instruments classified as Level 2. Also included within Level 2 are units held in traditional long funds and long and short special funds and financial derivatives.

Level 3 of the hierarchy includes loans to the Lloyd's Central Fund. Loan amounts to the Lloyd's Central Fund are measured at fair value.

Where a valuation technique is used, the Company selects inputs using the most reliable source of data and where possible observable market data.

12. Loans and receivables

	31 December 2022 \$000	31 December 2021 \$000
Gross receivable arising from insurance and reinsurance contracts	616,614	695,558
- Less provision for impairment	(174)	(180)
Net receivable arising from insurance and reinsurance contracts	616,440	695,378
Due from contract holders, brokers, agents and intermediaries	386,668	417,591
Due from reinsurance operations	229,772	277,787
	616,440	695,378
Other loans and receivables		
- Prepayments and accrued income	129	(178)
- Other	40,133	27,094
Loans and receivables	656,702	722,294

Note 19 sets out the amounts to be settled after one year.

There is no significant concentration of credit risk with respect to loans and receivables, as the Company has a large number of internationally dispersed debtors.

13. Cash and cash equivalents

	31 December 2022 \$000	31 December 2021 \$000
Cash	172,571	209,800
Cash equivalents	25,745	12,067
	198,316	221,867

Cash and cash equivalents includes funds held by Syndicates on which the Company participates. These cash deposits are held in a well diversified range of banks and financial institutions. Cash includes overnight deposits. Cash equivalents include debt securities with an original maturity date of less than three months and money market funds.

14. Share capital

	2022		2021	
	Number of shares	\$000	Number of shares	\$000
Called up, allotted and fully paid shares of \$1 each				
Ordinary shares of \$1.35 each	1,500,000	2,025	1,500,000	2,025

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

15. Foreign currency reserve

	31 December 2022 \$000	31 December 2021 \$000
At 1 January	22,049	22,049
Movement in foreign currency reserve	-	-
At 31 December	22,049	22,049

16. Deferred tax

	31 December 2022 \$000	31 December 2021 \$000
Deferred tax assets	10,246	57,205
Deferred tax liabilities	(5,455)	(34,250)
Total net deferred tax asset	4,791	22,955

Deferred tax assets predominantly relate to losses recognised on the Syndicates years of account that have yet to be distributed to the company and are therefore not yet deductible.

Deferred tax liabilities predominantly relate to historic tax positions for reinsurance recoveries which are not yet taxable.

16.1. Movement in total deferred tax statement of financial position headings

	2022 \$000	2021 \$000
At 1 January	22,955	26,294
Statement of profit or loss expense	(16,044)	(3,146)
Foreign exchange impact	(2,120)	(193)
At 31 December	4,791	22,955

16.2. Deferred assets and liabilities analysis

	1 January 2022 \$000	Statement of profit or loss (expense)/credit \$000	Foreign exchange (charge)/credit \$000	31 December 2022 \$000
Intangible assets	1,593	(268)	(171)	1,154
Undeclared results	55,612	(41,458)	(5,062)	9,092
Reinsurance recoveries	(34,250)	25,682	3,113	(5,455)
	22,955	(16,044)	(2,120)	4,791

	1 January 2021 \$000	Statement of profit or loss (expense)/credit \$000	Foreign exchange (charge)/credit \$000	31 December 2021 \$000
Intangible assets	1,448	161	(16)	1,593
Undeclared results	78,357	(22,378)	(367)	55,612
Reinsurance recoveries	(48,306)	13,830	226	(34,250)
Claims equalisation reserves	(5,205)	5,241	(36)	-
	26,294	(3,146)	(193)	22,955

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

17. Current tax

The Company is part of a group payment arrangement for corporation tax purposes and accordingly tax balances are settled by Hiscox plc. The current tax assets and liabilities which are covered by the arrangement but remain unsettled by Hiscox plc as at 31 December 2022 are assets of \$7.4m (2021: assets of \$0.3m).

18. Trade and other payables

	2022	2021
	\$000	\$000
Creditors arising out of direct insurance operations	25,454	106,196
Creditors arising out of reinsurance operations	1,493,035	1,962,008
Reinsurance commission deferred	43,677	56,796
Other creditors	32,292	34,821
Due to parent company	49,353	48,906
Due to other subsidiaries	44,425	1,226
Derivative financial liabilities	270	-
Total trade and other payables	1,688,506	2,209,953

19. Non-current assets and liabilities

The amounts expected to be settled after one year of the date of the statement of financial position, relate to the following items:

	Notes	2022	2021
		\$000	\$000
Loans and receivables	12	49,144	114,274
Deferred tax	16	4,791	22,955
Trade and other payables	18	(465,237)	(513,563)

20. Insurance liabilities and reinsurance assets

	2022	2021
	\$000	\$000
Gross		
Claims reported	1,215,315	1,253,990
Claims incurred but not reported	2,292,297	2,340,787
Loss adjustment expenses	24,755	26,599
Unearned premium	784,707	762,056
Total insurance liabilities, gross	4,317,074	4,383,432
Recoverable from reinsurers		
Claims reported	679,142	1,164,484
Claims incurred but not reported	1,756,927	1,804,061
Unearned premium	484,960	467,755
Total reinsurers' share of insurance liabilities	2,921,029	3,436,300
Net		
Claims reported	536,173	89,506
Claims incurred but not reported	535,370	536,726
Loss adjustment expenses	24,755	26,599
Unearned premium	299,747	294,301
Total insurance liabilities, net	1,396,045	947,132

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

21. Insurance liabilities and reinsurance assets – Claims development tables

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The Company analyses actual claims development compared with previous estimates on an accident year basis. The top half of each table, on the following pages, illustrates how estimates of ultimate claim costs for each accident year have changed at successive year ends. The bottom half reconciles cumulative claim costs to the amounts still recognised as liabilities. A reconciliation of the liability as included in the statement of financial position, is also shown.

Insurance claims and loss adjustment expenses - Gross at Syndicate (Hiscox owned share)											
Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Estimate of ultimate claims costs as adjusted for foreign exchange*:											
at end of accident year	664,448	746,790	811,555	1,009,374	1,701,553	1,390,273	1,416,869	1,523,692	1,163,069	1,099,120	11,526,743
One year later	584,848	619,609	740,444	919,771	1,528,786	1,615,997	1,350,672	1,481,562	1,119,941	-	9,961,630
Two years later	511,071	580,657	686,539	879,564	1,542,606	1,554,731	1,328,151	1,432,094	-	-	8,515,413
Three years later	475,836	559,872	689,948	908,035	1,553,116	1,480,409	1,308,128	-	-	-	6,975,344
Four years later	477,633	548,300	697,824	951,472	1,537,386	1,446,790	-	-	-	-	5,659,405
Five years later	466,732	531,382	730,024	943,771	1,516,347	-	-	-	-	-	4,188,256
Six years later	465,453	524,858	733,446	936,473	-	-	-	-	-	-	2,660,230
Seven years later	473,443	527,367	736,727	-	-	-	-	-	-	-	1,737,537
Eight years later	474,812	536,860	-	-	-	-	-	-	-	-	1,011,672
Nine years later	464,825	-	-	-	-	-	-	-	-	-	464,825
Current estimate of cumulative claims	464,825	536,860	736,727	936,473	1,516,347	1,446,790	1,308,128	1,432,094	1,119,941	1,099,120	10,597,305
Cumulative payments to date	(466,072)	(504,218)	(656,221)	(832,725)	(1,278,153)	(1,098,977)	(892,352)	(744,528)	(464,234)	(185,695)	(7,123,175)
Liability recognised	(1,247)	32,642	80,506	103,748	238,194	347,813	415,776	687,566	655,707	913,425	3,474,130
Liability in respect of prior accident years											58,237
Total gross liability included											3,532,367

Insurance claims and loss adjustment expenses - Net at Syndicate (Hiscox owned share)											
Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Estimate of ultimate claims costs as adjusted for foreign exchange*:											
at end of accident year	217,042	228,034	242,113	282,530	361,327	308,593	304,219	356,180	272,460	255,553	2,828,051
One year later	194,205	195,263	225,346	264,327	310,884	314,530	281,347	292,815	259,720	-	2,338,437
Two years later	170,622	178,262	207,793	251,482	313,618	316,369	220,052	279,676	-	-	1,937,874
Three years later	158,032	167,972	207,600	259,682	320,216	260,754	202,164	-	-	-	1,576,420
Four years later	157,686	162,323	210,217	274,134	280,768	230,683	-	-	-	-	1,315,811
Five years later	150,450	155,956	222,363	249,719	255,804	-	-	-	-	-	1,034,292
Six years later	150,504	156,097	209,098	227,974	-	-	-	-	-	-	743,673
Seven years later	152,658	151,592	198,350	-	-	-	-	-	-	-	502,600
Eight years later	147,405	147,654	-	-	-	-	-	-	-	-	295,059
Nine years later	144,217	-	-	-	-	-	-	-	-	-	144,217
Current estimate of cumulative claims	144,217	147,654	198,350	227,974	255,804	230,683	202,164	279,676	259,720	255,553	2,201,795
Cumulative payments to date	(147,211)	(84,373)	(107,859)	(176,874)	(262,170)	(54,214)	(13,067)	(126,560)	(93,124)	(56,343)	(1,121,795)
Liability recognised	(2,994)	63,281	90,491	51,100	(6,366)	176,469	189,097	153,116	166,596	199,210	1,080,000
Liability in respect of prior accident years											16,298
Total net liability											1,096,298

* This foreign exchange adjustment arises from the retranslation of the estimates at each date using the exchange rate ruling at 31 December 2022.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

22. Insurance liabilities and reinsurance assets – Movement in the year

Year ended 31 December	2022 Gross \$000	2022 Reinsurance \$000	2022 Net \$000	2021 Gross \$000	2021 Reinsurance \$000	2021 Net \$000
Total at the beginning of the year	(3,621,376)	2,968,545	(652,831)	(3,776,171)	2,934,140	(842,031)
Claims and loss adjustment expenses for the year	(921,586)	713,991	(207,595)	(920,652)	692,869	(227,783)
Cash paid for claims settled in the year	968,293	(844,677)	123,616	1,070,401	(908,324)	162,077
Acquisitions, divestments and transfers*	-	(382,974)	(382,974)	-	254,714	254,714
Exchange differences and other movements	42,302	(18,816)	23,486	5,046	(4,854)	192
Total at end of year	(3,532,367)	2,436,069	(1,096,298)	(3,621,376)	2,968,545	(652,831)
Claims reported and loss adjustment expense reserves	(1,240,070)	679,142	(560,928)	(1,280,589)	1,164,484	(116,105)
Claims incurred but not reported	(2,292,297)	1,756,927	(535,370)	(2,340,787)	1,804,061	(536,726)
Total at end of year	(3,532,367)	2,436,069	(1,096,298)	(3,621,376)	2,968,545	(652,831)
Current year claims and loss adjustment expenses	(1,111,719)	727,805	(383,914)	(1,142,515)	777,034	(365,481)
Over provision in respect of prior year claims and loss adjustment expenses	190,133	(13,814)	176,319	221,863	(84,165)	137,698
Total claims and loss adjustment expenses	(921,586)	713,991	(207,595)	(920,652)	692,869	(227,783)

*Acquisitions, divestments and transfers;

- During the year Syndicates 33 and 3624 completed two legacy portfolio transfers (LPT) securing coverage for potential adverse development on historical liabilities on selected lines of business. The Syndicates concluded that the LPT transfer significant risk and accounts for the arrangements by recognising a reinsurance asset, a funds withheld balance in creditors arising out of reinsurance operations, and a net loss at inception in outward reinsurance premium.
Under the terms of first LPT agreement, the Syndicates secured coverage for potential adverse development in respect of historical insurance liabilities relating to Casualty lines of business of \$137.5 million for a consideration of \$138.4 million. \$25.0 million of the consideration was paid at the inception date, and the remaining amount deposited into a funds withheld account (FWH). Recoveries under the contract are first deducted from the FWH balance which then attracts a guaranteed annual interest income. The \$0.9 million net loss at inception is recognised as outward insurance premium in the profit or loss. Under the terms of the second LPT agreement, Syndicate 33 secured coverage for potential adverse development in respect of historical insurance liabilities relating to run-off classes which included director & officers, general liability, healthcare, portfolios – physical damage and liability and professional indemnity business of \$190.6 million for a consideration of \$191.3 million. \$17.8 million of the consideration was paid at the inception date, and the remaining amount deposited into a funds withheld account (FWH). Recoveries under the contract are first deducted from the FWH balance which then attracts a guaranteed annual interest income. The \$0.7 million net loss at inception is recognised as outward insurance premium in the profit or loss. The numbers quoted above for the second LPT are 87.5% of total 100% exposure/placement as the Reinsurer share on this contract is 87.5%.
- During the year the Company agreed to settle its closed year reinsurance arrangements with Hiscox Insurance Company (Bermuda) Limited for a total of \$482.8 million.
- During the prior year Syndicate 3624 completed two legacy portfolio transfers (LPT) securing coverage for potential adverse development on historical liabilities for selected lines of business. Syndicate 3624 secured coverage for potential adverse development in respect of insurance liabilities of \$636.8 million.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

23. Dividend paid to the owner of the Company

A dividend of \$nil was paid in 2022 (2021: \$nil).

24. Related party disclosures

Disclosed below are the related party transactions of the Company. Related party transactions of the Syndicates on which the Company participates are described in the section below and further details of these transactions are disclosed in the Report and Accounts of these Syndicates. The following statement of financial position amounts were outstanding at year end with related parties:

Statement of financial position assets and (liabilities)

	31 December 2022 \$000	31 December 2021 \$000
Hiscox Agencies Limited	(4,016)	444
Hiscox Assure SAS	2,116	2,195
Hiscox Inc.	21,447	8,497
Hiscox Insurance Company (Bermuda) Limited	142,366	247,796
Hiscox Insurance Company (Guernsey) Limited	(1,149)	4,116
Hiscox Insurance Services Inc.	6,506	6,982
Hiscox MGA Ltd	3,768	5,614
Hiscox Plc	(49,353)	(48,906)
Hiscox Syndicates Limited	(15,495)	(13,137)
Hiscox Underwriting Group Services Limited	1,788	(20,983)
Hiscox Underwriting Ltd	3,753	7,159
Syndicate 6104	2,073	9,129
Other	126	41

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

Net income and (expenses) reflected in the statement of profit or loss

	2022 \$000	2021 \$000
Hiscox Inc.	(92,752)	(100,503)
Hiscox Insurance Company (Bermuda) Limited	(11,406)	(148,846)
Hiscox Insurance Company (Guernsey) Limited	(1,906)	2,783
Hiscox Insurance Services Inc.	(1,320)	(1,187)
Hiscox Plc	3,538	(3,028)
Hiscox Syndicates Limited	(25,297)	(15,436)
Hiscox Underwriting Group Services Limited	(111,047)	(105,865)
Hiscox Underwriting Ltd	(4,804)	(4,875)
Syndicate 6104	7,647	13,275
Other	(488)	(1,850)

Loans are made between the Company and its parent Hiscox Plc.

Hiscox Syndicates Limited, a group company, received management fees and profit commissions for providing a range of management services to Syndicate 33 and Syndicate 3624, on which Hiscox Dedicated Corporate Member Limited participates.

Hiscox Dedicated Corporate Member Limited has reinsurance arrangements with another group company, Hiscox Insurance Company (Bermuda) Limited, covering the Company's participations on all years of account of both Syndicates 33 and 3624. Any business placed with Hiscox Dedicated Corporate Member Limited is on an arm's length basis.

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

24. Related party disclosures *continued*

Hiscox Dedicated Corporate Member Limited is a corporate member within the Hiscox Group which owns capacity on all years of account of Syndicates 33 and 3624. Syndicates 33 and 3624 have a number of related party transactions with other group companies as specified below.

Hiscox Underwriting Group Services Limited provides administration services on behalf of the Company on a no profit no loss basis. Hiscox Underwriting Group Services Limited acts as an employment service company which employs all UK Hiscox Group staff including underwriters, claims and reinsurance staff.

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

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

Syndicate 6104, managed by Hiscox Syndicates Limited, is a limited tenancy capacity, Special Purpose Arrangement, that supports the underwriting of Syndicate 33 by providing reinsurance on an arm's-length basis for certain classes of catastrophe exposed reinsurance risks.

The Hiscox Group also includes a number of intermediate holding companies and inactive companies.

Insurance intermediaries

Hiscox Underwriting Ltd is an FCA authorised non-life insurance intermediary and Lloyd's Service Company. It currently places business with Hiscox carriers, including the Hiscox managed Syndicates 33 and 3624, as well as non-Hiscox carriers. It is not obliged to place business with any particular carrier and these arrangements are subject to review from time to time by Hiscox Underwriting Ltd.

Hiscox Agencies Limited, a wholly owned indirect subsidiary of Hiscox Ltd, is authorised non-life insurance intermediary and Lloyd's Service Company. It places business with Syndicates 33 and 3624. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox Agencies Limited.

Hiscox Inc., a wholly owned indirect subsidiary of Hiscox Ltd incorporated in USA (Delaware), is a US authorised non-life insurance intermediary and Lloyd's Service Company. It places business with Syndicates 33 and 3624. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox Inc..

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

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

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

HISCOX DEDICATED CORPORATE MEMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS *continued*

24. Related party disclosures *continued*

Hiscox MGA Ltd, a wholly owned indirect subsidiary of Hiscox Ltd, is an FCA authorised non-life insurance intermediary and Lloyd's Coverholder. It places business with Syndicates 33 and 3624. It is not obliged to place business with any particular carrier and these arrangements are subject to review by Hiscox MGA Ltd.

Hiscox Ltd indirectly owns a 35.37% holding in Media Insurance Brokers International Limited, the holding company of an FCA authorised non-life insurance intermediary Media Insurance Brokers Limited which currently places business with various carriers, including Syndicate 3624. Media Insurance Brokers Limited is not obliged to place business with any particular carrier and these arrangements are subject to review from time to time by Media Insurance Brokers Limited.

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

None of the Directors who served during this period or the prior period were underwriting Names at Lloyd's for any open years of account.

25. Ultimate holding company

The direct holding company of Hiscox Dedicated Corporate Member Limited is Hiscox plc. The ultimate holding company and controlling party which heads both the largest and smallest group of undertakings for which consolidated financial statements are prepared is Hiscox Ltd, a public company incorporated and domiciled in Bermuda, whose ordinary share capital is listed on the London Stock Exchange.

A copy of the consolidated financial statements of Hiscox Ltd may be obtained from the Company Secretary at Chesney House, 96 Pitts Bay Road, Pembroke HM 08, Bermuda.

26. Guarantees and contingencies

The Company and the Syndicates, on which it participates, like most other insurers, may from time to time be involved in legal proceedings, claims and litigation in the normal course of business. The Company does not believe that such actions will have a material effect on its profit or loss and financial condition.

The following guarantees were in place at 31 December:

- Hiscox Dedicated Corporate Member Limited (HDCM) and Hiscox Insurance Company (Bermuda) Limited (HIB) provide assets under a Security and Trust Deed charged to Lloyd's of London, to meet any liabilities that occur from their interest in Syndicates 33 and 3624. At 31 December 2022, HDCM held \$170.8 million of investments (2021: \$245.3 million), \$17.1 million of cash (2021: \$1.8 million) and a \$241 million LOC (2021: \$241.0 million) in favour of Lloyd's of London under this arrangement. At 31 December 2022, HIB held \$528.1 million of investments (2021: \$695.5 million), \$72.2 million of cash (2021: \$26.4 million) and a \$25.0 million LOC (2021: \$25.0 million) in favour of Lloyd's of London under this arrangement.
- HDCM continued the \$65 million FAL agreement under which the lending bank provides assets on HDCM's behalf under a security and trust deed charged to Lloyd's of London as part of the Company's Fund's at Lloyd's provision. At 31 December 2022 \$65 million was utilised. (2021: \$65 million).
- Hiscox plc renewed during 2022 its LOC and revolving credit facility with Lloyds Banking Group, as agent for a syndicate of banks. The facility may be drawn in cash up to \$600 million under a revolving credit facility (2021: £450 million aggregate facility) or LOC up to \$266 million (2021: \$266 million). The terms also provide that the facility may be drawn in USD, GBP or EUR, or another currency with the agreement of the banks. At 31 December 2022 \$266.0 million (2021: \$266.0 million) was utilised by way of LOC to support the Funds at Lloyd's requirement and \$nil cash drawings were outstanding (2021: \$nil).
- The Council of Lloyd's has the discretionary power to call a loan from each Syndicate equal to 5% of the Syndicate's capacity at Lloyd's, this has increased from 3% for 2021 year of account and prior.