

## Hiscox Ltd trading statement

**Hamilton, Bermuda (7 November 2024)** - Hiscox Ltd (LSE:HSX), the international specialist insurer, today issues its trading statement for the first nine months of the year to 30 September 2024.

### Highlights:

- Group insurance contract written premiums (ICWP) increased by 113.1 million or 3.0% to 3,872.5 million (Q3 2023: 3,759.4 million) due to continued capital deployment in Re & ILS and solid Retail growth.
- Large natural catastrophe losses and overall claims experience were within expectations for the first nine months of the year, despite an active loss environment.
- The Group expects to reserve a net loss of 75 million for Hurricane Milton in the fourth quarter.
- Investment income of 346.6 million; a year to date return of 4.3%.
- Any surplus capital will be returned to shareholders following the Board's decision at year end.

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

"The Group continues to deliver a solid performance, with our combined focus on building growth and earnings momentum. Our priorities of achieving high quality growth in all markets in our Retail business, and selectively deploying capital into attractive big-ticket lines, are unchanged and we continue to make significant progress against the Group's strategy to deliver sustainable, less volatile returns while growing the business."

### Hiscox Group

The Group continues to make solid progress. Our diversified portfolio has enabled the business to grow where opportunities remain attractive and manage the cycle where conditions are evolving, while maintaining our customary focus on combining growth and earnings momentum.

In Retail, consistent with our expectations, growth has been non-linear, with year to date ICWP momentum slowing to 4.4% in constant currency. All three retail businesses, however, continue to grow and the US broker headwinds have continued to abate. Excluding the US broker business, Retail growth is 6.0% in constant currency. Retail growth is expected to improve in the fourth quarter as the momentum from a number of distribution initiatives previously highlighted continues to build.

In big-ticket, we deployed capital into attractive market opportunities in property and, despite an active wind season, the performance of our big-ticket businesses remains robust.

We are continuing to innovate across our business, as demonstrated by the launch of the first artificial intelligence (AI) enhanced lead underwriting model in the Lloyd's market in August, the deployment of the UK AI new business automation solution, and a pan-European partnership with a leading digital MGA.

### Insurance contract written premiums for the period:

	Insurance contract written premiums to 30 September 2024	Insurance contract written premiums to 30 September 2023 <sup>1</sup>	Growth in USD	Growth in constant currency
	US m	US m	%	%
<b>Hiscox Retail</b>	<b>1,922.6</b>	1,823.6	5.4%	4.4%
<b>Hiscox London Market</b>	<b>932.3</b>	960.3	(2.9%)	(3.1%)
<b>Hiscox Re &amp; ILS</b>	<b>1,017.6</b>	975.5	4.3%	3.9%
<b>Total</b>	<b>3,872.5</b>	3,759.4	<b>3.0%</b>	<b>2.4%</b>

**Hiscox Retail<sup>1</sup>**

Hiscox Retail ICWP increased by 99.0 million, or 4.4% in constant currency, to 1,922.6 million (Q3 2023: 1,823.6 million), consistent with our expectations of non-linear growth. Rates in Retail increased 2% across the markets, as inflation continued to moderate.

All three of the retail businesses are growing, with momentum continuing to build in the UK and Europe, which achieved strong growth year to date but with a temporary slow-down in the third quarter due to a strong prior year comparator. In the US, the first-half trends have continued, with strong growth in US direct, continued slower growth in digital partners and an improving trajectory for US broker business. Excluding the US broker business, Retail growth is 6.0% in constant currency.

Looking at the rest of the year, Retail growth is expected to improve in the fourth quarter as the momentum from a number of distribution initiatives previously highlighted continues to build.

#### Insurance contract written premiums for the period:

	Insurance contract written premiums to 30 September 2024		Insurance contract written premiums to 30 September 2023 <sup>1</sup>		Growth in USD	Growth in constant currency
	£m/€m	US m	£m/€m	US m	%	%
Hiscox Retail						
- Hiscox UK	£504.2	642.5	£482.5	600.3	7.0%	4.5%
- Hiscox Europe	€485.4	528.3	€455.3	491.6	7.5%	6.7%
- Hiscox USA		705.2		687.3	2.6%	2.6%
- Hiscox Asia		46.6		44.4	5.0%	5.5%
<b>Hiscox Retail total</b>		1,922.6		1,823.6	5.4%	4.4%

#### *Hiscox UK*

Hiscox UK ICWP increased by 4.5% in constant currency to 642.5 million (Q3 2023: 600.3 million). Positive momentum continued in the third quarter both in terms of premium growth and customer numbers which are now in excess of half a million.

In commercial lines, both our direct and broker businesses have delivered growth during the year. The direct business is benefitting from our award-winning brand campaign. In our broker-intermediated business, growth momentum is underpinned by new distribution deals, with six of them now live and a strong pipeline of further opportunities ahead of us.

Our art and private client (APC) business delivered double-digit growth. Its performance is particularly strong in the broker channel, with customer numbers up nearly 20% year-on-year and the business being recognised by the broker community, winning the award for Personal Lines Insurer of the Year at the 2024 UK Broker Awards.

In September, Hiscox UK deployed an artificial intelligence (AI) new business automation solution in APC lines. The tool processes new business submissions according to Hiscox's business rules and prioritises business that is within our risk appetite and that Hiscox is likely to win. This has reduced the time taken for priority submissions to be reviewed from 2.5 days to 2.5 hours. This tool is now in development for the UK broker commercial business.

#### *Hiscox Europe*

Hiscox Europe ICWP increased by 6.7% in constant currency to 528.3 million (Q3 2023: 491.6 million), with broad-based growth across markets and in both APC and commercial lines.

In October, we launched a European partnership with a leading digital MGA to underwrite small business insurance. This exciting partnership sees two of the insurance industry's technology innovators join forces to serve the growing and evolving needs of the European SME market, providing a seamless digital customer experience and access to specialist underwriting. This is expected to contribute to growth momentum in 2025.

The delivery of the single core policy administration system remains on track, with Germany now live, France well progressed, and work underway in Benelux, Iberia and Ireland. The broker portal that wraps around the core system is now live in France in the broker commercial business. This portal digitalises customer and broker interactions which will support sustained and scalable growth.

## **Hiscox USA<sup>1</sup>**

Hiscox USA's ICWP increased by 2.6% to 705.2 million (Q3 2023: 687.3 million) with sustained strong growth in US digital direct, continued lower flows in certain US digital partnerships, and an improving trend in US broker.

US DPD grew ICWP by 7.6% to 418.0 million (Q3 2023: 388.5 million) as our US digital direct business maintained double-digit premium growth, with a good rate of customer acquisition and strong retention. US partnerships continues to grow, albeit at a lower rate, as the slower production momentum from some established partners highlighted in the second quarter has persisted through the third quarter and is likely to continue for the rest of the year. The majority of partners are growing their premium placement with Hiscox, and the partner additions are continuing at a steady rate, with 55 new partners added over the last 21 months.

We continue to leverage incentive programmes and marketing to accelerate partner production. We also continue to diversify our partner distribution network, pursuing new partner relationships and new partner types in niche markets such as aggregators and a direct-to-consumer platform with a large retail traded partner.

US broker ICWP decreased by 3.9% to 287.2 million (Q3 2023: 298.8 million). The business is gradually rotating back to growth, nearing the end of its premium contraction period triggered by our deliberate action to reposition the book that was completed in 2022. We have now rebased relationships with brokers aligned on our redefined risk appetite focused on smaller ticket risks. The business is rebuilding momentum, as growth trends are emerging in an increasing number of lines.

## **Hiscox London Market<sup>1</sup>**

Hiscox London Market ICWP of 932.3 million (Q3 2023: 960.3 million) declined by 2.9% year-on-year, broadly in line with the first half trend. Overall, Hiscox London Market has achieved rate increases of 3% year to date, with cumulative rate increases of 75% since 2018 and returns remaining attractive across many lines.

Top line momentum continues to reflect our proactive management of the underwriting cycle, growing where we see attractive opportunities, including property and a number of classes of business in our crisis management division, while at the same time reducing our position in D&O and cyber where pricing trends remain negative. In addition, the underlying growth momentum was tempered by our decision to non-renew certain large binder deals and to stop writing space business.

Crisis management delivered strong growth, with premiums up 18% in the third quarter, driven by both kidnap and ransom and terrorism. In September, we launched a new Personal Security Plus product to complement our existing suite of kidnap and ransom products. This innovative product offers coverage for 22 different perils while also providing access to specialist global risk consultancy, Control Risks. This innovation has been well received by our clients, as it seeks to address their emerging needs regarding employee protection.

In August, we wrote our first terrorism renewal using the first AI enhanced lead underwriting solution in the Lloyd's market. Since then over 70% of in-scope risks have been processed through this solution which provides our underwriters with more time to focus on business development and on more complex risks. We remain focused on extending our AI capabilities to the rest of our business over time.

Property remains attractive, notwithstanding the cancellation of a flood binder, as we continue to achieve growth in major property and household binders.

We have taken the decision to stop writing space business due to the evolving nature of the risk and economics. Our space book is a small component of the overall London Market portfolio. Space has materially reduced in size in the year to date as there were fewer risks coming to the market and we took a decision to reduce line size due to recent elevated loss activity.

## **Hiscox Re & ILS**

Hiscox Re & ILS grew net ICWP by 12.0% to 491.0 million (Q3 2023: 438.3 million) as the business deployed additional capital into the attractive underwriting conditions. Net premiums have more than doubled since 2020, as retained premium growth followed improving market conditions. ICWP grew by 4.3% to 1,017.6 million (Q3 2023: 975.5 million), with the majority of growth achieved during the January renewals when market conditions were most attractive.

The market has remained disciplined throughout the year, with rates flat on average across our portfolio for the first nine months of the year. The market remains attractive following cumulative rate increases of 90% since 2018. Attachment points and terms and conditions have broadly held firm during the year. We continue to see strong and growing demand from cedants, which has been met by supply, but at an appropriate price. As anticipated, at the mid-year renewals there were some rate reductions in the upper layers of structures and on higher quality business, however these were from generationally high levels. The positive outlook for the January 2025 renewal rates is likely to be reinforced following the impacts of Hurricanes Helene and Milton.

Hiscox ILS assets under management were 1.5 billion as at 30 September 2024 (1 July 2024: 1.4 billion). The pipeline of potential investors ahead of the January renewals is robust.

## **Claims**

The third quarter saw a number of US hurricanes make landfall including Hurricanes Beryl, Debby, Francine and Helene. There has also been flooding in Europe and a series of events in Canada. While the period was active and we are focused on supporting our customers affected by these tragic events, our natural catastrophe and overall claims experience in the first nine months of 2024 was within expectations.

On 9 October, Hurricane Milton made landfall in Florida as a category 3 hurricane. The Group expects to reserve a net loss of 75 million, based on an industry insured loss of 40 billion, which is split broadly equally between our London Market and Re & ILS businesses. We remain within our full year catastrophe loss expectations.

## **Investments**

The investment result for the first nine months of 2024 is 346.6 million (Q3 2023: 201.7 million), or a year to date return of 4.3% (Q3 2023: 2.8%), driven by a combination of strong interest and coupon income and favourable mark-to-market movements on bonds. Group invested assets as at 30 September were 8.4 billion (30 June 2024: 8.0 billion).

With inflation rates at, or nearing, policy targets and economic growth slowing, central banks started to cut interest rates during the quarter with both the US Federal Reserve and the Bank of England reducing rates for the first time since 2020. Bond markets reacted by pricing in further cuts, with changes in risk-free rates resulting in a fall in bond yields. The reinvestment yield on the bond portfolio reduced from 5.2% at the end of June 2024 to 4.4% at 30 September 2024, with the duration of 1.9 years.

## **Capital management**

The Group remains well capitalised on both a regulatory and rating agencies basis, with high levels of liquidity and strong capital generation.

We have the flexibility to deploy capital into each of our business units where we see attractive growth opportunities, while maintaining balance sheet strength and financial flexibility in line with our strategy. Any surplus capital will be returned to shareholders following the Board's decision at year end.

## **ENDS**

A conference call for investors and analysts will be held at 09:00 GMT on Thursday, 7 November 2024.

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### **Notes to editors**

#### **About The Hiscox Group**

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

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

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

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<sup>1</sup> K&R business written through Syndicate 33 has been transferred from Hscox USA to Hscox London Market. 2023 financials have been restated to report on a consistent basis.

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