Prospectus dated 20 November 2015

Hiscox Ltd

(Incorporated with limited liability in Bermuda with registered no. 38877)

£275,000,000 Fixed to Floating Rate Callable Subordinated Notes due 2045

Issue price: 100 per cent.

The £275,000,000 Fixed to Floating Rate Callable Subordinated Notes due 2045 (the "**Notes**") will be issued by Hiscox Ltd, a Bermuda exempted company incorporated with limited liability, (the "**Issuer**") and constituted by a trust deed to be dated on or about 24 November 2015 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and the Trustee (as defined in "*Terms and Conditions of the Notes*" (the "**Conditions**", and references herein to a numbered "**Condition**" shall be construed accordingly)).

The Notes will be direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* and without preference amongst themselves, and will, in the event of the winding-up of the Issuer, be subordinated to the claims of all Senior Creditors (as defined herein) of the Issuer.

The Notes will bear interest from (and including) 24 November 2015 (the "**Issue Date**") to (but excluding) 24 November 2025 (the "**First Call Date**") at a fixed rate of 6.125 per cent. per annum payable annually in arrear on each Fixed Interest Payment Date (as defined herein) commencing on 24 November 2016, and thereafter at a floating rate of interest equal to 3-month LIBOR plus 5.076 per cent. (including a step-up), payable quarterly in arrear on each Floating Interest Payment Date (as defined herein) (each Floating Interest Payment Date, together with the Fixed Interest Payment Dates, the "**Interest Payment Dates**"), *provided that* the Issuer in its discretion may defer payment of interest on any Interest Payment Date which is not a Compulsory Interest Payment Date (as defined herein) for any reason and will be required to defer any payment of interest if (i) such payment cannot be made in compliance with the solvency condition described in Condition 2.2 (the "**Solvency Condition**") or (ii) a Regulatory Deficiency Interest Deferral Event (as defined herein) has occurred and is continuing, or would occur if such interest payment were made. Any interest so deferred shall, for so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest will not themselves bear interest, and will be payable as provided in Condition 5.4.

Unless previously redeemed or purchased and cancelled, and subject to the deferral provisions referred to below, the Notes will be redeemed on the Interest Payment Date falling in, or nearest to, November 2045 (the "**Maturity Date**") at their principal amount together with any accrued but unpaid interest to (but excluding) the Maturity Date and any Arrears of Interest. The Issuer may, in its sole discretion but subject to compliance with applicable prudential rules, elect to redeem all (but not some only) of the Notes prior to the Maturity Date (i) on the First Call Date or any Interest Payment Date thereafter, or (ii) at any time upon the occurrence of a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event (each as defined herein), at their principal amount together with any accrued but unpaid interest to (but excluding) the date of redemption and any Arrears of Interest (as defined herein). The Issuer may, alternatively, following the occurrence of a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event, without the need for the consent of the holders of the Notes, substitute the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Dated Tier 2 Securities or Rating Agency Compliant Securities, as the case may be (each as defined in the Conditions and on terms not materially less favourable to holders). Any redemption of the Notes, whether on the Maturity Date or otherwise, will be subject to supervisory consent or non-objection if then required and to mandatory deferral if redemption cannot be made in compliance with the Solvency Condition or if a Regulatory Deficiency Redemption Deferral Event (as defined herein) has occurred and is continuing or would occur if redemption were to be effected.

Application has been made to the UK Financial Conduct Authority (the "**FCA**") in its capacity as competent authority under the Financial Services and Markets Act 2000 (as amended from time to time) (the "**UK Listing Authority**" and the "**FSMA**", respectively) for the Notes to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Notes to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). This Prospectus has been approved by the UK Listing Authority for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). This document comprises a prospectus for the purposes of the Prospectus Directive.

The Notes are expected to be rated BBB- by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**") and BBB- by Fitch Ratings Limited ("**Fitch**") (each, a "**Rating Agency**"), each of which is established in the European Union (the "**EU**") and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**"). As such, each Rating Agency is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes will be issued in registered form and represented upon issue by a registered global certificate which will be registered in the name of a nominee for a common depositary ("**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**" and together with Euroclear, the "**Clearing Systems**") on or about the Issue Date. Individual Note Certificates (as defined in the Trust Deed) will be issued only in limited circumstances – see "*Overview of the Notes while in Global Form*". The denomination of the Notes shall be £100,000 and integral multiples of £1,000 in excess thereof.

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Prospectus.

Joint Lead Managers

Barclays | **Lloyds Bank**

The Royal Bank of Scotland | **UBS Investment Bank**

This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"), to give information with regard to the Issuer and its subsidiaries taken as a whole (the "**Group**") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the rights attaching to the Notes. This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference, see "*Documents Incorporated by Reference*".

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any information contained in this Prospectus which has been sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by any third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No person is or has been authorised to give any information or to make any representations other than those contained in or consistent with this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Joint Lead Managers (as defined in "*Subscription and Sale*" below) or the Trustee. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer since the date hereof or that any other information supplied in connection with the Notes is correct as of any time after the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Joint Lead Managers and the Trustee have not separately verified the information contained in this Prospectus. Neither the Joint Lead Managers nor the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Prospectus or any other information provided by the Issuer in connection with the distribution of the Notes. None of the Joint Lead Managers nor the Trustee accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the distribution of the Notes. Neither this Prospectus nor any other information supplied in connection with the distribution of the Notes is intended to constitute, and should not be considered as, a recommendation by any of the Issuer, the Joint Lead Managers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the distribution of the Notes should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Joint Lead Managers nor the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to their attention.

In the ordinary course of business, the Joint Lead Managers have engaged and may in the future engage in normal banking or investment banking transactions with the Issuer and its affiliates or any of them.

Neither this Prospectus nor any other information provided by the Issuer in connection with the offering of the Notes constitutes an offer of, or an invitation by or on behalf of, the Issuer or the Joint Lead Managers or the Trustee or any of them to subscribe for, or purchase, any of the Notes (see "*Subscription and Sale*" below). This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this

Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Trustee and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Trustee or the Joint Lead Managers or any of them which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States of America ("**U.S.**") and the United Kingdom. Persons in receipt of this Prospectus are required by the Issuer, the Trustee and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offer and sale of the Notes and on the distribution of this Prospectus, see "*Subscription and Sale*" below.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Notes may not be offered, sold or delivered within the U.S. or its territories except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 and the Exchange Control Act 1972 (and regulations made thereunder) and the requirements of the related regulations of Bermuda which regulate the sale of securities in Bermuda.

The Bermuda Monetary Authority (the "**BMA**"), the Registrar of Companies and the Minister of Economic Development accept no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed herein.

No invitation whether directly or indirectly may be made to the public in Bermuda to subscribe for the Notes.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Notes are complex financial instruments and such instruments may be purchased by potential investors as a way to enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of the relevant financial markets and of any financial variable which might have an impact on the return on the Notes; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In this Prospectus, unless otherwise specified, all references to "**pounds**", "**sterling**", "**£**", "**p**" or "**pence**" are to the lawful currency of the United Kingdom.

FORWARD-LOOKING STATEMENTS

This Prospectus includes certain "forward-looking statements". Statements that are not historical facts, including statements about the beliefs and expectations of the Issuer and the Group and any subsidiaries in the Group and their respective directors or management, are forward-looking statements. Words such as "believes", "anticipates", "estimates", "expects", "intends", "plans", "aims", "potential", "will", "would", "could", "considered", "likely", "estimate" and variations of these words and similar future or conditional expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur, many of which are beyond the control of the Issuer or the Group and all of which are based on their current beliefs and expectations about future events. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Issuer or the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Issuer and the Group and the environment in which the Issuer and the Group will operate in the future. These forward-looking statements speak only as at the date of this Prospectus.

Subject to applicable law or regulation, the Issuer expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

STABILISATION

In connection with the offering of the Notes, The Royal Bank of Scotland plc (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions to support the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

SUPPLEMENTAL PROSPECTUS

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus prior to the Issue Date which is capable of affecting the assessment of the Notes, prepare a supplement to this Prospectus. The Issuer has undertaken to the Joint Lead Managers that it will comply with section 87G of the FSMA.

TABLE OF CONTENTS

Page

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

(a) the annual consolidated financial statements of the Group for the financial year ended 31 December 2013, audited by KPMG Audit Limited, together with the audit report thereon (which appear at pages 70 to 123 of the Issuer's Annual Report 2013);

(b) the annual consolidated financial statements of the Group for the financial year ended 31 December 2014, audited by KPMG Audit Limited, together with the audit report thereon (which appear at pages 74 to 127 of the Issuer's Annual Report 2014);

(c) the interim consolidated financial statements of the Group for the six months ended 30 June 2015, together with the auditor's review report thereon (which appear at pages 7 to 28 of the Issuer's Interim Report 2015); and

(d) the interim management statement for the Group for the nine months ended 30 September 2015;

which have been previously published or are published simultaneously with this Prospectus and which have been filed with the FCA. Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Those parts of the documents incorporated by reference in this Prospectus which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the website of the Regulatory News Service operated by the London Stock Exchange at: http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html.

OVERVIEW OF THE PRINCIPAL FEATURES OF THE NOTES

The following overview refers to certain provisions of the terms and conditions of the Notes and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Prospectus. Terms which are defined in "Terms and Conditions of the Notes" below have the same meaning when used in this overview, and references herein to a numbered "Condition" shall refer to the relevant Condition in "Terms and Conditions of the Notes".

Issue	£275,000,000 Fixed to Floating Rate Callable Subordinated Notes due 2045.
Issuer	Hiscox Ltd.
Trustee	Citicorp Trustee Company Limited.
Agent Bank	Citibank N.A., London Branch.
Principal Paying Agent	Citibank N.A., London Branch.
Registrar and Transfer Agent	Citigroup Global Markets Deutschland AG.
Status and Subordination	The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders (and the Trustee on their behalf) against the Issuer are subordinated in a winding-up of the Issuer other than an Approved Winding-up in accordance with Condition 2.1 and the provisions of the Trust Deed.
Solvency Condition	Except in a winding-up or administration of the Issuer, all payments in respect of the Notes will be conditional upon the Issuer satisfying the solvency condition described in Condition 2.2 (the "**Solvency Condition**"), and no amount will be payable in respect of the Notes until the same can be paid in compliance with the Solvency Condition.
Interest	The Notes will bear interest from (and including) the Issue Date to (but excluding) 24 November 2025 (the "**First Call Date**") at the rate of 6.125 per cent. per annum, payable (subject as provided under "*Deferral of Interest*") annually in arrear on each Fixed Interest Payment Date, commencing on 24 November 2016. From (and including) the First Call Date to (but excluding) the Maturity Date, the Notes will bear interest at a floating rate equal to the sum of (i) 3-month LIBOR, (ii) the initial margin of 4.076 per cent. and (iii) the step-up margin of 1.00 per cent., payable (subject as provided under "*Deferral of Interest*" below) quarterly in arrear on each Floating Interest Payment Date.
Interest Payment Dates	24 November in each year from (and including) 24 November 2016 to

	(and including) the First Call Date (together, the "**Fixed Interest Payment Dates**") and thereafter 24 February, 24 May, 24 August and 24 November in each year from (and including) 24 February 2026 up to (and including) the Maturity Date, (the "**Floating Interest Payment Dates**" and, together with the Fixed Interest Payment Dates, the "**Interest Payment Dates**") save that if any such Floating Interest Payment Date would otherwise fall on a day which is not a Business Day, such Floating Interest Payment Date shall be postponed to the following Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day.
Deferral of Interest	***Optional deferral***: In respect of any Interest Payment Date that is not a Compulsory Interest Payment Date or a Mandatory Interest Deferral Date, the Issuer may in its discretion elect to defer payment of the accrued but unpaid interest to that Interest Payment Date (in whole or in part), and in such circumstances the relevant interest payment (or part thereof) shall not fall due on such Interest Payment Date and the Issuer shall have no obligation to make such payment on that date. ***Mandatory deferral***: The Issuer will be required to defer any payments of interest on the Notes which would otherwise be due on any Interest Payment Date if (i) such payment cannot be made in compliance with the Solvency Condition or (ii) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if such payment of interest was made on such Interest Payment Date. A "**Regulatory Deficiency Interest Deferral Event**" will occur if (i) any of the Issuer, the Group or any undertaking in the Group that is registered as an insurer under the Bermuda Insurance Act is failing to meet any Enhanced Capital Requirement then applicable to it and (ii) under the Relevant Rules then applicable to the Issuer, such failure requires the Issuer to defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes in order that the Notes qualify as Tier 2 Capital under the Relevant Rules then applicable to the Issuer.
Arrears of Interest	Any interest in respect of the Notes not paid on an Interest Payment Date as a result of (i) any optional deferral of such payment of interest in accordance with Condition 5.1, (ii) any mandatory deferral of such payment of interest in accordance with Condition 5.2 or (iii) the operation of the Solvency Condition, together with any other interest in respect of the Notes not paid on an earlier Interest Payment Date, will, so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest will (subject to the Solvency Condition and (to the extent then required by the Relevant Regulator or the Relevant Rules)

to any notifications to, or consent or non-objection from, the Relevant Regulator) be payable, in whole or in part at any time at the election of the Issuer (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur upon payment of the same) upon notice to Noteholders, the Trustee, the Registrar and the Principal Paying Agent, and in any event all Arrears of Interest will become due and payable in full (subject, in the case of (i) and (iii) below, to the Solvency Condition and (to the extent then required by the Relevant Regulator or the Relevant Rules) any notifications to, or consent or non-objection from, the Relevant Regulator) upon the earliest of the following dates:

(i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date and on which a scheduled payment of interest in respect of the Notes (or any part thereof) is made or is required to be made pursuant to the Conditions (other than a voluntary payment of Arrears of Interest); or

(ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or

(iii) the date of any redemption or purchase of Notes by or on behalf of the Issuer or any of its Subsidiaries pursuant to Condition 6 (subject to the deferral of such redemption pursuant to Condition 2.2 or Condition 6.1).

Arrears of Interest shall not themselves bear interest.

Redemption at Maturity

The Notes will, subject as provided under "*Mandatory Deferral of Redemption*" below, and provided (if it is then entitled to do so under the Relevant Rules) the Relevant Regulator has not objected to such redemption, be redeemed at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest thereon, on the Interest Payment Date falling in, or nearest to, November 2045.

The Notes may also be redeemed early, at the option of the Issuer or upon the occurrence of certain events as further described in "*Optional Redemption*" and "*Early Redemption following a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event*" below.

Mandatory Deferral of Redemption

The Issuer will be required to defer any scheduled redemption of the Notes (whether at maturity or if it has given notice of early redemption in the circumstances described below under "*Optional Redemption*" or "*Early Redemption following a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event*") if (i) the

	Notes cannot be redeemed in compliance with the Solvency Condition, (ii) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed or (iii) the Relevant Regulator has objected to such redemption (if it is then entitled to do so under the Relevant Rules) or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date. A "**Regulatory Deficiency Redemption Deferral Event**" will occur if (i) any of the Issuer, the Group or any undertaking in the Group that is registered as an insurer under the Bermuda Insurance Act is failing to meet any Enhanced Capital Requirement then applicable to it and (ii) under the Relevant Rules then applicable to the Issuer, such failure requires the Issuer to defer or suspend repayment or redemption of the Notes in order that the Notes qualify as Tier 2 Capital under the Relevant Rules then applicable to the Issuer
Optional redemption	The Issuer may elect, subject as provided under "*Mandatory Deferral of redemption*" above and "*Conditions to Redemption, Substitution, Variation or Purchase*" below and subject to it being in compliance with the Solvency Condition, to redeem all (but not some only) of the Notes on the First Call Date or any Interest Payment Date thereafter at their principal amount together with any Arrears of Interest, and any other accrued and unpaid interest thereon to (but excluding) the date of redemption.
Early Redemption following a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event	The Issuer may elect, subject as provided under "*Mandatory Deferral of redemption*" above, and "*Conditions to Redemption, Substitution, Variation or Purchase*" below and subject to it being in compliance with the Solvency Condition, to redeem all (but not some only) of the Notes, at their principal amount together with Arrears of Interest (if any) and any other accrued and unpaid interest thereon to (but excluding) the date of redemption, if a Tax Event (if the Issuer cannot avoid the same by taking measures reasonably available to it), Capital Disqualification Event or Ratings Methodology Event has occurred and is continuing, or (in the case of a Ratings Methodology Event) the Issuer satisfies the Trustee (through the provision of a certificate signed by two directors or Authorised Signatories (as defined in the Trust Deed) of the Issuer in relation to the same (a "**Certificate**")) that, as a result of any change in, or amendment to, or any change in the application or official interpretation of, any ratings methodology or other official publications, a Ratings Methodology Event will occur within a period of six months. A "**Capital Disqualification Event**" is deemed to have occurred if, as a result of any change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules then applicable to the Issuer, the entire principal amount of the Notes is fully excluded

from counting as Tier 2 Capital for the purposes of the Issuer or the Group, whether on a solo, group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital.

A "**Ratings Methodology Event**" will be deemed to occur upon a change in, or clarification to, the methodology of any Rating Agency (or in the interpretation of such methodology) as a result of which the equity content assigned by that Rating Agency to the Notes is, as notified by that Rating Agency to the Issuer or as published by that Rating Agency, reduced when compared to the equity content assigned by that Rating Agency to the Notes on or around the Issue Date.

A "**Tax Event**" will occur if the Issuer satisfies the Trustee (through the provision of a Certificate) that, as a result of a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of Bermuda or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which Bermuda is a party, or any change in the application or official interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Tier 2 Capital under the Relevant Rules applicable at issuance), which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by way of primary or secondary legislation, on or after the Issue Date of the Notes, in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts on the Notes.

For further details see Conditions 6.3, 6.4 and 6.5.

Substitution and Variation at the Option of the Issuer

The Issuer may, subject to certain conditions (including "*Conditions to Redemption, Substitution, Variation or Purchase*" below) and upon notice to Noteholders, the Trustee, the Registrar and the Principal Paying Agent, at any time elect to substitute (all, but not only some) the Notes for, or vary the terms of the Notes so that they remain or become, (in the case of a Capital Disqualification Event or a Tax Event) Qualifying Dated Tier 2 Securities or (in the case of a Ratings Methodology Event), Rating Agency Compliant Securities, if, immediately prior to the giving of the relevant notice to Noteholders, the Trustee, the Registrar and the Principal Paying Agent, a Tax Event (if the Issuer cannot avoid the same by taking measures reasonably

	available to it) Capital Disqualification Event or Ratings Methodology Event has occurred and is continuing or (in the case of a Ratings Methodology Event) the Issuer has satisfied the Trustee (through the provision of a Certificate) that, as a result of any change in, or amendment to, or any change in the application or official interpretation of, any ratings methodology or other official publication, a Ratings Methodology Event will occur within a period of six months.
Conditions to Redemption, Substitution, Variation or Purchase	Any redemption, substitution, variation or purchase of the Notes is subject to the Issuer having obtained the consent or non-objection of the Relevant Regulator (if then required by the Relevant Rules) and the Issuer being in continued compliance with the Regulatory Capital Requirements applicable to it at the relevant time and, in the case of a redemption or purchase that is within five years of the Issue Date of the Notes, to such redemption or purchase being funded (to the extent then required by the Relevant Regulator or the Relevant Rules) out of the proceeds of a new issuance of capital of at least the same quality as the Notes and/or otherwise being permitted under the Relevant Rules
Taxation	Payments on the Notes will be made without deduction or withholding for or on account of Bermudan tax, unless such withholding or deduction is required by law. If any such withholding or deduction is required by law, the Issuer will pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required by law to be made ("**Additional Amounts**"), subject to certain exceptions, as described in Condition 8.
Events of Default and Enforcement	If (a) default is made for 14 days or more in the payment of any interest (including, without limitation, Arrears of Interest) or principal due in respect of the Notes or any of them or (b) a winding-up of the Issuer (other than an Approved Winding-up) occurs or an administrator of the Issuer is appointed and the administrator has given notice that it intends to declare and distribute a dividend, then the Trustee in its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to its being indemnified and/or secured and/or prefunded to its satisfaction): (i) in the case of (a) above, institute proceedings for the winding-up of the Issuer; and (ii) in the case of each of (a) and (b) above, prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer (such claim being for such amount, and being subordinated in the manner, as is provided in the Conditions), but (in either case) may take no further or other action to enforce, prove or claim for any payment by the Issuer in respect of the Notes or the Trust Deed. No payment in respect of

	the Notes or the Trust Deed may be made by the Issuer pursuant to Condition 10.1, nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent or non-objection from, the Relevant Regulator which the Issuer shall confirm in writing to the Trustee.
Issuer Substitution	The Trustee may agree with the Issuer, without the consent of the Noteholders, to the substitution of any person or persons incorporated in any country in the world (a "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor) as a new principal debtor under the Trust Deed and the Notes and whose obligations in respect of the Notes are subordinated on an equivalent basis to that referred to in Condition 2 provided that the conditions to such substitution set out in the Conditions and the Trust Deed are satisfied.
Form and Denomination	The Notes will be issued in registered form and represented upon issue by a registered global certificate which will be registered in the name of a nominee for a common depositary for Clearstream Banking, *société anonyme* and Euroclear Bank SA/NV on the Issue Date. Save in limited circumstances, Individual Note Certificates will not be issued in exchange for interests in the registered global certificate. The Notes will be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof.
Listing	Application has been made for the Notes to be admitted to the Official List of the UK Listing Authority and for the Notes to be admitted to trading on the London Stock Exchange's regulated market.
Ratings	The Notes are expected to be rated BBB- by Standard & Poor's and BBB- by Fitch. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. As of the date of this Prospectus, each Rating Agency is a credit rating agency established in the European Union and is registered under CRA Regulation. As such each Rating Agency is included in the list of credit rating agencies published by ESMA on its website in accordance with such Regulation.
Governing Law	The Notes and the Trust Deed, and any non-contractual obligations arising out of or in connection therewith, will be governed by and construed in accordance with English law, except that Condition 2 and the related provisions contained in Clause 3 of the Trust Deed are governed by, and shall be construed in accordance with, the laws of Bermuda.

Selling Restrictions	The United States, Bermuda and the United Kingdom.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Any of these risk factors, individually or in the aggregate, could have an adverse effect on the Issuer and the impact each risk could have on the Issuer is set out below.

Factors that the Issuer believes may be material to assess the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Defined terms used in the following risk factors, unless otherwise stated, have the meaning given to them in the Conditions set out below in the section of this Prospectus entitled "Terms and Conditions of the Notes".

Risks relating to the Issuer that may affect the Issuer's ability to fulfil its obligations under or in connection with the Notes

Insurance Risk

The predominant risk to which the Group is exposed is insurance risk which is assumed through the underwriting process. Insurance risk can be subcategorised into (i) underwriting risk, including the risk of catastrophe and systemic insurance losses, competition and the insurance cycle and (ii) reserving risk.

Underwriting Risk

The underwriting of insurance risks is, by its nature, a high risk business. Earnings can vary accordingly and losses may be sustained which would have the effect of significantly impacting the ability of the Issuer to meet its obligations in respect of the Notes.

Catastrophe and Systemic losses

It is in the nature of insurance business that earnings can be affected by unpredictable events or circumstances. These may include (but are not limited to) matters such as natural and man-made disasters, the emergence of latent risks, legal developments as well as changes in legal interpretation or precedent (including in relation to the measurement of damages), social changes, public policy and fluctuations in either global insurance capacity or the investment markets. The Group has experienced and can expect in the future to experience losses from natural and non-natural catastrophes and these may have a material adverse impact on its financial performance.

The Group is exposed to multiple catastrophes in any year that could exhaust reinsurance programmes or could produce aggregation of retentions paid by the Group before it can recover on a particular programme. In particular Hiscox Insurance Company (Bermuda) Limited ("**HIB**") and Syndicate 33 (as further described

under "*Description of the Issuer and the Group – Introduction*") are reliant on the Group's Kiskadee (as defined below) insurance linked funds.

The Group is also exposed to unexpected concentrations of risk where one event or series of events can affect many insureds. Examples of this include, but are not limited to, political risk losses arising out of the continuing situation in Ukraine or losses emanating from the Arab Spring in 2011.

Binding Authorities

The Group writes a considerable amount of premium income through agents to whom authority is given to accept risks on behalf of Group risk carriers. There is no guarantee that an agent will comply with the terms of its binding authority. An agent which breaches its authority could expose the Group to unanticipated losses that could adversely impact the Group.

Competition and the Insurance Cycle

The insurance market is cyclical, experiencing periods of high competition (often after a long period of low catastrophe activity), as well as periods of opportunity when competitors have reduced levels of capacity against which to underwrite. The Group's ability to write business profitably depends significantly on premium rating levels or competition levels. The Group competes against major international insurance and reinsurance groups. This cycle, as well as other factors, means that, at times, some of these groups may choose to underwrite risks at prices which fall below the break-even technical price. In such circumstances the Group has a choice between retaining the business with a greater likelihood of it being unprofitable or declining to write the business. As such, prolonged periods when premium levels are low or when competition is intense are likely to have a negative impact on the Group's financial performance.

Consolidation in the (re)insurance industry

There recently has been increased consolidation and convergence among companies in the (re)insurance industry resulting in increasingly larger and diversified competitors with greater capitalisation. The consolidation trend may continue and even accelerate in the near future, which may lead to increased competitive pressure in our business lines from larger and more diversified competitors. In addition, as companies consolidate at an increasing rate, the resulting change in the competitive landscape may impact our ability to attract the most talented insurance professionals and retain and incentivise existing employees. Any of these and the following aspects of consolidation of the industry could adversely affect our reinsurance and insurance businesses, our strategy and our results of operations.

As the reinsurance industry consolidates, the cost, capital and reinsurance synergies and combined underwriting leverage resulting from consolidation may mean a larger global (re)insurer is able to compete more effectively and also may be more attractive to brokers and agents looking to place business. These consolidated competitors may try to use their enhanced market power to obtain a larger market share through increased line sizes. Larger reinsurers also may have lower operating costs and an ability to absorb greater risk while maintaining their financial strength ratings, thereby allowing them to price their products more competitively. If competitive pressures reduce rates or terms and conditions considerably, we may reduce our future underwriting activities in those lines thus resulting in reduced premiums and a potential reduction in expected earnings.

As the insurance industry consolidates, competition for customers also will become more intense and the importance of properly servicing each customer will become greater. Several of the announced mergers of reinsurers were partially driven by strategic plans to write more insurance business. We could therefore incur

greater expenses relating to customer acquisition and retention, reducing our operating margins. In addition, insurance companies that merge may be able to spread their risks across a consolidated, larger capital base so that they require less reinsurance.

There has been a similar trend of increased consolidation of agents and brokers to the (re)insurance industry. As we distribute many of our products through agents and brokers, consolidation could impact our relationships with, and fees paid to, some agents and brokers. In the Lloyds's market, independent London wholesalers continue to be acquired by larger global brokers, which may result in enhanced market power for these larger brokers in placing insurance and reinsurance. Consolidation of distributors may also increase the likelihood that distributors will try to renegotiate the terms of existing selling agreements to terms less favourable to us. As brokers merge with or acquire each other, any resulting failure or inability of brokers to market our products successfully, or the loss of a substantial portion of the business sourced by one or more of our key brokers, could have a material adverse effect on our business and results of operations.

Reinsurance

The Group has a significant number of reinsurance and retrocession contracts designed to limit its exposure in respect of particular lines of business or particular risks. As a result, the Group has a significant credit risk with respect to its reinsurers. The Group has made provisions in respect of the potential failure of reinsurers to pay their share of the Group's anticipated reinsurance recoveries, but there can be no guarantee that such provisions will be adequate to cover future failure. If a reinsurer fails to make payment, whether through an insolvency, dispute or otherwise, the Group retains the primary liability to the insured and the Group's business could therefore be materially adversely affected.

The Group purchases different reinsurance programmes for different classes of business and for each Group risk carrier. Each of these programmes normally has a retention of risk that the relevant Group entity must pay first before the reinsurers are liable. It is possible that in a complex loss more than one retention may be payable and that this aggregation of retentions could materially adversely impact the Group.

There can be no guarantee that available reinsurance purchased will exactly match all of the insurance business that it seeks to protect.

In addition, there can be no guarantee that appropriate levels of reinsurance cover will be available in the future at acceptable rates or at all.

Reserving Risk

The Group establishes provisions for unpaid claims and related expenses to cover its ultimate liability in respect of both reported claims and incurred but not reported claims taking into account both the Group's and the industry's experience of similar business, historical trends in reserving patterns and loss payments, as well as pending levels of unpaid claims and awards. Estimates are reviewed regularly and adjustments are made to take into account management's view of the probable ultimate liability based on claims and other developments and new data. However, there can be no assurance that the ultimate losses will not materially differ from the provisions established, which could have a material adverse effect on the Group's financial performance.

The establishment of reserves following large natural catastrophes is especially difficult and these reserves are subject to significant uncertainty. Deterioration could materially impact Syndicate 33 or HIB, and thus the Group.

Capital Risk

Regulatory Capital

The Group is required to maintain a minimum value of assets (referred to as regulatory capital) in excess of the value of its liabilities to comply with a number of regulatory requirements relating to the Group's (and its subsidiaries') solvency and reporting requirements. These regulatory requirements apply to individual insurance subsidiaries on a standalone basis and in respect of the Group as a whole. The Group's regulatory capital requirements have in the past both increased and decreased, and may from time to time in the future increase and decrease for a number of reasons.

The Group is required to hold statutory capital and surplus by the BMA at an amount that is equal to or exceeds the Enhanced Capital Requirement ("**ECR**") set using the Bermuda Solvency Capital Requirement ("**BSCR**") model, which is controlled by the BMA. The ECR is being phased in over a period of six years commencing in 2013. As such, the applicable ECR for the financial years ending 2015, 2016, 2017 and 2018 shall be 70%, 80%, 90% and 100% respectively of the amount determined by the BSCR model in the applicable year. The BMA also sets out a Target Capital Level ("**TCL**"), which is set at 120% of the ECR. In practice the Group is expected to hold at least the TCL. The Group also conducts a Group Solvency Self-Assessment ("**GSSA**") process to provide its own view of the capital resources necessary to remain solvent. The GSSA process helps to link the capital requirements to the Group's risk management framework. It is possible in the future that these regulatory capital requirements could increase or decrease due to potential changes to the BSCR model or other changes in how the ECR is calculated. Should Bermuda not gain equivalence with Solvency II (as defined under "*Lloyd's Market Risk Factors – Lloyd's Capital Adequacy Requirements*" below), then it is possible that the Group could be regulated under Solvency II and may be subject to the standard formula regulatory capital requirements, which could substantially increase the required level of regulatory capital.

Syndicates 33, 3624 and 6104 (as further described under "*Description of the Issuer and the Group – Introduction*") are currently subject to Individual Capital Assessment ("**ICA**") and will be subject to Solvency II through Lloyd's (as defined in "*Description of the Issuer and the Group – Introduction*") from 1 January 2016. Hiscox Insurance Company Limited ("**HIC**") is also subject to the ICA regime currently and will be subject to Solvency II regulation by the Prudential Regulation Authority ("**PRA**") from 1 January 2016. HIC's capital requirements are expected to be set by the standard formula model. These may increase or decrease in future if there are any changes to this model. There is also a possibility HIC may be required by the PRA to build an internal model if the standard formula is not deemed appropriate for setting regulatory capital. This could lead to further unpredictability in HIC's capital requirements in the future. Other entities within the Group are also subject to local regulatory capital requirements, which could be subject to change over time

The Group's capital position can be adversely impacted by a number of factors, including lower than expected earnings and accumulated market impacts (such as foreign exchange, and asset valuation). In addition, any event that erodes current profitability and/or is expected to reduce future profitability or make profitability more volatile could impact the Group's capital position. Failure to achieve and maintain adequate capital buffers could have an adverse impact on the Group's growth prospects.

Any inability to meet regulatory capital requirements in the future would be likely to lead to intervention by regulatory authorities in each of the relevant jurisdictions in which the Group operates and by the BMA, as regulator for the wider Group. In these circumstances, the BMA, in the interests of policyholder security, could be expected to give directions to the Group's 'Designated Insurer' (meaning the insurer designated by the BMA in respect of that insurance group for the Bermuda Insurance Act, in this case HIB) to require the Group to take steps to restore regulatory capital to acceptable levels, for example, by requiring the Group to cease to write or reduce

writing new business or by imposing restrictions on the fungibility or movement of capital between different Group entities. Local regulatory authorities may also intervene by requiring additional capital to be held locally, in regulated subsidiaries. The Group may also need to increase premiums, increase its reinsurance coverage or divest parts of its business and investment portfolio, any of which may be difficult or costly or result in a significant loss, particularly in cases where such measures need to be undertaken in a short time frame. The Group's regulated subsidiaries might also have to reduce the amount of dividends they pay to their respective shareholders, or possibly cease paying dividends to meet their regulatory capital requirements.

Any failure by the Group to maintain adequate levels of capital could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Credit Ratings

The ability of the Group's insurance operations to write certain classes of business, including, but not limited to, reinsurance business, may be affected by a change in the rating issued by an accredited rating agency.

Rating organisations periodically review the financial performance and condition of insurers, including the Group and its insurance subsidiaries. Rating organisations assign ratings based upon a variety of factors according to published criteria. While most of the factors relate to the rated company including the level of capital, market positions and diversity of insurance risk, some of the factors relate to general economic conditions and other circumstances outside the rated company's control. In addition, the Group's investments and its credit exposures under its reinsurance arrangements are taken into account when calculating the Group's credit rating, as well as an assessment of its enterprise risk management and governance.

Each of Hiscox Insurance Company Limited ("**HIC**"), Hiscox Insurance Company (Guernsey) Limited ("**HICG**"), HIB and Hiscox Insurance Company Inc. has its own rating and Syndicates 33, 3624 and 6104 also benefit from the Lloyd's global ratings. The Lloyd's global ratings could also be affected by matters outside the Group's influence or control.

A downgrade of any of the Group's credit ratings could have a material adverse impact on the ability of the Group to write certain types of general insurance business, particularly commercial insurance business. A downgrade could also lead brokers (especially large global brokers) to stop recommending the Group's products and lead to the loss of other customers whose confidence in the Group may be affected or whose policies require insurance from insurers with a certain rating. While the Group could, among other things, consider writing business on a fronted basis (i.e. an arrangement where a higher rated insurer writes certain lines of the Group's business) to mitigate the effects of the loss of broker recommendations, such measures may have an adverse effect on the Group's underwriting profitability. A rating downgrade could also impact the terms and availability of financing to the Group and its access to the debt capital markets and/or require the Group to post collateral under its outstanding derivative contracts. A reduction by Standard & Poor's in credit quality metrics (such as the Group's enterprise risk management rating, business risk profile and management strength assessments) could require the Group to hold additional capital, on the basis of Standard & Poor's methodology, to maintain its current credit rating.

A downgrade of any of the Group's credit ratings, and the related consequences described above, could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Financial Risk

The Group is exposed to financial risk through its ownership of financial instruments including financial liabilities. These items collectively represent a significant element of the Group's net shareholders' funds. The Group invests in financial assets in order to fund obligations arising from its insurance contracts and financial liabilities.

The key financial risk for the Group is that the proceeds from its financial assets and investment results generated thereon are not sufficient to fund its obligations. The most important operational and economic variables that could result in such an outcome relate to the reliability of fair value measures, equity price risk, interest rate risk, credit risk, liquidity risk and currency risk.

Fair Values

The Group has elected to carry all financial investments at fair value through profit or loss as they are managed and evaluated on a fair value basis in accordance with a documented strategy. With the exception of unquoted equity investments and the insurance linked funds, all of the financial investments held by the Group are available to trade in markets and the Group therefore seeks to determine fair value by reference to published prices or as derived by pricing vendors using observable quotations in the most active financial markets in which the assets trade. The fair value of financial assets is measured primarily with reference to their closing bid market prices at the balance sheet date. The ability to obtain quoted bid market prices may be reduced in periods of diminished liquidity. In addition, those quoted prices that may be available may represent an unrealistic proportion of market holdings or individual trade sizes that could not be readily available to the Group.

The Group holds asset-backed and mortgage-backed fixed income instruments in its investment portfolio. Valuation of these securities will continue to be impacted by external market factors including default rates, rating agency actions, and liquidity. The Group will make adjustments to the investment portfolio as appropriate as part of its overall portfolio strategy, but its ability to mitigate its risk by selling or hedging its exposures may be limited by the market environment. The Group's future results may be impacted, both positively and negatively, by the valuation adjustments applied to these securities.

Equity Price Risk

The Group is exposed to equity price risk through its holdings of equity and unit trust investments.

A 10% downward correction in equity prices at 31 December 2014 would have been expected to reduce Group equity and profit after tax for the year by approximately £22.6 million (2013: £19.9 million) assuming that the only area impacted was equity financial assets. A 10% upward movement is estimated to have an equal but opposite effect.

Interest Rate Risk

Fixed income investments represent a significant proportion of the Group's assets. The fair value of the Group's investment portfolio of debt and fixed income securities is normally inversely correlated to movements in market interest rates. If market interest rates rise, the fair value of the Group's debt and fixed income investments would tend to fall. A fall in the portfolio's market value could affect the amount of business that the Group is able to underwrite or its ability to settle claims as they fall due.

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 risen by 100 basis points at 31 December 2014, the Group's equity and profit after tax for the year might have been

expected to decrease by approximately £36 million (2013: £31 million) assuming that the only balance sheet area impacted was debt and fixed income financial assets.

Credit Risk

The Group has exposure to credit risk, which is the risk that a counterparty will suffer a deterioration in perceived financial strength 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 reinsurance markets and the extent of investments held in financial markets. In both markets, the Group interacts with a number of counterparties who are engaged in similar activities with similar customer profiles, and often in the same geographical areas and industry sectors. Consequently, as many of these counterparties are themselves exposed to similar economic characteristics, one single localised or macroeconomic change could severely disrupt the ability of a significant number of counterparties to meet the Group's agreed contractual terms and obligations.

The Group's key areas of exposure to credit risk include:

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

The Group's maximum exposure to credit risk is represented by the carrying values of financial assets and reinsurance assets included in the consolidated balance sheet at any given point in time. The Group does not use credit derivatives or other products to mitigate its credit risk exposures on reinsurance assets.

Liquidity Risk

The Group is exposed to daily calls on its available cash resources, mainly from claims arising from insurance and reinsurance contracts. Liquidity risk is the risk that cash may not be available to pay these or any other obligations when due. The Group is also exposed to the risk that it could incur excessive costs by selling assets or raising finance quickly to meet its obligations.

Currency Risk

The Group operates internationally and its exposures to foreign exchange risk arise primarily with respect to the US Dollar, Pound Sterling and the Euro. These exposures may be classified in two main categories:

- Structural foreign exchange risk through consolidation of net investments in subsidiaries with different functional currencies within the Group's results; and
- Operational foreign exchange risk through routinely entering into insurance, investment and operational contracts, as a Group of international insurance entities serving international communities, where rights and obligations are denominated in currencies other than each respective entity's functional currency.

Reflecting the fact that the Group's functional currency is Pounds Sterling, the Group's exposure to structural foreign exchange risk primarily relates to the US Dollar net investments made in its domestic operations in Bermuda and its overseas operations in Guernsey and the United States. Other structural exposures also arise on a smaller scale in relation to Euro net investments made in the Group's European operations.

At a consolidated level, the Group is also exposed to foreign exchange gains or losses on balances held between Group companies where one party to the transaction has a functional currency other than Pound Sterling.

Operational foreign exchange risk is managed by matching technical liabilities with investments in the same currency for the main currencies in which the Group trades.

As a result of the accounting treatment for non-monetary items, the Group may also experience volatility in its income statement during a period when movements in foreign exchange rates fluctuate significantly. In accordance with IFRS, non-monetary items are recorded at original transaction rates and are not remeasured at the reporting date. These items include unearned premiums, deferred acquisition costs and reinsurers' share of unearned premiums. Consequently, a mismatch arises in the income statement between the amount of premium recognised at historical transaction rates, and the related claims which are retranslated using currency rates in force at the reporting date. The Group considers this to be a timing issue which can cause significant volatility in the income statement.

General Risk Factors

Macro-Economic Risk

As the insurance operating subsidiaries of the Group are general insurers, the Group's return on investments and results of operations are materially affected by changes and volatility in the worldwide financial markets and macroeconomic conditions generally. Increased volatility in the financial markets in recent years and prolonged low yields in the global fixed income markets have been influenced by a wide variety of factors, including:

- concerns over the slow rates of growth in the global economy and, in particular, the impact of austerity measures in major developed economies and slowing rates of growth in emerging markets;
- high levels of sovereign debt;
- inflationary or deflationary threats;
- extensive use of macroeconomic and monetary policy tools by governments, central banks and other institutions, and uncertainty about future actions such as further tapering of quantitative easing in the United States;
- the solvency of financial institutions; and
- the failure of governments to agree upon, and implement, necessary fiscal, monetary and regulatory reforms.

Ongoing uncertainty over future fiscal and monetary policy, particularly within the United States and the European Union, and any further instability affecting one or more EU Member States or their financial institutions could continue to disrupt global markets, including equity and fixed income markets. This may have a material adverse impact on the Group's investment portfolio and investment income due to continuing low interest rates and general market volatility.

Macroeconomic conditions can impact the Group's underwriting results as well. In a sustained economic phase of low growth and high public debt, characterised by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for financial and insurance products could be adversely affected, with customer behaviour and confidence exacerbating the unfavourable impact on demand. In addition, under these conditions, the Group may experience an elevated incidence of claims.

Brand and Reputational Risk

The Group's success and results of operations are dependent on the strength and reputation of the Group and its brand. The Group is vulnerable to adverse market perception because it operates in an industry where integrity, service and customer trust and confidence are paramount. The Group is exposed to the risk that litigation, employee misconduct, operational failures, regulatory or other investigations or actions, press speculation and negative publicity, whether or not well founded, could damage its brand or reputation. The Group's reputation may also be adversely affected by negative publicity associated with those that it insures. In addition, claims management companies and consumer protection groups could increase their focus on the insurance industry, which may negatively impact the Group. Any damage to the Group's brand or reputation could cause existing customers, partners or intermediaries to withdraw their business from the Group and potential customers, partners or intermediaries to elect not to do business with the Group and could also make it more difficult for the Group to attract and retain qualified employees. Such damage to the Group's brand or reputation could cause disproportionate damage to the Group's business, even if the negative publicity is factually inaccurate or unfounded.

Litigation

The Group is involved in litigation in the normal course of its business relating to insurance and reinsurance policies it has written. These claims can arise in two ways:

(a) Litigation against the Group in respect of claims where there is a dispute arising from denial of coverage.

(b) Litigation against the Group in respect of allegations of "bad faith" claims handling. This issue arises from risks written in the United States where the extra contractual risks of such actions can be significant.

The likely outcome of all such proceedings (based on legal advice) is taken into account in assessing outstanding claims provisions. In addition, the Group purchases errors & omissions insurance to protect it from issues arising from the claims handling process. However, if the ultimate outcome of proceedings is not in accordance with the Group's expectations, the Group's results may be materially affected.

Distribution Channels

The Group relies heavily on brokers to distribute its products. Brokers are independent of the insurers whose products they market and are not committed to recommend or sell the Group's products. Brokers may also sell competing products. Therefore, the Group's relationships with its brokers are significant and the failure, inability or unwillingness of brokers to market the Group's products could have a material adverse effect on its financial performance.

The Group's reliance on brokers leads to a significant credit exposure to certain key suppliers of business. If a key broker were to fail, the result could be a material bad debt for the Issuer.

Fraud

The Group is at risk from customers who misrepresent or fail to provide full disclosure in relation to the risk against which they are seeking cover before such cover is purchased, and from customers who fabricate claims and/or inflate the value of their claims. The Group, in common with other general insurance companies, is also at risk from its employees failing to follow procedures designed to prevent fraudulent activity, as well as from its agents' fraudulent activity, such as falsifying policies or failing to remit premiums collected from customers on the Group's behalf. A failure to combat the risks of fraud effectively could adversely affect the profits of the Group as claims incidence and average payouts could increase. Further, such costs may have to be passed on to customers in the form of higher premium levels, which could result in a decrease in policy sales.

The occurrence of any of these events could have a material adverse effect on the Group's business, reputation, financial condition, results of operations and cash flows.

Regulatory Risk

The Group operates in a highly regulated industry. The Group is supervised by the BMA. The activities of HIC are regulated by the PRA and the FCA. The activities of Hiscox Syndicates Limited ("**HSL**") are regulated by the PRA, the FCA and by the Council of Lloyd's. The activities of HICG are regulated by the Guernsey Financial Services Commission (the "**GFSC**"). HIB, HCL and the Kiskadee group of companies (as further described under "*Description of the Issuer and the Group – Hiscox Business Strucutre - Hiscox Re*") ("**Kiskadee**") which includes an insurance and investment manager, investment fund and special purposes insurance vehicles are supervised and regulated by the BMA. Hiscox Insurance Company Inc. and its staff are regulated by all 50 US state insurance departments. Direct Asia Singapore pte Limited is regulated by the Monetary Authority of Singapore (the "**MAS**") and Direct Asia Hong Kong is regulated by the Hong Kong Office of the Commissioner of insurance (the "**OCI**"). The PRA, the FCA, the Council of Lloyd's, the GFSC, the BMA, the 50 US state insurance departments, the MAS and the OCI have substantial powers of intervention in relation to the companies they regulate, culminating in the ultimate sanction of the removal of authorisation to carry on insurance business. Such authorisations are fundamental to the Group's business. There is also the risk of a financial penalty which, in recent years, has been used with increasing quantum and publicity giving rise to both financial and reputational risk.

Similarly, the Group's regulators have certain powers to require an insurance company to take such action as appears to be appropriate to protect policyholders against the risk that such company may be unable or unwilling to meet its liabilities.

Regulatory requirements may be changed in a manner that may adversely affect the business of the Group. The Group's insurance subsidiaries may not be able to obtain or maintain all necessary licences, permits, authorisations or accreditations, or may be able to do so only at great cost. In addition, the Group may not be able to comply fully with, or obtain appropriate exemptions from, the wide variety of laws and regulations applicable to insurance or reinsurance companies or holding companies. Failure to comply with or to obtain appropriate exemptions under any applicable laws could result in restrictions on the Group's ability to do business in one or more of the jurisdictions in which the Group operates, fines and other sanctions, any of which could have a material adverse effect on the Group's business. For example, as further described under "*Capital Risk – Regulatory Capital*" above, and "*Lloyd's Market Risk Factors – Lloyd's Capital Adequacy Requirements*" below, Solvency II could result in the Group being required to hold additional capital which may adversely affect the financial position of the Group.

Additionally, the Council of Lloyd's has wide discretionary powers to regulate members' underwriting at Lloyd's. It may, for instance, vary the method by which the solvency ratio is calculated, or the investment criteria applicable to Funds at Lloyd's. Either might affect the amount of the Group's underwriting capacity and consequently the return on an investment in the Group in a given year of account.

Changes in Accounting Standards

The Issuer has prepared its accounts under IFRS. Any variation to such accounting standards could have a negative impact on the Group.

Key Individuals

The business of the Group may be adversely affected if certain key individuals were to leave the Group, or if their services otherwise ceased to be available to the Group, without an appropriate period of transition. The Chief Executive Officer and Chief Underwriting Officer are retained on contracts which require them to give not less than six months' notice should they wish to leave the Group. The present Interim Chief Financial Officer was appointed with the aim of ensuring an orderly transition after the previous CFO gave notice of his intention to leave.

Information Technology Systems

The Group relies on information technology systems for critical elements of its business process. These systems, which include complex computer and data processing platforms, may be disrupted by events including terrorist acts, natural disasters, telecommunications and network failures, power losses, physical or electronic security breaches, fraud, identity theft, process failures, computer viruses, computer hacking, malicious employee attacks or similar events. In addition, the Group may identify, and has already identified and addressed, weaknesses in its computer and data processing systems, as well as the control environment for these systems. The failure of information technology systems could interrupt the Group's operations or materially impact its ability to conduct business. Material flaws or damage to the system, particularly if sustained or repeated, could result in the loss of existing or potential business relationships, compromise the Group's ability to pay claims in a timely manner and/or give rise to regulatory implications, which could result in a material adverse effect on the Group's reputation, financial condition and results of operations.

Design and implementation of upgrades to these systems can be complex and may not always deliver all the intended benefits according to the original timescales and budgets for doing so.

In addition, the Group has a number of legacy systems that may require increased manual input, which increases the risk of error. The Group continuously invests in the upgrade and replacement of legacy systems. In addition to costs and any disruption associated with the upgrades, pending completion of the upgrade, or future upgrades of other systems, those applications may be more susceptible to inefficiencies or disruptions. The Group's insurance might not adequately compensate it for material losses that could occur due to disruptions in its service as a result of computer and data processing systems failure and electronic attacks.

Certain of the Group's information technology and operational support functions are outsourced to third parties but remain critical to the Group's business, such as mitigation of IT security risks. The Group is reliant in part on the continued performance, accuracy, compliance and security of all these service providers. If the contractual arrangements with any third party providers are terminated, whilst the Group would expect to be able to find an alternative outsource provider or supplier for the services on equivalent terms, there would be some inevitable

delay and cost entailed in the transition. Any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations.

Business Continuity

The business of the Group could be adversely affected if staff were prevented from using the Group's major premises for any reason.

Pensions

The Group operates various pension schemes for its past and present employees, including a defined benefit pension scheme which is now closed. In respect of this latter scheme, it is possible that a reduction of the pension scheme assets (for example, by reason of poor investment returns) or an increase of the pension scheme liabilities (for example, through the assumption of longer life expectancy) could materially adversely affect the Group.

Reliance on Third Party Service Providers

The Group is reliant on various third parties for the provision of important services which it needs to run its business. If any of these providers should fail to perform to the necessary level, this may materially impact the business of the Group.

Uninsured Risks

In certain circumstances insurance may not cover or be adequate to cover liabilities incurred by a member of the Group. In addition, the Group may be subject to liability for events against which it does not insure or which it may elect not to insure against because of high insurance costs or other reasons. The occurrence of an event that is not covered or not fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Group. Moreover, there can be no assurance that the Group will be able to maintain adequate insurance in the future at rates it considers reasonable or appropriate.

Transfer Pricing

The reinsurance arrangements as well as other transactions including intragroup financing and marketing arrangements, between the Issuer, Hiscox plc, HIB, Syndicate 33, Syndicate 3624, HICG, HIC, Hiscox Insurance Company Inc. and other members of the Group are subject to local transfer pricing regimes. Consequently, if these transactions are found not to be on arm's length terms and as a result a UK, US or other tax advantage is being obtained, an adjustment will be required to compute local taxable profits as if the transaction were on arm's length terms. Any transfer pricing adjustment could adversely impact the Group's tax charge. Further, local regimes intending to discourage base erosion and profit shifting could in some circumstances require an adjustment to, or de-recognition of, transactions between members of the Group, even if such transactions are found to be priced on arm's length terms. Any such adjustment could also adversely impact the Group's tax charge.

Funding Risk Factors

Security of Banking Facilities

The Group's core banking facilities as at the date of this Prospectus comprise a US$875 million letter of credit and revolving credit facility secured by (i) a fixed and floating charge over the assets of Hiscox plc and full security interests (subject to any legal restrictions) granted by the Issuer as guarantor over all or substantially all of its assets, (ii) a share pledge granted by Hiscox Insurance Holdings Limited over the

shares it holds in HIC and (iii) a share pledge granted by the Issuer over the share it holds in HIB. The facility contains a number of covenants and restrictions on the Group's financial and operational flexibility, including covenants regarding financial performance. The Group's ability to comply with these provisions may be affected by changes in economic or business conditions or other events beyond its control. Any default under the facility may lead to an acceleration of the debt advanced under, and/or enforcement of the security for, the facility.

The bank facility has a term ending at the end of 2016 and generally replacement facilities have a life of 2 to 3 years. The Group relies on the letter of credit facility for underwriting at Lloyd's. There is no guarantee that the Group will be able to refinance at the same or advantageous terms and pricing.

Syndicate Funding

The funding of syndicates at Lloyd's is an annual venture between underwriting members of Lloyd's comprising 'Corporate Members' (for the Group this is Hiscox Dedicated Corporate Member Limited) and individual Names. There is no certainty that any given Lloyd's syndicate, including those which the Group participates in or manages, will continue with the same members or with alternative members to underwrite 2016 or subsequent years of account. This could materially impact the stamp capacity and therefore the amount and type of business being underwritten, as well as affecting the business of HSL, as managing agent of Syndicates 33, 3624 and 6104.

Syndicate 33's core banking facility is a revolving loan facility. This contains various covenants. Breach of these covenants could lead to an event of default which could materially adversely affect Syndicate 33's financial position, which in turn may adversely affect the Group's financial position. This facility expires on 31 December 2015.

Bermuda Risk Factors

Bermuda Tax Exemption

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Issuer. The Bermuda Minister of Finance (the "**Bermuda Minister**"), under the Exempted Undertakings Tax Protection Act 1966, as amended, of Bermuda has granted the Issuer an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to the Issuer or any of its operations, shares, debentures or other obligations until 31 March 2035. Given the limited duration of the Bermuda Minister's assurance, it cannot be certain that the Issuer will not be subject to any Bermuda tax after 31 March 2035. In the event that the Issuer becomes subject to any Bermuda tax after such date, this could have a material adverse effect on the Group's financial condition and results of operations.

Group Taxation Risk

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Issuer. While the imposition of any such tax will not be applicable to the Issuer or any of its operations, shares, debentures or other obligations until 31 March 2035, if Hiscox's Bermudan operations were to make substantial losses and the Group's operations in higher tax jurisdictions were to make substantial profits, the Group's marginal tax rate could go up above the Group's current tax rate in such a year. This could have a negative impact on the Group.

Further, if the Issuer or any other Hiscox company registered in Bermuda is treated as tax resident or establishes a permanent establishment in a country other than Bermuda, it will be subject to tax in that country so that the current effective Group tax rate may be adversely affected. This could have a negative impact on the Group.

Bermuda employment restrictions

The Issuer may need to hire additional employees to work in Bermuda. Under Bermuda law, generally non-Bermudians (other than spouses of Bermudians) may not engage in any gainful occupation in Bermuda without an appropriate governmental work permit. Work permits may be granted or extended by the Bermuda government upon showing that, after proper public advertisement in most cases, no Bermudian (or spouse of a Bermudian) is available who meets the minimum requirements for the advertised position. This does not apply to chief officer positions where, generally, exemptions can be obtained. If the Issuer is unable to obtain work permits for any employees it needs to hire, or if it is unable to renew the work permits held by its existing employees, it may not be able to conduct its business operations fully or efficiently and its business, financial condition and results of operations would be adversely affected.

Eighteen of the Group's existing Bermuda-based professional employees have required work permits which have been granted by the Bermuda government. The terms of these permits range from three to five years depending on the individual. It is possible that the Group could lose the services of one or more of its key employees if it is unable to obtain or renew their work permits, which could have a material adverse effect on the business.

Ability to make payments

The Issuer is a holding company and, as such, has no substantial operations of its own. The Issuer's principal operations and assets are (i) its ownership of the shares of its direct and indirect subsidiaries and (ii) investments held under charge and covenant by the Corporation of Lloyd's providing Funds at Lloyd's to support the Group's underwriting activities. The Issuer's ongoing cash requirements, including expenses, and to pay dividends, if any, to shareholders, are expected to be met by two distinct sources: (1) dividends and other permitted distributions from insurance subsidiaries and (2) investment income from Funds at Lloyd's. Bermuda law and regulations, including, but not limited to, Bermuda insurance regulation, restrict the declaration and payment of dividends out of retained earnings and the making of distributions out of contributed surplus by the Issuer's subsidiaries unless certain regulatory requirements are met. The inability of the Issuer's subsidiaries to pay dividends in an amount sufficient to enable the Issuer to meet its cash requirements at the holding company level could have a material adverse effect on its operations and its ability to meet its obligations under the Guarantee.

Bermuda Catastrophe Risk

Bermuda is an island that has communications systems and power systems that are limited and are prone to interruption by catastrophe, both natural and non natural. Were the power or communication systems to be interrupted for any reason this could result in commercial damage to the Issuer.

Lloyd's Market Risk Factors

Lloyd's Regulatory Environment

The Group includes a substantial business operating through Lloyd's. Lloyd's is subject to regulation by the PRA and the FCA who have adopted a more direct style of regulation, meaning that Lloyd's are facing increasing

supervisory scrutiny. The PRA and the FCA have the power to take a range of investigative, disciplinary and enforcement actions, penalties for which can include public censure, restitution, fines and sanctions. The regulators may also make enquiries of the firms which they regulate and require the provision of particular information or documents. The regulators may take such action or make such enquiries in relation to aspects of the Issuer's business and operations, including its systems and controls, IT systems, capital requirements, capital adequacy and permitted investments.

As a result of the authorisations which the Lloyd's market has worldwide, there is also a risk of regulatory action from overseas regulators in the event that the Lloyd's market does not comply with international regulatory requirements. In addition, fundamental changes to prudential regulatory frameworks internationally may affect how the Lloyd's market is supervised as well as affecting the level of assets required to be held locally. There is an increasing regulatory trend to require insurers to hold local capital which may result in increased overseas funding requirements for the Lloyd's market in places where the market is already licensed or as part of negotiating and agreeing new licence arrangements with local regulators as Lloyd's implements its strategic plans for increasing the market's share of insurance business in developing markets.

Whilst Lloyd's believes that its systems, policies, controls and operations are compliant with applicable laws and regulations, there is a risk that one or more authorities could find that Lloyd's has failed to fully comply with all relevant legal and regulatory requirements, or has not undertaken any corrective action as required.

Any regulatory action could have a negative impact upon the Lloyd's market, which may in turn be passed on to organisations operating within the Lloyd's market, including the Issuer. Regulatory action could result in adverse publicity for, or negative perceptions regarding, the Issuer, or could have an adverse effect on the business of the Issuer, its results of operations or its financial condition.

Lloyd's Capital Adequacy Requirements

Lloyd's and its members are required by the PRA as well as other international regulatory bodies, to maintain a minimum level of assets in excess of their liabilities (referred to as regulatory capital). Lloyd's future capital requirements depend on many factors, including their operational results, capital market developments, the volume of newly generated business and regulatory changes to capital requirements or other regulatory developments. Lloyd's may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies. Any inability on the part of Lloyd's to meet its regulatory capital requirements in the future would be likely to lead to intervention by the PRA, or other local regulator, which could be expected to require Lloyd's to take steps to restore the level of regulatory capital held to acceptable levels. Such requirements may be passed on to those organisations operating within the Lloyd's market, including the Issuer

A new solvency regime applicable to the EU insurance sector (known as "**Solvency II**") has been developed with the aim of codifying and harmonising prudential regulation for insurers and applying more consistent risk sensitive standards to insurers' capital requirements. This new framework covers areas such as regulatory capital, the valuation of assets and liabilities, calculating technical provisions and regulatory reporting. Solvency II will take effect from January 2016. Solvency II was amended by Directive 2014/51/EU, which is designed to reflect the revised EU financial services supervisory framework.

The new regime for insurers and reinsurers under Solvency II will be such that these entities may be permitted to make use of internal economic capital models when calculating their capital requirements, provided the prior approval of the relevant regulator has been obtained. Lloyd's is seeking the approval of the PRA to enable it to make use of an internal capital model. Were this not to be approved, it is likely that the capital requirements of

Lloyd's would increase, potentially substantially. This increase would be passed on to those organisations operating within the Lloyd's markets, including the Group.

Lloyd's Minimum Standards

Hiscox Syndicates Limited ("**HSL**"), the Group's managing agency, managing the operations of Hiscox Syndicates 33, 3624 and 6104 are all required to comply with Lloyd's minimum standards under Solvency II. Failure to do so may lead to Lloyd's Standards Assurance Group to conclude that HSL does not meet the tests and standards of Solvency II and as such should not be permitted to use the internal model developed by the Group for the purposes of setting capital. If HSL is not permitted to use its internal model then it could be required to stop underwriting at Lloyd's.

Business plan approval risk

All syndicates operating in the Lloyd's Market are required to have their business plans for the following year of account approved by Lloyd's Capital & Planning Group ("**CPG**"), a committee consisting of senior executives across a number of departments in Lloyd's. CPG may require amendments to plans such as lower premium growth, refusal to allow line size or 'Realistic Disaster Scenarios' dispensations, adjusted (higher) loss ratios with a negative impact on capital requirements, additional reporting requirements or in extreme circumstances refusal to approve the plan at all which would lead to that syndicate ceasing to underwrite for the following year of account.

Lloyd's Franchise Principles

Following the introduction of proposals made by the Chairman of Lloyd's Strategy Group, the Lloyd's Franchise Board (the "**Franchise Board**") was formed in January 2003. The Franchise Board's primary role is to protect the Lloyd's franchise.

HSL must comply with Lloyd's 'franchise principles' and must submit its business plan to the Franchise Board who may require changes to it. Any such changes could lead to a change in business strategy.

Lloyd's Credit Rating

The ability of Lloyd's syndicates to trade in certain classes of business at current levels may be dependent on the maintenance by Lloyd's of a satisfactory credit rating issued by an accredited rating agency. At present, the financial security of the Lloyd's market is regularly assessed by three independent rating agencies, A.M. Best, Standard & Poor's and Fitch. If the credit ratings are downgraded, this may have an adverse effect on Syndicates 33, 3624 and 6104.

Reinsurance to Close; Run-off Account; Risk of Non-closure of Underwriting Years

In the event that a managing agent concludes, in respect of a particular year of account of a syndicate, that an equitable reinsurance to close premium cannot be established, it must determine that the year of account will remain open and be placed into run-off (Syndicate 33's 2001 year of account was left open at 31 December 2003 due to the uncertainties associated with the event at the World Trade Center, and was closed one year later on 31 December 2004). During a run-off, there can be no release of a member's Funds at Lloyd's in respect of that syndicate without the consent of the Council. At the same time, cash calls could be made upon members of the syndicate. There can be no assurance that any year of account of a syndicate managed by HSL will not go into run-off at some future time.

Change in Value of the Funds at Lloyd's Portfolio

A proportion of the Group's Funds at Lloyd's are provided by means of investments. The capital value of the Group's investments may fall as well as rise and the income derived from them may fluctuate. Should the value of the Funds at Lloyd's portfolio of the Group as at 26 November (or other such date specified by Lloyd's) in each year be lower than at the same date in the previous year, the Group's underwriting capacity may be reduced. Lloyd's also has the power to reduce the underwriting capacity of the Group or to prohibit Hiscox Dedicated Corporate Member Limited ("**HDCM**") from underwriting if at any time the value of the Funds at Lloyd's portfolio falls by more than 10 per cent. of the last annual valuation and the Group does not add further funds. A fall in the equity or fixed income markets could trigger such an event. Furthermore, a fall in the value of the Funds at Lloyd's portfolio could trigger a breach of the covenants under the Group's letter of credit facilities.

Cash Calls and Syndicate Loans

A managing agent may determine what funds are required to meet a cash deficiency prior to the closure of the relevant year of account. In this event, the managing agent may call on the members supporting that syndicate for further funds. Any early call for funds in this manner may adversely affect the cash flow of the Group, and in extreme circumstances impact earnings and dividends.

1992 and Prior Business

HDCM did not participate in 1992 and prior business. However, in the event that Equitas, the entity to which 1992 and prior years have been reinsured, were to use up reinsurance cover provided by Berkshire Hathaway or otherwise fail, the Group could still be adversely affected. In those circumstances, Lloyd's would be required to consider whether it wished to make good any shortfall or replenish the regulatory deposits which may have been used to meet policyholder claims. This might require the use of the New Central Fund (as further described under "*New Central Fund*" below) following prior approval by members in general meeting. If the New Central Fund is used for either of these purposes, an additional New Central Fund levy might be imposed, subject to approval by vote, on all members underwriting in the relevant year of account in proportion to their underwriting capacity, although this levy might be weighted towards continuing members having an exposure to any unpaid liability in respect of 1992 and prior underwriting years.

Regulatory authorities in a number of jurisdictions require the maintenance of deposits for the protection of policyholders as a condition of their regulatory approval and accreditation of Lloyd's. If Equitas were to fail to meet its liabilities in full, the deposit in place at that time could be vulnerable to seizure by regulators or policyholders. The Lloyd's market would have to consider making good any part of the deposit required to be used to meet its liabilities, or risk being unable to continue to do business in the relevant jurisdiction.

The New Central Fund

Despite the principle that each member of Lloyd's is only responsible for the proportion of risk written on his or its behalf, the New Central Fund acts, *inter alia*, as a policyholders' protection fund to make payments where other Names have failed to pay valid claims. The Council may resolve to make payments from the New Central Fund for the advancement and protection of members, which could lead to additional or special levies being payable by the Group.

Fees and Levies

Lloyd's imposes charges on those operating in its markets. These include, for example, annual subscriptions, central fund levies for members and policy signing charges. For the 2015 year of account both the central fund levy and annual subscriptions were charged at a rate of 0.5% each. Lloyd's may vary the amounts and bases of these charges for the 2016 and subsequent years of account to the detriment of the Group.

Lloyd's Trading Licences

Lloyd's worldwide insurance and reinsurance business is subject to local regulation. Changes in such regulation (such as requirements for increased deposits to support underwriting) may have an adverse effect on members and on the Group.

'User Pays' Principle

The Franchise Board's responsibility for the management and pricing of Lloyd's central services to the market is likely to give added impetus to the move towards the concept of user pays, whereby expenses will be allocated to those members and syndicates using them, rather than being spread across the market as a whole. It may be that, for any particular member or syndicate, additional costs incurred through the application of the 'user pays' concept will outweigh any savings from intended reductions in Lloyd's subscriptions.

Lloyd's US Trading Arrangements

The US regulators require syndicates trading in certain businesses in the United States to maintain minimum deposits in various trusts established in the United States (the "**US trust funds**") as protection for US policyholders. These deposits represent the relevant managing agents' estimates of unpaid claims liability (less premium receivable) relating to this business, adjusted by provisions for potential bad debt on premium earned but not received and for any anticipated profit on unearned premium. No credit is allowed for potential reinsurance recoveries but the US regulatory authorities currently require funding for 30% of gross liabilities relating to business classified as 'Surplus Lines'. The funds contained within the deposits are not ordinarily available to meet trading expenses. A similar fund exists for reinsurance business. The 'Credit for Reinsurance' trust fund is required to be funded at 100% of gross liabilities. US regulators have the power to increase the level of funding required, or impose requirements as to the nature of funding in certain circumstances and this could have an adverse effect on the Group's business.

Accordingly, in the event of a major claim arising in the United States, for example, from a major catastrophe, syndicates participating in such US business may be required to make cash calls to meet claims payment and deposit funding obligations.

There is a limited ability for managing agents to withdraw funds from the US trust funds other than at the normal quarterly revision periods, provided that the amount to be withdrawn:

(a) is in respect of a specified loss event; and

(b) represents funds for liabilities previously reserved in respect of policyholders claiming for this event.

Litigation against Lloyd's

Non-Claims litigation against the Lloyd's market could materially adversely affect the market and this could in turn negatively impact the Group.

Risks relating to the structure of the Notes

The Issuer may redeem the Notes at par before maturity in certain circumstances, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes

The Notes may, subject as provided in Condition 6, be redeemed before the Maturity Date at the sole discretion of the Issuer (i) on the First Call Date or any Interest Payment Date thereafter, (ii) in the event of certain specified events relating to taxation, (iii) at any time following a Capital Disqualification Event or (iv) at any time following the occurrence of a Ratings Methodology Event (or if the Issuer satisfies the Trustee (through the provision of a Certificate) that such event will occur within six months), in each case at their principal amount together with interest accrued but unpaid to (but excluding) the date of redemption and any Arrears of Interest.

The Notes will qualify (subject to any applicable limitations on the amount of such capital) as Tier 2 Capital of the Issuer's Group under the Relevant Rules. However, there is a risk that following any change to the Relevant Rules (including, for example, if the Relevant Rules were to be amended to achieve equivalence with Solvency II), the Notes will cease to qualify as Tier 2 Capital of the Issuer or the Group (whether on a solo, group or consolidated basis), which would entitle the Issuer (except where such non-qualification is only as a result of any applicable limit on the amount of such capital) to redeem the Notes early at their principal amount together with interest accrued but unpaid to (but excluding) the date of redemption and any Arrears of Interest.

The cash paid to investors upon such a redemption may be less than the then current market value of the Notes or the price at which investors purchased the Notes. Subject to the contractual and regulatory restrictions on doing so set out in the Conditions, the Issuer might be expected to redeem the Notes when its cost of borrowing for an instrument with a comparable regulatory capital treatment at the time is lower than the interest payable on them. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest payable on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

The Notes are unsecured and subordinated obligations of the Issuer. On a winding-up of the Issuer, investors in the Notes may lose their entire investment in the Notes

The Issuer's payment obligations under the Notes will be unsecured and will be subordinated (i) on a winding-up (other than an Approved Winding-up) or administration of the Issuer and (ii) if an administrator is appointed to the Issuer and gives notice that it intends to declare and distribute a dividend and, in each case, will rank junior to the claims of all policyholders and other unsubordinated creditors of the Issuer and to claims in respect of any subordinated indebtedness of the Issuer other than indebtedness which ranks, or is expressed to rank, *pari passu* with or junior to the Notes. Accordingly, the assets of the Issuer would be applied first in satisfying all senior-ranking claims in full, and payments would be made to holders of the Notes, *pro rata* and proportionately with payments made to holders of any other *pari passu* instruments (if any), only if and to the extent that there are any assets remaining after satisfaction in full of all such senior-ranking claims. If the Issuer's assets are insufficient to meet all its obligations to senior-ranking and *pari passu* creditors, the holders of the Notes will lose all or some of their investment in the Notes.

There is no restriction on the amount of securities which the Issuer may issue and which rank senior to, or *pari passu* with, the Notes and, accordingly, the Issuer may at any time incur further obligations (including by issue of further debt securities) which rank senior to, or *pari passu* with, the Notes. Consequently there can be no assurance that the current level of senior or *pari passu* debt of the Issuer will not change. The issue of any such securities may reduce the amount (if any) recoverable by Noteholders on a winding-up of the Issuer.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound-up or enter into administration, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price that may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes, whether or not the Issuer is wound up or enters into administration.

Although the Notes may pay a higher rate of interest than comparable notes that are not subordinated, there is a material risk that an investor in the Notes will lose all or some of its investment should the Issuer become insolvent.

Payments of interest on, and redemption of, the Notes may be deferred and under certain circumstances must be deferred by the Issuer

The Issuer may elect to defer payments of interest on the Notes pursuant to Condition 5.1 for any reason on any Interest Payment Date unless the relevant Interest Payment Date is a Compulsory Interest Payment Date.

In addition, the payment obligations of the Issuer under the Notes are conditional upon (i) there being no breach of the Solvency Condition (as described in Condition 2.2) at the time of such payment and no such breach occurring as a result of such payment, (ii) in respect of any payment of interest, there being no Regulatory Deficiency Interest Deferral Event at the time of such payment and no such event occurring as a result of such payment, (iii) in respect of any redemption, there being no Regulatory Deficiency Redemption Deferral Event at the time of such payment and no such event occurring as a result of such redemption, and (iv) in the case of the redemption of the Notes, no objection from the Relevant Regulator (if it is then entitled to do so under the Relevant Rules). Any amounts of principal, interest, Arrears of Interest and any other amounts in respect of the Notes which cannot be paid on the scheduled payment date by virtue of such provisions must be deferred by the Issuer, and non-payment of the amounts so deferred and/or of any interest deferred at the option of the Issuer in accordance with Condition 5.1 shall not constitute a default under the Notes or the Trust Deed for any purpose, including enforcement action against the Issuer.

Any interest in respect of the Notes so deferred will, so long as the same remains unpaid, constitute Arrears of Interest. Arrears of Interest will not themselves bear interest. The holders of the Notes have no right to require payment of Arrears of Interest, and Arrears of Interest will become payable only at the discretion of the Issuer (subject to the Solvency Condition, no Regulatory Deficiency Interest Deferral Event having occurred, or occurring as a results of such payment, and (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator) or upon the earliest of the dates set out in Condition 5.4 (a) to (c).

If redemption of the Notes is deferred owing to the occurrence of a Regulatory Deficiency Redemption Deferral Event or where the Solvency Condition cannot be complied with, the Notes will only become due for redemption in the circumstances described in Condition 6.1(d) and (e).

The circumstances in which a Regulatory Deficiency Interest Deferral Event or a Regulatory Deficiency Redemption Deferral Event may occur are dependent upon the solvency position of the Issuer, the Group and the insurance undertakings within the Group from time to time under the other requirements of the Relevant Rules, which themselves may be subject to amendment or change from time to time. Events which constitute a Regulatory Deficiency Interest Deferral Event or a Regulatory Deficiency Redemption Deferral Event are, (i) any of the Issuer, the Group or any undertaking in the Group that is registered as an insurer under the Bermuda Insurance Act is failing to meet any Enhanced Capital Requirement then applicable to it, and (ii) under the Relevant Rules then applicable to the Issuer, such failure requires the Issuer to defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes in order that the Notes qualify as Tier 2 Capital under the Relevant Rules then applicable to the Issuer, in each case, where such event is an event which under the Relevant Rules means that the Issuer must defer payments on the Notes in order that the Notes qualify as Tier 2 Capital under the Relevant Rules.

Any actual or anticipated deferral of interest or redemption can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price that may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes. In addition, as a result of the deferral provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other securities or instruments that do not require deferral of interest or principal, and may be more sensitive generally to adverse changes in the Issuer's financial condition.

The terms of the Notes may be modified, or the Notes may be substituted, by the Issuer without the consent of the Noteholders in certain circumstances, subject to certain restrictions

In the event of certain specified events relating to taxation, the Notes ceasing to qualify as Tier 2 Capital of the Issuer or following the occurrence of a Ratings Methodology Event (or if the Issuer satisfies the Trustee (through the provision of a Certificate) that such event will occur within six months), the Issuer may (subject to certain conditions set out in the Trust Deed) at any time substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), (in the case of events relating to taxation or a Capital Disqualification Event) Qualifying Dated Tier 2 Securities or (in the case of a Ratings Methodology Event) Rating Agency Compliant Securities, without the consent of the Noteholders.

Qualifying Dated Tier 2 Securities and Rating Agency Compliant Securities must, among other things, have terms not materially less favourable to an investor than the terms of the Notes, as reasonably determined by the Issuer in consultation with an independent investment bank or financial adviser of international standing (which in either case is independent of the Issuer). In respect of the Rating Agency Compliant Securities, the Notes must also be assigned substantially the same equity content, or at the absolute discretion of the Issuer, a lower equity content (provided such equity content is still higher than the equity content assigned to the Notes after the occurrence of the Ratings Methodology Event) as that which was assigned to the Notes on or around the Issue Date. However, there can be no assurance that, due to the particular circumstances of a holder of Notes, such Qualifying Dated Tier 2 Securities or Rating Agency Compliant Securities will be as favourable to a particular investor in all respects or that, if it were entitled to do so, a particular investor would make the same determination as the Issuer as to whether the terms of the Qualifying Dated Tier 2 Securities or Rating Agency Compliant Securities are not materially less favourable to holders than the terms of the Notes.

The terms of the Notes may be modified with the consent of specified majorities of the Noteholders at a duly convened meeting, and the Trustee may consent to certain modifications to the Notes, or substitution of the Issuer, without the consent of the Noteholders

The Trust Deed constituting the Notes contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Trust Deed constituting the Notes also provides that, subject to the prior consent of or non-objection from the Relevant Regulator being obtained (to the extent that such consent or non-objection is required), the Trustee may (except as set out in the Trust Deed), without the consent of Noteholders, agree to certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or to the substitution of another company as principal debtor under the Notes in place of the Issuer in the circumstances described in Condition 11.

Restricted remedy for non-payment when due

The sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Noteholder for recovery of amounts which have become due in respect of the Notes will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up or administration and/or claiming in the liquidation of the Issuer. In particular, a deferral of payments as described in the section headed "*Risk Factors – Payments of interest on, and redemption of, the Notes may be deferred and under certain circumstances must be deferred by the Issuer"* or where the Solvency Condition cannot be complied with, shall not constitute a default under the Notes or the Trust Deed for any purpose, including enforcement action against the Issuer.

The Issuer is the ultimate holding company of the Group and therefore payments on the Notes are structurally subordinated to the liabilities and obligations of the Issuer's subsidiaries

The Issuer is the ultimate holding company of the Group, with certain of its operations being conducted by operating subsidiaries. Accordingly, in the event of a winding up or administration of the Issuer or a subsidiary, creditors of a subsidiary would have to be paid in full before sums would be available to the shareholders of that subsidiary (i.e. the Issuer or a subsidiary of the Issuer) and so to Noteholders. The Conditions do not limit the amount of liabilities that the Issuer's subsidiaries may incur. In addition, the Issuer may not necessarily have access to the full amount of cash flows generated by its operating subsidiaries, due in particular to legal or tax constraints, contractual restrictions and the subsidiary's financial requirements and regulatory capital requirements.

Risks relating to the Notes generally

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "**Savings Directive**"), EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest or similar income paid or secured by a person established in an EU Member State to or for the benefit of an individual resident in another EU Member State or certain limited types of entities established in another EU Member State.

For a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The end of the

transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the "**Amending Directive**") amending and broadening the scope of the requirements described above. The Amending Directive requires EU Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the Savings Directive, although it does not impose withholding taxes. The proposal also provides that, if it proceeds, EU Member States will not be required to apply the new requirements of the Amending Directive.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

Risks relating to the U.S. Foreign Account Tax Compliance Withholding ("FATCA")

Certain provisions of U.S. law, commonly known as "FATCA", impose a reporting regime and, potentially, a 30 per cent. withholding tax with respect to, among other things, "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this reporting regime and payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. While the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, if FATCA withholding were relevant with respect to payments on the Notes, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information,

forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding.

Change of law

The Conditions are based on English law and regulation in effect as at the date of issue of the Notes, save for Condition 2 which is governed by the laws of Bermuda. No assurance can be given as to the impact of any possible judicial decision or change to English law or the law of Bermuda, regulation or administrative practice after the date of issue of the Notes.

Integral multiples of less than £100,000

The denomination of the Notes is £100,000 and integral multiples of £1,000 in excess thereof. Accordingly, it is possible that the Notes may be traded in the Clearing Systems in amounts in excess of £100,000 that are not integral multiples of £100,000. Should Individual Note Certificates be required to be issued, they will be issued in principal amounts of £100,000 and higher integral multiples of £1,000 but will in no circumstances be issued to Noteholders who hold Notes in the relevant clearing system in amounts that are less than £100,000.

If Individual Note Certificates are issued, Noteholders should be aware that Individual Note Certificates which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

The value of the Notes may be limited by applicable Bermuda law affecting the rights of creditors.

The Issuer is incorporated under the laws of Bermuda. Under Bermuda insolvency law, a liquidator, on behalf of a company, may apply to the courts to avoid a transaction entered into by such company on the grounds that the transaction constituted a fraudulent preference if such company was insolvent at the time of, or immediately after, the transaction and entered into a formal insolvency proceeding within six (6) months of completion of the transaction. In addition, under Bermuda law, a transaction at less than fair value and made with the dominant intention of putting property beyond the reach of creditors is voidable after an action is successfully brought by an eligible creditor for a period of up to six (6) years from the date of the transaction. A transaction might be challenged if it involves a gift by a company or a company receives consideration of significantly less value than the benefit given by such company. A Bermuda court generally will not intervene, however, if a company enters into a transaction in good faith for the purposes of carrying on its business and there are reasonable grounds for believing the transaction would benefit the company. Under Bermuda law, a court (if it deems appropriate) may, upon application by the official receiver or a liquidator, creditor or contributory of a company being wound up, order that, where individuals were knowingly parties to the carrying on of a business of such company with the intent of defrauding creditors of such company, or any other person, or of any fraudulent purpose, such individuals be personally held liable without limitation for all or any debt or other liability of such company.

Risks related to the market generally

The secondary market generally

The Notes have no established trading market when issued, and one may never develop. If a market does develop it may not be liquid. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market and/or which are rated. Illiquidity may have a severely adverse effect on the market value of the Notes.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound-up or enter into administration, or if at any time there is any actual or anticipated deferral of interest or redemption in

accordance with the Conditions, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price that may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on Notes in sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to sterling would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Risk that investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer

The Notes will be represented by a Global Note Certificate (as defined in the Trust Deed). The Global Note Certificate will be deposited with a common depositary for, and registered in the name of the common nominee of, Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in the Global Note Certificate, investors will not be entitled to receive definitive registered notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Note Certificate.

While the Notes are represented by the Global Note Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. The Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of Euroclear or Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

Credit ratings may not reflect all risks

The credit ratings assigned to the Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the relevant Notes. A credit rating is not a recommendation to buy, sell or hold notes and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). The list of registered and certified credit rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between

certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

The Notes are expected to be rated BBB- by Standard & Poor's and BBB- by Fitch. As at the date of this Prospectus, each Rating Agency is a credit rating agency established in the EU and is registered under the CRA Regulation. As such, each Rating Agency is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

TERMS AND CONDITIONS OF THE NOTES

The following, subject to alteration and completion, are the terms and conditions of the Notes which will be endorsed on each Note Certificate in definitive form (if issued).

The issue of the £275,000,000 Fixed to Floating Rate Callable Subordinated Notes due 2045 (the "**Notes**") of Hiscox Ltd (the "**Issuer**"), a Bermuda exempted company, was authorised by a resolution of the Board of Directors of the Issuer passed on 15 October 2015 and a resolution of a duly appointed Committee thereof dated 19 November 2015. The Notes are constituted by a trust deed (the "**Trust Deed**") dated 24 November 2015 between the Issuer and Citicorp Trustee Company Limited (the person or persons for the time being the trustee or trustees under the Trust Deed, the "**Trustee**") as trustee for the Holders (as defined below) of the Notes. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes. The Notes are the subject of an agency agreement (the "**Agency Agreement**") dated 24 November 2015 between the Issuer, Citibank, N.A., London Branch as the initial principal paying agent (the person for the time being the principal paying agent under the Agency Agreement, the "**Principal Paying Agent**"), Citibank, N.A., London Branch as the initial agent bank (the person for the time being the agent bank under the Agency Agreement, the "**Agent Bank**"), Citigroup Global Markets Deutschland AG as the initial registrar (the person for the time being the registrar under the Agency Agreement, the "**Registrar**"), the initial transfer agents named therein (the person(s) for the time being the transfer agent(s) under the Agency Agreement, the "**Transfer Agent(s)**") and the Trustee.

Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom) and at the specified offices of the Principal Paying Agent, the Registrar and each of the Transfer Agents and any other paying agents for the time being (the "**Paying Agents**", which expression shall include the Principal Paying Agent). The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1 Form and Denomination

The Notes are issued in registered form, in the denominations of £100,000 and integral multiples of £1,000 in excess thereof (each, an "**Authorised Denomination**").

A certificate (each, a "**Note Certificate**") will be issued to each Noteholder (as defined below) in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register (as defined below).

2 Status

2.1 Ranking and rights on a winding-up of the Issuer

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves.

In the event of the winding-up of the Issuer (other than an Approved Winding-up) or the appointment of an administrator of the Issuer where the administrator has given notice that it intends to declare and distribute a dividend, the rights and claims of the Noteholders (and the Trustee on their behalf) against the Issuer in respect of, or arising under, each Note shall be for (in lieu of any other payment by the Issuer) an

amount equal to the principal amount of the relevant Note together with any Arrears of Interest, any other accrued and unpaid interest and any damages awarded for breach of any obligations in respect of such Note, provided however that such rights and claims shall:

(a) be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors of the Issuer;

(b) rank at least *pari passu* with all claims in respect of: (i) all other obligations of the Issuer which constitute, and all obligations pursuant to a subordinated guarantee or other like or similar undertaking or arrangement given or undertaken by the Issuer in respect of any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and all other obligations which rank, or are expressed to rank, *pari passu* therewith; and (ii) all other obligations of the Issuer (including, without limitation, obligations pursuant to a subordinated guarantee or other like or similar undertaking or arrangement) which rank, or are expressed to rank, *pari passu* with the Notes (together, "**Pari Passu Obligations**"); and

(c) rank in priority to the claims of holders in respect of: (i) all obligations of the Issuer which constitute, and all obligations pursuant to a subordinated guarantee or other like or similar undertaking or arrangement given or undertaken by the Issuer in respect of any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules); (ii) all other obligations of the Issuer (including, without limitation, obligations pursuant to a subordinated guarantee or other like or similar undertaking or arrangement) which rank, or are expressed to rank, junior to the claims in respect of the Notes; and (iii) all classes of share capital of the Issuer (together, "**Junior Obligations**").

2.2 Solvency Condition

Except in a winding-up or administration of the Issuer where Condition 2.1 above applies, all payments under or arising from the Notes and the Trust Deed (including any damages awarded for breach of any obligations in respect thereof) shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Notes or the Trust Deed unless and until the Issuer could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**"). Any payment which is not made due to operation of the Solvency Condition will be deferred, as further provided in Condition 5.4 and Condition 6.

For the purposes of this Condition 2.2, the Issuer will be "**solvent**" if (i) it is able to pay its debts owed to Senior Creditors and in respect of Pari Passu Obligations as they fall due and (ii) its Assets exceed its Liabilities.

A certificate as to the solvency of the Issuer signed by two Directors or, if there is a winding-up or administration of the Issuer, by two directors or authorised signatories of the liquidator or, as the case may be, the administrator of the Issuer, shall be treated and accepted by the Issuer and the Trustee as correct and sufficient evidence thereof, shall be binding on the Noteholders, and the Trustee shall be entitled to rely on such certificate without further enquiry and without liability to any person.

The Issuer shall notify the Trustee, the Registrar and the Principal Paying Agent in writing and notify the Noteholders in accordance with Condition 16 as soon as reasonably practicable after it has determined that any payment (in whole or in part) will be deferred due to the operation of the Solvency Condition (provided that, for the avoidance of doubt, any delay in giving such notice shall not result in such payment becoming due on the originally scheduled payment date).

2.3 Set-off, etc.

Subject to applicable law, no Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes and each Noteholder shall, by virtue of being the holder of any Note, be deemed, to the extent permitted by law, to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Noteholder by the Issuer is discharged by set-off, such Noteholder shall, unless such payment is prohibited by applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or administrator, as appropriate of the Issuer for payment to the Senior Creditors in respect of amounts owing to them by the Issuer, and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator or administrator, as appropriate, of the Issuer (as the case may be), for payment to the Senior Creditors in respect of amounts owing to them by the Issuer and accordingly any such discharge shall be deemed not to have taken place.

For the purposes of this Condition 2, the expression "**obligations**" includes any direct or indirect obligations of the Issuer and whether by way of guarantee, indemnity, other contractual support arrangement or otherwise and regardless of name or designation.

3 Register, Title and Transfers

3.1 Register

The Registrar will maintain outside the United Kingdom a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

3.2 Title

The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder.

3.3 Transfers

Subject to Conditions 3.6 and 3.7 below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the

principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

3.4 Registration and delivery of Note Certificates

Within five business days of the surrender of a Note Certificate in accordance with Condition 3.3 above, the Registrar will register the transfer in question and deliver a new Note Certificate of an identical principal amount to the Notes transferred to each relevant Holder at its specified office or (as the case may be) the specified office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its specified office.

3.5 No charge

The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

3.6 Closed periods

Noteholders may not require transfers to be registered (i) during the period of 15 days ending on the due date for any payment of principal in respect of the Notes or ending on any Record Date, (ii) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6.3, (iii) after the Notes have been called for redemption and (iv) during the period following delivery of a notice of a payment of Arrears of Interest in accordance with Condition 5.4 and Condition 16 and ending on the date referred to in such notice as having been fixed for such payment of Arrears of Interest.

3.7 Regulations concerning transfers and registration

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4 Interest

4.1 Interest Rate and Interest Payment Dates

Each Note bears interest on its outstanding principal amount from (and including) the Issue Date at the applicable Interest Rate in accordance with these Conditions.

Subject to Condition 2.2 and Condition 5, interest shall be payable on the Notes:

(a) annually in arrear on each Fixed Interest Payment Date up to (and including) the First Call Date; and

(b) after the First Call Date, quarterly in arrear on each Floating Interest Payment Date.

4.2 Interest Accrual

Each Note will cease to bear interest from (and including) its due date for redemption pursuant to Condition 6 (which due date shall, in the event of deferral of a redemption date pursuant to Condition 2.2 or Condition 6.1(b), be the latest date to which redemption of the Notes is so deferred in accordance with Condition 6), or the date of substitution thereof pursuant to Condition 6.4(b) or 6.5(b), as the case may be, unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

4.3 Calculation of Interest

The amount of interest which (subject to Condition 2.2 and Condition 5) shall be payable in respect of each Calculation Amount on each Interest Payment Date falling on or prior to the First Call Date will be £61.25.

Where, prior to the First Call Date, it is necessary to compute an amount of interest in respect of any Note for a period which is less than a complete year, the relevant day count fraction shall be determined on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the year in which the relevant period falls (including the first such day but excluding the last).

Where interest is to be calculated in respect of any period commencing on or after the First Call Date, the applicable day count fraction will be the actual number of days in the relevant Interest Period divided by 365.

Interest in respect of any Note shall be calculated per Calculation Amount and shall be equal to the product of the Calculation Amount, the relevant Interest Rate and the applicable day count fraction as described above in this Condition 4.3 for the relevant period, rounding the resultant figure to the nearest penny (half a penny being rounded upwards). The amount of interest payable in respect of a Note shall be the aggregate of the amounts (calculated as aforesaid) for each Calculation Amount comprising the denomination of the Note.

4.4 Fixed Interest Rate

The rate of interest on the Notes from (and including) the Issue Date to (but excluding) the First Call Date is 6.125 per cent. per annum (the "**Fixed Interest Rate**").

4.5 Floating Interest Rate

The rate of interest on the Notes for an Interest Period commencing on or after the First Call Date (each a "**Floating Interest Rate**") shall be equal to the sum of (i) the 3-month LIBOR rate applicable to such Interest Period, determined as provided below, (ii) the initial margin of 4.076 per cent. and (iii) the step-up

margin of 1.00 per cent., all as determined by the Agent Bank on the Interest Determination Date applicable to such Interest Period.

The 3-month LIBOR rate applicable to an Interest Period commencing on or after the First Call Date will be determined by the Agent Bank at 11.00 a.m. (London time) on the Interest Determination Date applicable to such Interest Period as the three month London interbank offered rate for deposits in sterling which appears on page Reuters LIBOR01 (or any successor or replacement page thereto). If, at such time, no such rate appears or the relevant page is unavailable, the Agent Bank shall request the Reference Banks to provide the Agent Bank with its offered quotation for deposits for three months in sterling commencing on the relevant Interest Determination Date to prime banks in the London interbank market at approximately 11:00 a.m. (London time) on the Interest Determination Date and in a principal amount that is representative for a single transaction in sterling in that market at that time. If two or more such quotations are provided, the applicable 3-month LIBOR rate for such Interest Period shall be the rate calculated by the Agent Bank as the arithmetic mean of those quotations provided. If only one quotation is provided, the applicable 3-month LIBOR rate for such Interest Period will be that quotation provided. If no quotation is provided, the applicable 3-month LIBOR rate for such Interest Period shall be equal to the 3-month LIBOR rate applicable to the immediately preceding Interest Period or, in respect of the Interest Period commencing on the First Call Date, 0.57156 per cent.

4.6 Determination of Floating Interest Rates and Interest Amounts

The Agent Bank will on each Interest Determination Date determine the Floating Interest Rate applicable to the Interest Period commencing on such Interest Determination Date and calculate the amount of interest (the "**Interest Amount**") which (subject to Condition 2.2 and Condition 5) shall be payable in respect of such Interest Period.

4.7 Publication of Floating Interest Rates and Interest Amounts

The Agent Bank shall cause notice of each Floating Interest Rate and Interest Amount determined in accordance with this Condition 4 to be given to the Trustee, the Registrar, the Principal Paying Agent, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 16, the Holders, as soon as practicable after their determination but in any event not later than the fourth Business Day thereafter. The Interest Payment Date and/or Interest Amount so published may subsequently be amended (or appropriate arrangements made by way of adjustment).

4.8 Determinations of Agent Bank Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4, by the Agent Bank shall (in the absence of wilful default or manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Principal Paying Agent, the Registrar, the Transfer Agents and all Holders and (in the absence of wilful default) no liability to the Issuer, the Trustee or the Noteholders shall attach to the Agent Bank in connection with the exercise by it of any of its powers, duties and discretions under this Condition 4.

5 Deferral of Payments

5.1 Optional Deferral of Interest

In respect of any Interest Payment Date that is not a Compulsory Interest Payment Date or a Mandatory Interest Deferral Date, by notice to the Noteholders in accordance with Condition 16 and to the Trustee, the Registrar and the Principal Paying Agent given not less than 10 Business Days prior to the relevant Interest Payment Date, the Issuer may in its sole discretion elect to defer payment of the accrued but unpaid interest up to that Interest Payment Date (in whole or in part), and in such circumstances the relevant interest payment (or part thereof) shall not fall due on such Interest Payment Date and the Issuer shall have no obligation to make such payment on that date.

5.2 Mandatory Deferral of Interest

Payment of interest on the Notes will be mandatorily deferred on each Mandatory Interest Deferral Date. The Issuer shall notify the Trustee, the Registrar and the Principal Paying Agent in writing and notify the Noteholders in accordance with Condition 16 no later than five Business Days prior to an Interest Payment Date (or as soon as reasonably practicable if a Regulatory Deficiency Interest Deferral Event occurs less than five Business Days prior to an Interest Payment Date) if a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or if a Regulatory Deficiency Interest Deferral Event would occur on the Interest Payment Date if payment of interest were to be made (provided that, for the avoidance of doubt, any delay in giving such notice shall not result in such interest becoming due and payable on the relevant Mandatory Interest Deferral Date).

A certificate signed by two Directors confirming that (i) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made or (ii) a Regulatory Deficiency Interest Deferral Event has ceased to occur and/or payment of interest on the Notes would not result in a Regulatory Deficiency Interest Deferral Event occurring, shall be treated and accepted by the Trustee as correct and sufficient evidence thereof, shall be binding on the Noteholders, and the Trustee shall be entitled to rely on such certificate without further enquiry and without liability to any person.

5.3 No default

Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any payment of interest in accordance with this Condition 5 or in accordance with Condition 2.2 will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any other action under the Notes or the Trust Deed.

5.4 Arrears of Interest

Any interest in respect of the Notes not paid on an Interest Payment Date as a result of (i) any optional deferral of such payment of interest pursuant to Condition 5.1, (ii) the obligation on the Issuer to defer such payment of interest pursuant to Condition 5.2 or (iii) the operation of the Solvency Condition contained in Condition 2.2, together with any other interest in respect of the Notes not paid on an earlier Interest Payment Date shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest shall not themselves bear interest.

Any Arrears of Interest may (subject to Condition 2.2 and (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator), be paid in whole or in part at any time at the election of the Issuer (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest or the relevant part thereof was made) upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Trustee, the Registrar and the Principal Paying Agent in writing and to the Noteholders in accordance with Condition 16, and in any event all Arrears of Interest will become due and payable in full (subject, in the case of (a) and (c) below, to Condition 2.2 and (to the extent then required by the Relevant Regulator or the Relevant Rules) any notifications to, or consent or non-objection from, the Relevant Regulator) upon the earliest of the following dates:

(a) the next Interest Payment Date which is not a Mandatory Interest Deferral Date and on which a scheduled payment of interest in respect of the Notes (or any part thereof) is made or is required to be made pursuant to these Conditions (other than a voluntary payment of Arrears of Interest); or

(b) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or

(c) the date of any redemption or purchase of Notes by or on behalf of the Issuer or any of its Subsidiaries pursuant to Condition 6 (subject to the deferral of such redemption pursuant to Condition 2.2 or Condition 6.1).

The Issuer shall as soon as reasonably practicable notify the Trustee, the Registrar and the Principal Paying Agent in writing and notify the Noteholders in accordance with Condition 16 of any payment of Arrears of Interest made in accordance with (a) and (c) above.

6 Redemption, Substitution, Variation, Purchase and Options

6.1 Redemption

(a) Subject to Condition 2.2, Condition 6.1(b) below, and provided (if it is then entitled to do so under the Relevant Rules) the Relevant Regulator has not objected to such redemption, each Note shall, unless previously redeemed or purchased and cancelled as provided below, be redeemed on the Maturity Date at its principal amount together with Arrears of Interest, if any, and any other accrued and unpaid interest thereon to (but excluding) the Maturity Date.

(b) No Notes shall be redeemed on the Maturity Date pursuant to Condition 6.1(a) or on any other date pursuant to Condition 6.3, 6.4 or 6.5 if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption is made on, if Condition 6.1(a) applies, the Maturity Date or, if Condition 6.3, 6.4 or 6.5 applies, the applicable date specified for redemption in accordance with such Conditions.

(c) If the Notes are not to be redeemed on the Maturity Date pursuant to Condition 6.1(a) or on any scheduled redemption date pursuant to Condition 6.3, 6.4 or 6.5 as a result of circumstances where:

(i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed on such date;

(ii) the Solvency Condition is not or would not be satisfied on such date and immediately after the redemption; or

(iii) the Relevant Regulator objects to the redemption (if it is then entitled to do so under the Relevant Rules) on such date,

the Issuer shall notify the Trustee, the Registrar and the Principal Paying Agent in writing and notify the Noteholders in accordance with Condition 16 no later than five Business Days prior to the Maturity Date or the date specified for redemption in accordance with Condition 6.3, 6.4 or 6.5, as applicable, (or as soon as reasonably practicable if the relevant circumstance requiring redemption to be deferred arises, or is determined, less than five Business Days prior to the relevant redemption date).

(d) If redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6.3, 6.4 or 6.5 as a result of Condition 6.1(b) above or if the Relevant Regulator objects to the redemption (if it is then entitled to do so under the Relevant Rules) on such date, subject (in the case of (i) and (ii) below only) to Condition 2.2 and (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator, such Notes shall be redeemed at their principal amount together with Arrears of Interest, if any, and any other accrued and unpaid interest thereon to (but excluding) the date of redemption, upon the earliest of:

(i) (in the case of a failure to redeem due to the operation of Condition 6.1(b) only) the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless, on such tenth Business Day, a further Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or redemption of the Notes on such date would result in a Regulatory Deficiency Redemption Deferral Event occurring, in which case the provisions of Condition 6.1(b), Condition 6.1(c) and this Condition 6.1(d) shall apply *mutatis mutandis* to determine the due date for redemption); or

(ii) the date falling 10 Business Days after the Relevant Regulator has agreed to the repayment or redemption of the Notes; or

(iii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend.

(e) If Condition 6.1(b) does not apply, but redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6.3, 6.4 or 6.5 as a result of the Solvency Condition not being satisfied at such time and immediately after such payment, subject (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator, such Notes shall be redeemed at their principal amount together with Arrears of Interest, if any, and any other accrued and unpaid interest thereon to (but excluding) the date of redemption, on the tenth Business Day immediately following the day that (i) the Issuer is

solvent for the purposes of Condition 2.2 and (ii) redemption of the Notes would not result in the Issuer ceasing to be solvent for the purposes of Condition 2.2, provided that if on such tenth Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Notes were to be redeemed, or if the Solvency Condition would not be satisfied on such date and immediately after the redemption, then the Notes shall not be redeemed on such date and Condition 6.1(b), Condition 6.1(c) and Condition 6.1(d) (if such further deferral is due to a Regulatory Deficiency Redemption Deferral Event) or Condition 2.2 and this Condition 6.1(e) (if such further deferral is due to the operation of the Solvency Condition) shall apply *mutatis mutandis* to determine the date of the redemption of the Notes.

(f) A certificate signed by two Directors confirming that (i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if redemption of the Notes were to be made or (ii) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring or (iii) that any of the circumstances described in Condition 6.1(c)(ii) or (iii) apply, shall be treated and accepted by the Trustee as correct and sufficient evidence thereof, shall be binding on the Noteholders, and the Trustee shall be entitled to rely on such certificate without further enquiry and without liability to any person.

(g) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 2.2 or this Condition 6 will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes or take any other action under the Notes or the Trust Deed.

(h) In circumstances where redemption of the Notes has been deferred, the Issuer will notify the Trustee, the Registrar and the Principal Paying Agent in writing and notify the Noteholders in accordance with Condition 16 of the relevant date to which redemption has been deferred as soon as reasonably practicable after it has determined the same (and, if applicable, of any subsequent redemption deferrals and corresponding deferred dates for redemption).

6.2 Conditions to Redemption, Substitution, Variation or Purchase

Any redemption, substitution, variation or purchase of the Notes is subject to the Issuer having obtained the consent or non-objection of the Relevant Regulator (if then required by the Relevant Rules) and being in continued compliance with the Regulatory Capital Requirements applicable to it at the relevant time and, in the case of a redemption or purchase that is within five years of the Issue Date of the Notes, to such redemption or purchase being funded (to the extent then required by the Relevant Regulator or the Relevant Rules) out of the proceeds of a new issuance of capital of at least the same quality as the Notes and/or otherwise being permitted under the Relevant Rules.

A certificate signed by two Directors confirming such compliance shall be treated and accepted by the Trustee as correct, conclusive and sufficient evidence thereof, shall be binding on the Noteholders, and the Trustee shall be entitled to rely on such certificate without further enquiry and without liability to any person.

In the case of a redemption that is proposed to be completed within five years of the Issue Date of the Notes, the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that it would have been reasonable for the Issuer to conclude, judged at the time of the issue of the Notes, that the

circumstance entitling the Issuer to exercise the right of redemption was unlikely to occur. Such certificate shall be treated and accepted by the Trustee as correct, conclusive and sufficient evidence thereof, shall be binding on the Noteholders, and the Trustee shall be entitled to rely on such certificate without further enquiry and without liability to any person.

In the event that any damages have been awarded against the Issuer for breach of any obligation in respect of the Notes or any of them, any such unpaid damages will also become due and payable by the Issuer at the time of redemption of the Notes (subject to deferral in accordance with Condition 2.2 or Condition 6).

6.3 Issuer's Call Option

Subject to Condition 2.2, Condition 6.1(b) and Condition 6.2 and having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable), the Issuer may elect to redeem in accordance with these Conditions all (but not some only) of the Notes on the First Call Date or any Interest Payment Date thereafter at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest thereon to (but excluding) the date of redemption in accordance with these Conditions.

6.4 Redemption, Substitution or Variation at the Option of the Issuer Due to Taxation

If immediately prior to the giving of the notice referred to below, the Issuer provides a certificate in accordance with the provisions of the Trust Deed certifying to the Trustee that, as a result of a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of Bermuda or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which Bermuda is a party, or any change in the application or official interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Tier 2 Capital under the Relevant Rules applicable at issuance), which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by way of primary or secondary legislation, on or after the Issue Date of the Notes (each a "**Tax Law Change**"), in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts on the Notes (a "**Tax Event**") and the Issuer cannot avoid the same by taking measures reasonably available to it, then the Issuer may:

(a) subject to Condition 2.2, Condition 6.1(b) and Condition 6.2 and having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest thereon to (but excluding) the date of redemption in accordance with these Conditions; provided that, in the case of a Tax Law Change which is a proposed amendment or a proposed change only, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such Additional Amounts; or

(b) subject to Condition 6.2 (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the

Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Dated Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (b) and subject to the receipt by it of the certificates of the Directors referred to below and in the definition of "Qualifying Dated Tier 2 Securities") agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Dated Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in or agree to any such substitution or variation of the Notes for or into Qualifying Dated Tier 2 Securities if the terms of the securities into which the Notes are to be substituted or are to be varied or such substitution or variation impose, in the Trustee's opinion, more onerous obligations or duties upon it or exposes it to liabilities or reduces its protections. If the Trustee does not so participate or assist or agree as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 6.4 the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors stating that a Tax Event has occurred and the Issuer cannot avoid the same by taking measures reasonably available to it and (ii) an opinion from a nationally recognised law firm or other tax adviser in Bermuda experienced in such matters to the effect that a Tax Event has occurred. The Trustee shall treat such certificate and opinion as correct, conclusive and sufficient evidence thereof without further enquiry and shall not be liable to any person by reason thereof and such certificate and opinion shall be binding on the Noteholders. Upon expiry of such notice the Issuer shall (subject to Condition 6.2 and, in the case of a redemption, to Condition 2.2 and Condition 6.1) either redeem, vary or substitute the Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 6.4, the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

6.5 Redemption, Substitution or Variation at the Option of the Issuer due to Capital Disqualification Event or Ratings Methodology Event

If immediately prior to the giving of the notice referred to below a Capital Disqualification Event or a Ratings Methodology Event has occurred and is continuing or (in the case of a Ratings Methodology Event) the Issuer provides a certificate in accordance with the provisions of the Trust Deed certifying to the Trustee that, as a result of any change in, or amendment to, or any change in the application or official interpretation of, any ratings methodology or other official publication, a Ratings Methodology Event will occur within a period of six months, then:

(a) the Issuer may, subject to Condition 2.2, Condition 6.1(b) and Condition 6.2 and having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable and shall be given at any time up to and including the anniversary of the occurrence of such Capital Disqualification Event or such Ratings Methodology Event), redeem in accordance with these Conditions all, but not some only, of the Notes at any time at their principal amount together with any Arrears of Interest and any other accrued and unpaid interest thereon to (but excluding) the date of redemption in accordance with these Conditions; or

(b) the Issuer may, subject to Condition 6.2 (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Registrar, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they remain or become, (in the case of a Capital Disqualification Event) Qualifying Dated Tier 2 Securities or (in the case of a Ratings Methodology Event), Rating Agency Compliant Securities and, in either case, the Trustee shall (subject to the following provisions of this paragraph (b) and subject to the receipt by it of the certificate of the Directors of the Issuer referred to below and (in the case of a substitution or variation in connection with a Capital Disqualification Event or a Ratings Methodology Event) in the definition of "Qualifying Dated Tier 2 Securities" and (in the case of a substitution or variation in connection with a Ratings Methodology Event) in the definition of "Rating Agency Compliant Securities") agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Dated Tier 2 Securities or Rating Agency Compliant Securities, as applicable, provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation or agree to the terms of the securities into which the Notes are to be substituted or are to be varied if such substitution or variation imposes, in the Trustee's opinion, more onerous obligations or duties upon it or exposes it to liabilities or reduces its protections. If the Trustee does not so participate or assist or agree as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 6.5 the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Capital Disqualification Event or, as the case may be, a Ratings Methodology Event has occurred and is continuing (or, in the case of a Ratings Methodology Event, will occur within a period of six months) as at the date of the certificate. The Trustee shall treat such certificate as correct, conclusive and sufficient evidence thereof without further enquiry, and shall not be liable to any person by reason thereof, and such certificate shall be binding on the Noteholders. Upon expiry of such notice the Issuer shall (subject to Condition 6.2 and, in the case of a redemption, to Condition 2.2 and Condition 6.1) either redeem, vary or substitute the Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 6.5, the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

6.6 Purchases

Subject to Conditions 2.2 and 6.2, the Issuer and any of its Subsidiaries may, at any time, purchase Notes in the open market or otherwise and at any price. All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may (at the option of the Issuer or the relevant Subsidiary) be held, reissued, resold or surrendered for cancellation.

6.7 Cancellation

All Notes redeemed by the Issuer and all Notes purchased by or on behalf of the Issuer or any of its Subsidiaries and surrendered for cancellation shall be cancelled forthwith. Any Notes so redeemed or surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

6.8 Trustee Not Obliged to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 6 and will not be responsible to Noteholders for any loss arising from any failure by the Trustee to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 6, it shall be entitled to assume that no such event or circumstance exists.

7 Payments

7.1 Method of Payment

(a) **Principal**: Payments of principal shall be made in pounds sterling by sterling cheque drawn on, or, upon application by a Holder of a Note to the specified office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a sterling account maintained by or on behalf of the payee with a bank in London and (in the case of redemption) upon presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the specified office of the Principal Paying Agent.

(b) **Interest**: Payments of interest shall be made in pounds sterling by sterling cheque drawn on, or, upon application by a Holder of a Note to the specified office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a sterling account maintained by or on behalf of the payee with a bank in London and (in the case of interest payable on redemption) upon presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the specified office of the Principal Paying Agent.

7.2 Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction, but without prejudice to the provisions of Condition 8. For the purposes of the preceding sentence, the phrase "fiscal or other laws, regulations and directives" shall include any obligation of the Issuer to withhold or deduct from a payment pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder or official interpretations thereof or any law implementing an intergovernmental approach thereto.

7.3 Record Date

Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's specified office on the fifteenth day before the due date of such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7.4 Appointment of Agents

The initial Principal Paying Agent, the Registrar, the Agent Bank and the Transfer Agents and their initial specified offices are listed below. They act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right, subject to the

approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar, the Agent Bank and the Transfer Agents and to appoint replacement agents or additional or other Paying Agents and/or Transfer Agents, provided that it will:

(a) at all times maintain a Principal Paying Agent, a Registrar and a Transfer Agent;

(b) whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank; and

(c) at all times maintain a Paying Agent having a specified office in a major city in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, such directive which is approved by the Trustee.

Notice of any such termination or appointment and of any change in the specified offices of the Agents will be given to the Holders in accordance with Condition 16.

If any of the Agent Bank, Registrar, Transfer Agent or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

7.5 Non-Business Days

If any date for payment in respect of any Note is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Bermuda or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required by law to be made ("**Additional Amounts**"), except that no such Additional Amounts shall be payable with respect to any Note:

(a) **Other connection**: the Holder of which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Bermuda other than the mere holding of the Note; or

(b) **Lawful avoidance of withholding**: the Holder of which could lawfully have avoided (but has not so avoided) such deduction or withholding by complying or procuring that any person who is associated or connected with the Noteholder for the purposes of any tax complies with any statutory requirements or by making or procuring that any such person makes a declaration of non-residence or other similar claim for exemption to any tax authority; or

(c) **Presentation more than 30 days after the Relevant Date**: presented (where presentation is required) for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Noteholder would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth day; or

(d) **EU Savings Directive**: where such withholding or deduction is required to be made pursuant to Council Directive 2003/48/EC (as amended from time to time) or any law implementing or complying with, or introduced to conform to, such directive (as amended from time to time) or any agreement between the European Union and any jurisdiction providing for equivalent measures; or

(e) **Payment by another Paying Agent**: presented (where presentation is required) for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union (provided that there is such a Paying Agent appointed at the relevant time).

As provided in Condition 7.2, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto, and the Issuer shall not be required to pay any Additional Amounts under this Condition on account of any such deduction or withholding described in this paragraph.

As used in these Conditions, "**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders in accordance with Condition 16 that, upon further presentation of the Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

References in these Conditions to principal and/or interest (including Arrears of Interest) shall be deemed to include any Additional Amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

9 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest including, without limitation, Arrears of Interest) from the appropriate Relevant Date in respect of them.

10 Events of Default and Enforcement

10.1 Rights to institute and/or prove in a winding-up

(a) Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings in respect of the Issuer is limited to circumstances where payment has become due and is not duly paid. Pursuant to Condition 2.2, no principal, interest or any other amount will be due on a scheduled payment date if the Solvency Condition is not or would not be satisfied at the time of and immediately after any such payment. In addition, in the case of any

payment of interest in respect of the Notes which is deferred pursuant to Condition 5.1 or 5.2, such payment will not be due on the scheduled payment date and, in the case of payment of principal, such payment will be deferred and will not be due on the scheduled payment date if Condition 6.1(b) applies or the Relevant Regulator objects to the redemption (if it is then entitled to do so under the Relevant Rules).

(b) If default is made for 14 days or more in the payment of any interest (including, without limitation, Arrears of Interest) or principal due in respect of the Notes or any of them, then the Trustee in its discretion may, and (subject to Condition 10.3) if so requested by Noteholders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, institute proceedings for the winding-up of the Issuer, but (subject as follows) may take no further or other action to enforce any payment by the Issuer in respect of the Notes or the Trust Deed.

(c) If a winding-up of the Issuer (other than an Approved Winding-up) occurs (whether or not instituted by the Trustee pursuant to Condition 10.1(b) above) or an administrator of the Issuer is appointed and the administrator has given notice that it intends to declare and distribute a dividend, then the Trustee in its discretion may, and (subject to Condition 10.3) if so requested by Noteholders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer (such claim being for such amount, and being subordinated in the manner, as is provided in Condition 2.1).

(d) No payment in respect of the Notes or the Trust Deed may be made by the Issuer pursuant to this Condition 10.1, nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent or non-objection from, the Relevant Regulator, which the Issuer shall confirm in writing to the Trustee.

10.2 Enforcement

(a) Without prejudice to Condition 10.1 above, the Trustee may at its discretion and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any obligation, term, condition or provision binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed including, without limitation, payment of any principal or interest (including, without limitation, Arrears of Interest) in respect of the Notes and any damages awarded for breach of any obligations in respect thereof) but in no event shall the Issuer, by virtue of the institution of any such proceedings or the taking of such steps or actions, be obliged to pay any sum or sums (in cash or otherwise) sooner than the same would otherwise have been payable by it.

(b) Nothing in this Condition 10.2 shall, subject to Condition 10.1, prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligations of the Issuer arising from the Notes or the Trust Deed (including without limitation, payment of any principal or interest (including, without limitation, Arrears of Interest) in respect of the Notes and any damages awarded for any breach of any obligations under the Notes or the Trust Deed).

10.3 Entitlement of the Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 10.1 or Condition 10.2 above to enforce the obligations of the Issuer under the Trust Deed or the Notes or any other action under or pursuant to the Trust Deed unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

10.4 Right of Noteholders

No Noteholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the reorganisation, arrangement, insolvency, liquidation or winding-up of the Issuer (including under Part IVA of the Bermuda Conveyancing Act 1983, as amended) or prove or claim in the liquidation or winding-up of the Issuer unless the Trustee, having become so bound to proceed or being able to prove or claim in such winding-up, reorganisation, arrangement, insolvency or liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder shall, with respect to the Notes held by it, have only such rights against the Issuer as those which the Trustee is entitled to exercise in respect of such Notes as set out in this Condition 10.

10.5 Extent of Noteholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

11 Meetings of Noteholders, Modification, Waiver and Substitution

11.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons holding Notes or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia* (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Arrears of Interest on the Notes, (ii) to reduce or cancel the principal amount of the Notes, (iii) to reduce the rate or rates of interest or Arrears of Interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any interest amount in respect of the Notes, (iv) to vary the currency or currencies of payment or denomination of the Notes, (v) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations of the Issuer or any other person (other than as permitted under Condition 6 or Condition 11.4), (vi) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the

majority required to pass an Extraordinary Resolution, or (viii) to modify Condition 2 (and the provisions of the Trust Deed relating to subordination), in which case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed made in the circumstances described in Condition 6.4 or Condition 6.5 in connection with the substitution or variation of the Notes so that they remain or become Qualifying Dated Tier 2 Securities or Rating Agency Compliant Securities, as applicable, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 6.4 or Condition 6.5, as the case may be. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

11.2 Modification of the Notes, the Trust Deed or the Agency Agreement

For the avoidance of doubt, the Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error and (ii) any other modification (except as mentioned in the Trust Deed or as listed at (i) to (viii) in Condition 11.1), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

Any such modification, authorisation or waiver shall be binding on the Noteholders and unless the Trustee otherwise agrees modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 16.

11.3 Notice to the Relevant Regulator

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless (to the extent then required by the Relevant Regulator or the Relevant Rules) the Issuer shall have given at least one month's prior written notice (or such other period of notice as may then be required or accepted by the Relevant Regulator or the Relevant Rules) to, and received consent or no objection from, the Relevant Regulator.

11.4 Substitution

The Trustee may agree with the Issuer, without the consent of the Noteholders, to the substitution of any person or persons incorporated in any country in the world (the "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed and the Notes provided that:

(a) the Substitute Obligor's obligations in respect of the Notes are subordinated on an equivalent basis to that referred to in Condition 2;

(b) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed and the Notes, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);

(c) (unless the successor in business of the Issuer is the Substitute Obligor) either:

(i) if the Notes have been rated by one or more Rating Agencies at the request of the Issuer and one or more of such ratings continue to be maintained immediately prior to such substitution, each relevant Rating Agency confirms to the Issuer or announces that such substitution will not result in a withdrawal or downgrade of the credit rating it has assigned to the Notes immediately prior to such substitution or the placing of any such rating on creditwatch or review with a negative outlook; or

(ii) the obligations of the Substitute Obligor under the Trust Deed and the Notes are guaranteed by the Issuer (or the successor in business of the Issuer) on a subordinated basis equivalent to that referred to in Condition 2 and in the Trust Deed and in a form and manner satisfactory to the Trustee, and provided further that the obligations of such guarantor shall be subject to a solvency condition equivalent to that set out in Condition 2.2, such guarantor shall not exercise rights of subrogation or contribution against the Substitute Obligor without the consent of the Trustee and the only event of default applying to such guarantor shall be an event of default equivalent to that set out in Condition 10.1.

(d) two directors of the Substitute Obligor or other officers acceptable to the Trustee certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected (and the Trustee may rely absolutely on such certification without further enquiry and without liability to any person and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer);

(e) (without prejudice to the rights of reliance of the Trustee under Condition 11.4(d) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;

(f) two directors of the Substitute Obligor certify to the Trustee that such substitution will not give rise to a Tax Event, a Capital Disqualification Event or a Ratings Methodology Event (and the Trustee may rely absolutely on such certification without further enquiry and without liability to any person and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer);

(g) (without prejudice to the generality of Condition 11.4(b) above) the Trustee may in the event of such substitution agree, without the consent of the Noteholders, to a change in the law governing the Trust Deed and/or the Notes, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;

(h) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the territory or any such authority to the taxing jurisdiction of which the Issuer is subject generally (the "**Issuer's Territory**"), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 8 with the substitution for the references in that Condition and in Condition 6.4 to the Issuer's Territory of references to the Substituted Territory whereupon the Trust Deed and the Notes will be read accordingly; and

(i) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

Any substitution pursuant to this Condition 11 shall be subject (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent or non-objection from, the Relevant Regulator.

Any such substitution shall be binding on the Noteholders and shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 16.

12 Entitlement of the Trustee

In connection with any exercise of its functions (including but not limited to those referred to in Condition 11), the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise as aforesaid, no Noteholder shall be entitled to claim, whether from the Issuer, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Noteholders except to the extent already provided in Condition 8 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Notwithstanding any provision of these Conditions, nothing in the Trust Deed or these Conditions (including, without limitation, the provisions of Condition 2 or Condition 10.1) shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee for its own account under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

13 Indemnification of the Trustee

The Trust Deed contains provisions for the provision of indemnification, security and prefunding to the Trustee and for its relief from responsibility, including provisions relieving it from taking any steps or action, including instituting any proceedings, unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

14 Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the

replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

15 Further Issues

The Issuer may, from time to time, without the consent of the Noteholders, create and issue further securities either (i) having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Notes then outstanding or (ii) upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the Notes shall be constituted by the Trust Deed or a deed supplemental to it.

16 Notices

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the Register maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Submission to Jurisdiction

18.1 Governing law

The Trust Deed, the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England except that Condition 2 and the related provisions contained in Clause 3 of the Trust Deed are governed by, and shall be construed in accordance with, the laws of Bermuda.

18.2 Submission to jurisdiction

(a) The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed and/or the Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed and/or the Notes (a "**Dispute**") and accordingly each of the Issuer, the Trustee and any Noteholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 18.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

18.3 Appointment of Process Agent

The Issuer irrevocably appoints Hiscox plc at its principal address from time to time (being, as at the Issue Date, 1 Great St. Helen's, London EC3A 6HX, United Kingdom) as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of the same being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

19 Definitions

As used herein:

"**Additional Amounts**" has the meaning given to it in Condition 8;

"**Agent Bank**" has the meaning given to it in the preamble to these Conditions;

"**Approved Winding-up**" means a solvent winding-up of the Issuer solely for the purposes of a reconstruction, merger, amalgamation or scheme of arrangement in respect of the Issuer, the terms of which reconstruction, merger, amalgamation or scheme of arrangement or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (ii) do not provide that the Notes (or any amount in respect thereof) shall thereby become payable;

"**Arrears of Interest**" has the meaning given to it in Condition 5.4;

"**Assets**" means the unconsolidated gross assets of the Issuer as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events in such manner as the Directors may determine;

"**Authorised Denomination**" has the meaning given to it in Condition 1;

"**Bermuda Insurance Act**" means the Bermuda Insurance Act 1978, as amended;

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in each of London and Hamilton;

"**Calculation Amount**" means £1,000 in principal amount of the Notes;

A "**Capital Disqualification Event**" is deemed to have occurred if, as a result of any change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules then applicable to the Issuer, the entire principal amount of the Notes is fully excluded from counting as Tier 2 Capital for the purposes of the Issuer or the Group, whether on a solo, group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital;

"**Compulsory Interest Payment Date**" means any Interest Payment Date (i) in respect of which during the immediately preceding six month period a Compulsory Interest Payment Event has occurred; (ii) on which the relevant interest payment can be made without breach of the Solvency Condition; and (iii) which is not a Mandatory Interest Deferral Date;

"**Compulsory Interest Payment Event**" means:

(i) any declaration, payment or making of a dividend or distribution by the Issuer to its ordinary shareholders; or

(ii) any declaration, payment or making of a dividend, distribution or coupon on any other Junior Obligations or Pari Passu Obligations of the Issuer, except where such dividend, distribution or coupon was required to be declared, paid or made under, or in accordance with, the terms of such Junior Obligations or Pari Passu Obligations; or

(iii) any repurchase by the Issuer of any of its ordinary shares for cash, provided such repurchase is not made in the ordinary course of business of the Issuer in connection with any share option scheme or share ownership scheme for management or employees of the Issuer or management or employees of affiliates of the Issuer; or

(iv) any redemption, repurchase or purchase by the Issuer or any Subsidiary of the Issuer of any Junior Obligations or any Pari Passu Obligations of the Issuer for cash, except a redemption, repurchase or purchase required to be effected under, or in accordance with, the terms of such Junior Obligations or Pari Passu Obligations;

"**Directors**" means the directors of the Issuer;

"**EEA Regulated Market**" means a market as defined by Article 4.1.14 of Directive 2004/39/EC of the European Parliament and of the Council of the European Union on markets in financial instruments, as amended;

"**Enhanced Capital Requirement**" means the "enhanced capital requirement" as defined in section 1(1) of the Bermuda Insurance Act or any successor or equivalent requirement under Relevant Rules;

"**European Economic Area**" or "**EEA**" means the countries comprising the European Union together with Norway, Liechtenstein and Iceland;

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**First Call Date**" means 24 November 2025;

"**Fixed Interest Payment Date**" means 24 November in each year from (and including) 24 November 2016 up to (and including) the First Call Date;

"**Fixed Interest Rate**" has the meaning set out in Condition 4.4;

"**Floating Interest Payment Date**" means 24 February, 24 May, 24 August and 24 November in each year from (and including) 24 February 2026 up to (and including) the Maturity Date, save that if any such Floating Interest Payment Date would otherwise fall on a day which is not a Business Day, such Floating Interest Payment Date shall be postponed to the following Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day;

"**Floating Interest Rate**" has the meaning set out in Condition 4.5;

"**Group**" means the Issuer together with its subsidiaries from time to time;

"**Holder**" has the meaning given to it in Condition 3.1;

"**Interest Amount**" has the meaning set out in Condition 4.6;

"**Interest Determination Date**" means, with respect to an Interest Period commencing on or after the First Call Date, the first day of such Interest Period;

"**Interest Payment Date**" means each Fixed Interest Payment Date and each Floating Interest Payment Date, as the context admits;

"**Interest Period**" means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each period thereafter from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date;

"**Interest Rate**" means the Fixed Interest Rate or the Floating Interest Rate, as applicable;

"**Issue Date**" means 24 November 2015, being the date of the initial issue of the Notes;

"**Issuer's Territory**" has the meaning given to it in Condition 11.4(h);

"**Junior Obligations**" has the meaning given to it in Condition 2.1;

"**Liabilities**" means the unconsolidated gross liabilities of the Issuer as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events in such manner as the Directors may determine;

"**Mandatory Interest Deferral Date**" means each Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date;

"**Maturity Date**" means the Interest Payment Date falling in, or nearest to, November 2045;

"**Note Certificate**" has the meaning given to it in Condition 1;

"**Noteholder**" has the meaning given to it in Condition 3.1;

"**Pari Passu Obligations**" has the meaning given thereto in Condition 2.1;

"**pounds**", "**sterling**", "**£**", "**p**" or "**pence**" means the lawful currency of the United Kingdom;

"**Qualifying Dated Tier 2 Securities**" means securities issued directly by the Issuer or indirectly and guaranteed by the Issuer (such guarantee to rank on a subordinated basis equivalent to the ranking in Condition 2) that:

(i) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer));

(ii) (subject to (i) above) (1) contain terms which comply with the then current requirements of the Relevant Regulator in relation to Tier 2 Capital, (2) include terms which provide for at least the

same interest rate from time to time applying to the Notes, and preserve the Interest Payment Dates; (3) rank senior to, or *pari passu* with, the ranking of the Notes; (4) preserve any existing rights under the Terms and Conditions to any accrued interest, any Arrears of Interest and any other amounts in respect of the Notes which have not been paid; (5) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; (6) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and (7) contain terms providing for mandatory and/or optional deferral of payments of interest and/or principal only if such terms are not materially less favourable to an investor than the mandatory and optional deferral provisions, respectively, contained in the terms of the Notes; and

(iii) are listed or admitted to trading on the EEA Regulated Market of the London Stock Exchange or such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee (such approval not to be unreasonably withheld or delayed),

and provided that a certification to the effect of (i) (including as to consultation as required therein) and (ii) above, signed by two directors of the Issuer, shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without further enquiry and without liability to any person) prior to the issue or, as appropriate, variation of the relevant securities;

"**Rating Agency**" means each of Standard & Poor's Credit Market Services Europe Limited and Fitch Ratings Limited (or, in each case, any successor thereto or such other entity within the respective groups of those rating agencies which has assigned equity content to the Notes at the Issuer's request);

"**Rating Agency Compliant Securities**" means securities that are:

(a) Qualifying Dated Tier 2 Securities; and

(b) assigned by each Rating Agency substantially the same equity content or, at the absolute discretion of the Issuer, a lower equity content (provided such equity content is still higher than the equity content assigned to the Notes after the occurrence of the Ratings Methodology Event) as that which was assigned by the relevant Rating Agency to the Notes on or around the Issue Date and provided that a certification to such effect of two directors of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities (upon which the Trustee shall be entitled to rely without liability to any person);

a "**Ratings Methodology Event**" will be deemed to occur upon a change in, or clarification to, the methodology of any Rating Agency (or in the interpretation of such methodology) as a result of which the equity content assigned by that Rating Agency to the Notes is, as notified by that Rating Agency to the Issuer or as published by that Rating Agency, reduced when compared to the equity content assigned by that Rating Agency to the Notes on or around the Issue Date;

"**Recognised Stock Exchange**" means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision statute or statutory instrument replacing the same from time to time;

"**Record Date**" has the meaning given to it in Condition 7.3;

"**Reference Banks**" means the principal London office of four major banks in the London interbank market, as selected by the Issuer, or by the Issuer in consultation with the Agent Bank;

"**Register**" has the meaning given to it in Condition 3.1;

"**Regulatory Capital Requirements**" means any applicable capital resources requirement or applicable overall financial adequacy rule (or equivalent) required by the Relevant Regulator pursuant to the Relevant Rules, as any such requirement or rule is in force from time to time;

a "**Regulatory Deficiency Interest Deferral Event**" will occur if (i) any of the Issuer, the Group or any undertaking in the Group that is registered as an insurer under the Bermuda Insurance Act is failing to meet any Enhanced Capital Requirement then applicable to it and (ii) under the Relevant Rules then applicable to the Issuer, such failure requires the Issuer to defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes in order that the Notes qualify as Tier 2 Capital under the Relevant Rules then applicable to the Issuer;

a "**Regulatory Deficiency Redemption Deferral Event**" will occur if (i) any of the Issuer, the Group or any undertaking in the Group that is registered as an insurer under the Bermuda Insurance Act is failing to meet any Enhanced Capital Requirement then applicable to it and (ii) under the Relevant Rules then applicable to the Issuer, such failure requires the Issuer to defer or suspend repayment or redemption of the Notes in order that the Notes qualify as Tier 2 Capital under the Relevant Rules then applicable to the Issuer;

"**Relevant Date**" has the meaning given to it in Condition 8;

"**Relevant Regulator**" means the Bermuda Monetary Authority (or any successor which carries on the role of regulator of financial services companies generally in Bermuda);

"**Relevant Rules**" means the Bermuda Insurance Act and any other legislation, rules or regulations of Bermuda or of the Bermuda Monetary Authority from time to time (including, but not limited to, the Bermuda Insurance (Group Supervision) Rules 2011, as amended and the Bermuda Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011, as amended) relating to the characteristics, features or criteria of own funds or capital resources and which are, at such time, applicable to the Issuer or the Group;

"**Senior Creditors**" means:

(i) all creditors of the Issuer in respect of unsubordinated obligations of the Issuer, including (if any) all policyholders of the Issuer (and, for the avoidance of doubt, the claims of policyholders shall include all amounts to which policyholders are entitled under applicable legislation or rules relating to the winding-up of insurance companies or similar proceedings involving insurance companies that reflect any right to receive or expectation of receiving benefits which policyholders may have); and

(ii) all other creditors of the Issuer in respect of claims which are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than claims in respect of Pari Passu Obligations or Junior Obligations).

"**Solvency Condition**" has the meaning given to it in Condition 2.2;

"**Subsidiary**" has the meaning given to the term "subsidiary company" in section 1B(2A) of the Bermuda Insurance Act (as such section may be amended or replaced from time to time);

"**Substitute Obligor**" has the meaning given to it in Condition 11.4;

"**Substituted Territory**" has the meaning given to it in Condition 11.4(h);

"**successor in business**" means, with respect to the Issuer, any body corporate which, as the result of any amalgamation, merger, reconstruction, acquisition or transfer:

(i) owns beneficially the whole or substantially the whole of the undertaking, property and assets owned by the Issuer or a successor in business of the Issuer prior thereto; or

(ii) carries on, as successor of the Issuer or a successor in business of the Issuer, the whole or substantially the whole of the business carried on by the Issuer or a successor in business of the Issuer prior thereto;

"**Tax Event**" has the meaning given in Condition 6.4;

"**Tax Law Change**" has the meaning given to it in Condition 6.4;

"**Tier 1 Capital**" has the meaning given thereto for the purposes of the Relevant Rules;

"**Tier 2 Capital**" has the meaning given thereto for the purposes of the Relevant Rules;

"**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland; and

"**Winding-up**" means, in respect of the Issuer, a winding-up of the Issuer or similar proceedings in respect of the Issuer including, without limitation, by way of reorganisation, arrangement, insolvency or liquidation of the Issuer (including under Part IVA of the Bermuda Conveyancing Act 1983, as amended) in Bermuda or any similar proceedings in any other jurisdiction.

OVERVIEW OF THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Certificates

The Global Note Certificate (as defined in the Trust Deed) will be registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and may be delivered on or prior to the Issue Date.

Upon the registration of the Global Note Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Note Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system approved by the Trustee (an "**Alternative Clearing System**") as the holder of a Note represented by the Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer (as the case may be) to the holder of the Global Note Certificate and in relation to all other rights arising under the Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Note Certificate and such obligations of the Issuer will be discharged by payment to the registered holder of the Global Note Certificate in respect of each amount so paid.

Exchange

Interests in the Global Note Certificate will be exchangeable (free of charge to the holder), in whole but not in part, for Individual Note Certificates only if:

(a) an Event of Default (as defined out in the Trust Deed) has occurred; or

(b) Euroclear and Clearstream, Luxembourg are both closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or both announce an intention permanently to cease business or do in fact do so and no Alternative Clearing System is available,

Any reference herein to Euroclear and/or Clearstream, Luxembourg, shall, wherever the context so permits, be deemed to include a reference to any Alternative Clearing System.

Amendments to Conditions

The Global Note Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

Payments

All payments in respect of Notes represented by the Global Note Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (where "**Clearing System Business Day**" means Monday to Friday (inclusive) except 25 December and 1 January). The calculation of all payments on the Notes will be made in respect of the total aggregate amount of the Notes represented by the Global Note Certificate, together with such other sums and additional amounts (if any) as may be payable under the Conditions, all in accordance with the Conditions and the Trust Deed.

Meetings

For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Note Certificate shall (unless the Global Note Certificate represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and as being entitled to one vote in respect of each £1,000 in principal amount of the Notes.

Trustee's Powers

In considering the interests of Noteholders while the Global Note Certificate is held on behalf of, or registered in the name of any nominee for, a Clearing System, the Trustee may have regard to any information provided to it by such Clearing System or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note Certificate and may consider such interests as if such accountholders were the holders of the Notes represented by the Global Note Certificate.

Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders.

Notices

So long as all the Notes are represented by the Global Note Certificate and it is held on behalf of a Clearing System, notices to Noteholders will be given by delivery of the relevant notice to that Clearing System for communication by it to entitled accountholders in substitution for notification as required by the Conditions. A notice will be deemed to have been given to accountholders on the first Business Day following the day on which such notice is sent to the relevant Clearing System for delivery to entitled accountholders.

Electronic Consent and Written Resolution

While the Global Note Certificate is registered in the name of any nominee for a Clearing System, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, to determine whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the Clearing System with entitlements to such Global Note Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is beneficially held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant Clearing System (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

The net proceeds from the issue will be used by the Group for general corporate purposes.

DESCRIPTION OF THE ISSUER AND THE GROUP

Introduction

The Group (also referred to as "**Hiscox**") is an international specialist non-life insurer headquartered in Bermuda. The Issuer, Hiscox Ltd, a Bermuda exempted company with limited liability, is the ultimate parent company of the Group and its equity is listed on the London Stock Exchange (LSE:HSX).

Hiscox is active in a number of specialty insurance areas including terrorism, marine, kidnap and ransom, professional indemnity, technology, media, fine art, high value homes, space and property as well as marine and non-marine reinsurance.

The Group operates through a number of underwriting platforms:

- Syndicate 33, one of the largest syndicates at Lloyd's of London ("**Lloyd's**"), of which the Group owns a 72.5 per cent. share and which has a premium income capacity of £1 billion for the 2015 year of account[1];

- Syndicate 3624, which is wholly owned by the Group and which has a premium income capacity of £350 million for the 2015 year of account;

- Syndicate 6104, which is backed entirely by external persons (known by Lloyd's as 'Names') and which takes a pure year of account quota share[2] of Syndicate 33's property catastrophe reinsurance account;

- Hiscox Insurance Company (Bermuda) Limited ("**HIB**");

- Hiscox Insurance Company Limited ("**HIC**"), a UK-based insurer;

- Hiscox Insurance Company (Guernsey) Limited ("**HICG**");

- Hiscox Insurance Company Inc. a US-based insurer;

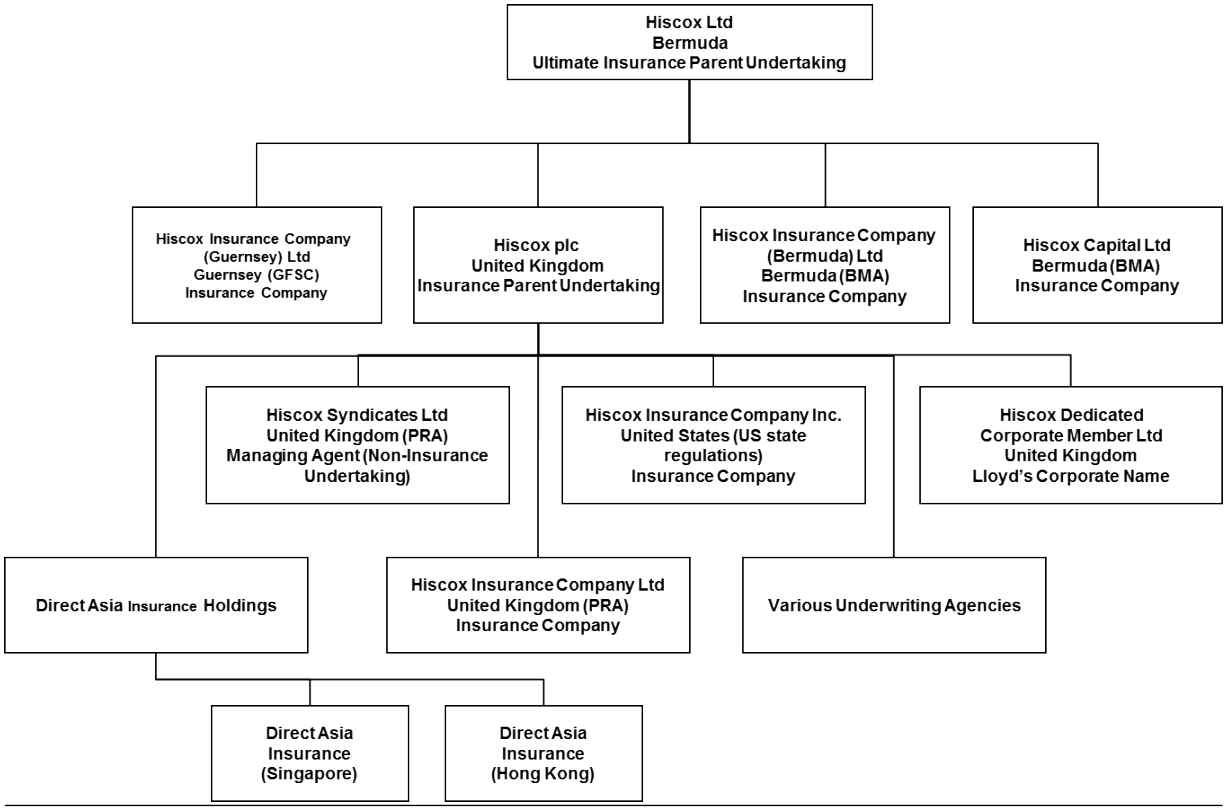
- Direct Asia Insurance (Singapore) Pte Ltd;

- Direct Asia Insurance (Hong Kong) Limited (together with Direct Asia Insurance (Singapore) Pte Ltd, "**DirectAsia**"); and

- Kiskadee Reinsurance 1 Ltd and Kiskadee Reinsurance 2 Ltd, two Bermudian reinsurance companies writing reinsurance business against capital provided by external investors in the Group's insurance linked funds.

[1] Year of account: The year in which an insurance or reinsurance contract that is underwritten by a syndicate is allocated for accounting purposes and into which all premiums and claims arising in respect of that contract are payable.
[2] Quota share: A reinsurance treaty which provides that the reassured shall cede to the reinsurer a specified percentage of all the premiums that it receives in respect of a given section or all of its underwriting account for a given period in return for which the reinsurer is obliged to pay the same percentage of any claims and specified expenses arising on the reinsured account.

Group Overview Structure Chart



There are three main operational divisions in the Group. These are Hiscox Retail (which includes Hiscox UK and Europe, Hiscox Guernsey, Hiscox USA and DirectAsia), Hiscox London Market and Hiscox Re. Through its retail businesses in the United Kingdom, continental Europe and the United States of America the Group offers a range of specialist insurance for professionals and business customers, as well as homeowners. Through the DirectAsia business the Group provides motor cover for retail customers in Asia. Through Hiscox London Market and Hiscox Re, the Group underwrites internationally traded, bigger ticket business and reinsurance, respectively.

The Group's profit before tax for the financial year ending 31 December 2014 was £231.1 million (2013: £244.5 million). Its gross written premium increased by 3.3% to £1,756.3 million (2013: £1,699.5 million) and its combined ratio[3] was 83.9% (2013: 83.0%).

The Group's profit before tax for the six months to 30 June 2015 was £135.1 million (compared to £124.6 million for the corresponding period in 2014). Its gross written premiums increased to £1,096.3 million (from £978.9 million for the corresponding period in 2014) and its combined ratio was 82.5% (compared to 82.0% for the corresponding period in 2014).

Strategy

Hiscox has pursued a strategy of diversification for over 30 years. This strategy strives to build:

- balance and diversity, generating opportunities throughout the cycle;

[3] Combined ratio: The claims and expenses of an insurer/reinsurer for a given period divided by its premium for the same period.

- strong financial performance;
- underwriting discipline and a transparent approach to risk;
- market-leading expertise that is valued by the Group's customers; and
- teams of energetic, professional and well-respected professionals.

In particular, the Group has steadily built its retail business (through product innovation, geographic expansion and occasional small acquisition) to allow the Group's more volatile, catastrophe-exposed, bigger ticket insurance and reinsurance businesses to expand and shrink in line with their market opportunities. In 2014, for the first time, the aggregate specialist retail business accounted for over 50% of Hiscox's gross written premium. Its growth, combined with growth in the London Market insurance business, offset the declining income in the Group's reinsurance business. As a result, Group profits, while heavily influenced by big-ticket insurance and reinsurance, are diversified across a range of sectors and revenue streams.

The Group's strategy is to invest in opportunities to support organic growth or make small acquisitions. In 2014 and to date in 2015, the Group has made four acquisitions to support its contingency, yachts, classic car and kidnap and ransom businesses.

The Group continually monitors the market for opportunities which strengthen its position in specialty areas.

Group History

The Group traces its origins to 1901 and was a privately-held Lloyd's centred business until the 1990s. It operated a number of underwriting syndicates at Lloyd's and owned a Lloyd's members' agency. In 1993, Hiscox Dedicated Insurance Fund plc was formed and listed on the London Stock Exchange. It was the first dedicated corporate vehicle providing funds to support the syndicates of one agency only.

In 1995, the Group began to establish a network of European offices by opening in Paris and Munich. These offices were aimed at selling smaller premium retail business and improving the Group's distribution power.

During 1996, the Group acquired the Economic Insurance Company, which was established in 1901, and which became HIC. This provided the Group with the ability to underwrite retail business on a more cost effective basis. In 1997, Hiscox plc was admitted to full equity listing on the London Stock Exchange. HICG was established in 1998 to write offshore business in Guernsey. The European office network was boosted in 2003 when the Group acquired renewal rights from Chubb for their European high net worth business.

In 2005, the Group raised US$500 million of capital through a combination of a rights issue and bank borrowings in order to support the underwriting activities of the newly formed HIB, writing a mix of worldwide reinsurance and Group retail business. This was followed by the opening of Hiscox Inc., an underwriting agency and the Group's first office in the United States, in March 2006, followed a year later by the acquisition of a US admitted carrier which is now Hiscox Insurance Company Inc.

In December 2006, the Issuer, a new Bermudian domiciled holding company, replaced Hiscox plc as the entity listed on the London Stock Exchange. The Issuer was incorporated on 6 September 2006 with limited liability under the laws of Bermuda with registration number 38877. Its address is 4th Floor, Wessex House, 45 Reid Street, Hamilton, HM12, Bermuda and its telephone number is 1-441 278 8300.

In November 2008, the Group opened an office in Miami, giving it access to the growing Latin American insurance markets. Initially this hub only generated kidnap and ransom business but has subsequently expanded to underwrite business in lines including fine art, terrorism, energy and property.

In December 2012, Hiscox entered the insurance linked securities market through a joint venture with Third Point Re. In September 2013, this was extended into the range of Hiscox's insurance linked funds trading under the Kiskadee brand. In April 2014, the Group acquired the DirectAsia group of companies and began trading in Asia for the first time through operations in Singapore, Hong Kong and Thailand.

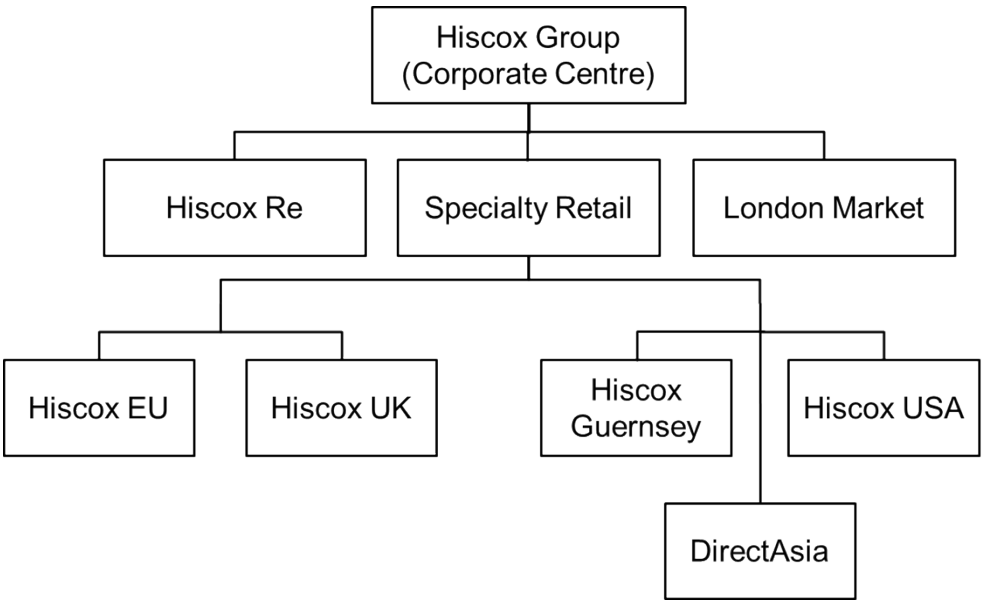
In 2015, the Group added to its capabilities by acquiring a marine leisure managing general agency business, now trading as Hiscox MGA Ltd, allowing the Group to directly access third party capacity.[4]

The Group has offices in 14 countries in Europe, Asia and North America.

Hiscox Business Structure

The Group operates through three divisions: Hiscox Retail, Hiscox London Market and Hiscox Re. These three divisions are also the Group's three principal financial reporting segments and financial information in relation to these reporting segments is set out in note 4 to the financial statements for the year ended 31 December 2014 (the "**2014 Financial Statements**").

Group Divisions



Hiscox Retail

Hiscox Retail has five business units:

- Hiscox UK and Ireland, which specialises in art, private client and luxury motor insurance, as well as professional liability and property insurance for small- and medium-sized businesses. Hiscox UK

[4] Third party capacity: underwriters provide capital against which to underwrite risks. Traditionally the Group would always provide its own capital for all of its retail underwriting. The Hiscox MGA Ltd vehicle allows the Group to underwrite against other insurers capital in return for a commission income.

also provides home and small business insurance directly to consumers. The products offered include directors' and officers' insurance ("**D&O**"), errors and omissions insurance ("**E&O**"), and household and fine art insurance;

- Hiscox Europe, which provides art and private client insurance as well as professional liability, specialty and property insurance for small and medium-sized businesses. Hiscox France and Hiscox Germany also provide small business insurance directly to consumers. The products offered include D&O, E&O, household, fine art and kidnap and ransom insurance;

- DirectAsia, sells predominantly motor insurance with ancillary lines in travel, healthcare and life. It distributes business through online sales alongside its call centres and operates through offices in Singapore, Hong Kong and Thailand;

- Hiscox Guernsey, which provides specialist insurance and expertise for global risks, bringing together teams from across the Group that focus on special risks including kidnap and ransom and executive security. The products offered include executive security, household, fine art, kidnap and ransom, personal accident and terrorism insurance; and

- Hiscox USA, which operates from six locations, offering professional liability, specialty and property insurance, as well as small business insurance directly to consumers. The products offered include D&O, E&O, property, kidnap and ransom, media and entertainment.

In the year ended 31 December 2014, the Hiscox Retail division accounted for more than 50% of the Group's gross written premium. Over the ten years to 2014, Hiscox Retail's gross written premium income has grown at a compound annual growth rate of 12.8%. Notwithstanding this growth, the Group remains a small participant in most of its target retail segments. In 2014, the Hiscox Retail division contributed profits of £78.1 million (2013: £61.2 million) with a combined ratio of 93.5% (2013: 94.3%).

In the six months to 30 June 2015, Hiscox Retail had gross written premiums of £502 million (compared to £456 million for the corresponding period of 2014) and a combined ratio of 89.1% (compared to 92.7% for the corresponding period of 2014).

Hiscox UK and Europe

Hiscox UK and Europe (which comprises the Hiscox UK and Ireland and Hiscox Europe business units) underwrites European personal and commercial lines of business through HIC, together with the fine art and non-US household insurance business written through Syndicate 33. In addition, Hiscox UK includes elements of specialty and international employees' and officers' insurance written by Syndicate 3624.

The Group's retail businesses in the UK and Europe delivered the division's highest ever profits of £73.3 million in the year to 31 December 2014 (2013: £56.4 million) despite serious floods in the UK – and hailstorms, windstorms and floods in the rest of Europe.

For the year ended 2014 Hiscox UK and Ireland increased gross written premiums by 5.5% to £435.0 million (2013: £412.4 million) with strong growth in areas where margins are good and reductions in less profitable business. It achieved a combined ratio of 88.6%.

During the first half of 2015 premium income grew by 5.2% to £223.6 million (2014: £212.6 million). Business retention levels of 86% (i.e. the level of business which renews from one year to the next) also drove profitability in this period.

In personal lines, the luxury motor area has benefited from improvements to customer segmentation, pricing and claims handling. Building on the Group's ambition to be a top specialist car insurer in the UK, the Group recently announced an agreement with Willis to acquire its specialist UK classic car business, RH Specialist Insurance. This acquisition should provide the Group with new opportunities to distribute its existing products to members of prestigious vehicle clubs.

The Group continues to invest in marketing to build a strong brand, and growth in the Group's direct-to-consumer small business operation increased by 16% during from 30 June 2014 to 30 June 2015.

A project to insource the customer sales and service function for direct commercial business was completed in September 2014 with a team in York now taking over 97% of calls.

Hiscox was awarded 'personal lines claims initiative of the year' at the Insurance Times' Claims Excellence Awards 2015, recognition of our team's objective to create customers for life.

In the year to 31 December 2014 the Group's European retail business grew gross written premiums by 8.5% to €190.8 million (2013: €175.8 million). It delivered a combined ratio of 94.1%, including marketing costs of €4 million (or 2% on the combined ratio) as the Group began the process of building a direct business in Europe.

During the first half of 2015 gross written premiums in local currency grew by 8.1% to €125.9 million (2014: €116.5 million) and decreased by 2.3% to £94.6 million (2014: £96.8 million) in Sterling. Growth was mainly driven by the Group's retail businesses in the Benelux, Germany and Spain, with contributions from all product lines. Adverse foreign exchange movements also impacted profits but, like other territories, the business benefited from modest claims activity.

Hiscox Europe is building on successes in the UK market by extending the specialty commercial product in France and Germany to include a wider range of property and liability risks. This is the largest business line within Hiscox UK and Ireland, and this group is starting to replicate that success in Europe. This group has also increased its appetite for schemes business, where Hiscox works with brokers to offer insurance solutions to customers with similar risk profiles. These initiatives are receiving very positive feedback from brokers, and the group is looking at other ways to share products and knowledge across the Group.

The Group launched a small business cyber and data risks product in the UK and across Germany, France and the Netherlands in August 2014.

Hiscox International

Hiscox International (which comprises the DirectAsia, Hiscox Guernsey and Hiscox USA business units) comprises the specialty and fine art lines written through HICG, and the motor business written via DirectAsia, together with US commercial, property and specialty business written by Syndicate 3624 and Hiscox Insurance Company Inc.

In the year to 31 December 2014 its revenues grew by 15.7% to £301.1 million (2013: £260.3 million) and it achieved a combined ratio of 100.1% (2013: 98.5%).

Hiscox Guernsey – Special Risks

During 2014 the Group formed the 'Special Risks' division, bringing together different teams from across the Group that focus on special risks, including kidnap and ransom, private client, fine art and executive security, in a structure designed to boost local and global collaboration. Led from Guernsey, the Special Risks division has additional teams in London, Munich, Paris, New York, Los Angeles and Miami. The Special Risks division also underwrites personal accident, terrorism and fine art risks from Guernsey.

During six months ended 30 June 2015 gross written premiums for the Special Risks division increased to £36.3 million (2014: £34.0 million).

Hiscox USA

Gross written premiums of the US business increased by 24.1% to $367.6 million in the year to 31 December 2014 (2013: $296.2 million) with the broker business making a profit for the second year in a row. The professional liability products were a growth engine and provide a counterweight to other areas still in the investment stage. Earnings from commercial property insurance came under increased competitive price pressure, with double-digit rate reductions in 2014. In all other lines, rates remained broadly flat.

In the 6 months to 30 June 2015, Hiscox USA increased premiums by 28.2% to £138.1 million (2014: £107.8 million), 16.9% in local currency, despite the impact of withdrawing from unprofitable construction property business in 2014. Hiscox USA also benefited from a continued good claims experience. In this period the professions business, which includes E&O (errors and omissions) and general liability cover more than offset reductions in lines where rates are under pressure, such as commercial property.

The USA team has continued to add new specialist business to the Hiscox Pro portfolio. This range of E&O solutions designed for emerging industries has now expanded to include security and staffing services, and testing labs.

The Group has invested in building the Hiscox brand in the US with initiatives such as the "Courageous Leaders" online documentaries. In October 2015 direct-to-consumer policies in the US numbered over 111,000.

DirectAsia

DirectAsia is a direct-to-consumer insurance operation in Singapore, Hong Kong and Thailand. DirectAsia sells predominantly motor insurance with ancillary lines in travel insurance. The business was acquired from the Whittington Group in April 2014 for US$55 million, plus an earn-out, and had net assets of US$23 million as at 31 March 2014. DirectAsia uses the same IT platform that is being installed elsewhere in the Group. Gross written premiums for the year to 31 December 2014 were US$29.5 million, a 15.2% increase year-on-year (2013: US$25.6 million). The premium income for the period of the Group's ownership was US$22 million.

During the six months ended 30 June 2015 DirectAsia grew its premium income to $14.5 million in line with the Group's expectations

Hiscox London Market

Hiscox has operated in the Lloyd's market since 1901. It provides insurance for customers around the world, using the global licences, distribution network and credit rating available through Lloyd's of London to insure

clients throughout the world. Hiscox London Market covers a large range of hazards and leads many of the risks it underwrites.

Hiscox London Market comprises the internationally traded insurance business written by the Group's London-based underwriters through Syndicate 33, including lines in aerospace, global casualty, contingency, marine and energy, personal accident, political risks, property, kidnap and ransom and terrorism specialty insurance lines. In addition, the division includes elements of business written by Syndicate 3624, being auto physical damage, auto extended warranty and aviation business.

The Hiscox London Market division delivered a profit of £62.6 million in the year to 31 December 2014 (2013: £63.1 million) and increased its gross written premiums by 9.0% to £510.8 million (2013: £468.6 million). It achieved a combined ratio of 84.2% (2013: 81.4%).

In the six months to 30 June 2015, Hiscox London Market had gross written premiums of £306 million (compared to £252 million for the corresponding period of 2014) and a combined ratio of 89.8% (compared to 87.2% for the corresponding period of 2014).

The first half of 2015 has been positive for Hiscox London Market despite fierce competition in many lines. Good growth of 21.7% (13.6% in local currency) was achieved despite the team reducing its exposure to poorly rated business. Growth was mainly driven by the division's support for the Willis 360 facility, the Group's auto physical damage business where rates continue to rise, and business generated by new teams in personal accident and casualty.

Hiscox London Market had a better claims experience in the six months to 30 June 2015, despite losses in aviation and space, two moderate energy losses, and potential claims arising from political unrest in the Ukraine which the Group has reserved at net £20 million. The Group has also significantly reduced the price and improved the efficiency of our outwards reinsurance programme by leveraging the soft market conditions as well as using market relationships to secure advantageous cover.

The Group's relationship with White Oak, a specialist automotive and equipment underwriting agency, remains important to the Group. The Group expects to increase its shareholding in White Oak to 30% in the final quarter of this year. A leading underwriter from the Group is due to join White Oak as Underwriting Director.

Disruption in the market caused by increased merger and acquisitions activity has given Group the opportunity to attract high quality people. The Hiscox London Market division has boosted expertise in three lines where the Group sees potential for prudent profitable growth: general liability, product recall and marine cargo. Small bolt-on acquisitions that complement the Group's existing expertise and strengthen its distribution capability are an important area of potential growth for the Group. During the six months ended 30 June 2015, the Group acquired R&Q Marine Services ("**RQMS**") for £9.25 million, an established managing general agent (which also underwrites on behalf of other insurers). RQMS specialises in yachts and general marine leisure insurance. RQMS will form the core of a new managing agency business, which will underwrite on behalf of other capital providers as well as Hiscox.

Hiscox Re

Hiscox Re is the reinsurance division of the Group, combining the Group's reinsurance underwriting platforms in Bermuda, London and Paris. Hiscox Re provides expertise and a wide range of reinsurance products to high-quality insurers around the world. The division comprises HIB, excluding the internal quota

share arrangements under which other insurance companies in the group are reinsured by the company, with the reinsurance contracts written by Syndicate 33. In addition, the healthcare and casualty reinsurance contracts written in the Bermuda hub on Syndicate 33 and Syndicate 3624 capacity are also included.

The division also includes Kiskadee, the Group's insurance-linked securities business. Kiskadee comprises of Kiskadee Investment Managers, a wholly owned member of the Hiscox Group, which provides third party investors with the opportunity to gain exposure to Hiscox's high quality book of reinsurance business. Currently Kiskadee is made up of two funds – Kiskadee Select and Kiskadee Diversified. Kiskadee manages each fund's portfolio using Hiscox's institutional experience and capabilities in underwriting, risk management and claims handling.

The Hiscox Re division was formed in mid-2013, bringing teams in London, Paris and Bermuda under common leadership. The division can commit up to US$200 million to an appropriate risk. The division's products include property reinsurance and retrocession, specialty (including: marine, aviation, crop and terrorism), and casualty reinsurance.

In the year to 31 December 2014, the Hiscox Re division's profit was £105.6 million (2013: £129.0 million) despite its revenues declining by 13.9% to £354.3 million (2013: £411.5 million). The combined ratio for the Hiscox Re division was 49.8% (2013: 58.9%).

In the six months to 30 June 2015, Hiscox Re had gross written premiums of £288 million (compared to £271 million for the corresponding period of 2014) and a combined ratio of 45.5% (compared to 41.8% for the corresponding period of 2014),

During the six months to 30 June 2015 gross written premiums for Hiscox Re increased by 6.0%, as the division developed business for third party ILS partners in Kiskadee funds. In 2015 Hiscox Re continued to benefit from the lack of major catastrophes, and had minimal exposure to Cyclone Marcia and the severe weather that affected Texas in April and May 2015.

As of 1 July 2015, the Kiskadee range of insurance linked funds has attracted over US$540 million in capital and during this period Kiskadee wrote gross written premiums of $87 million.

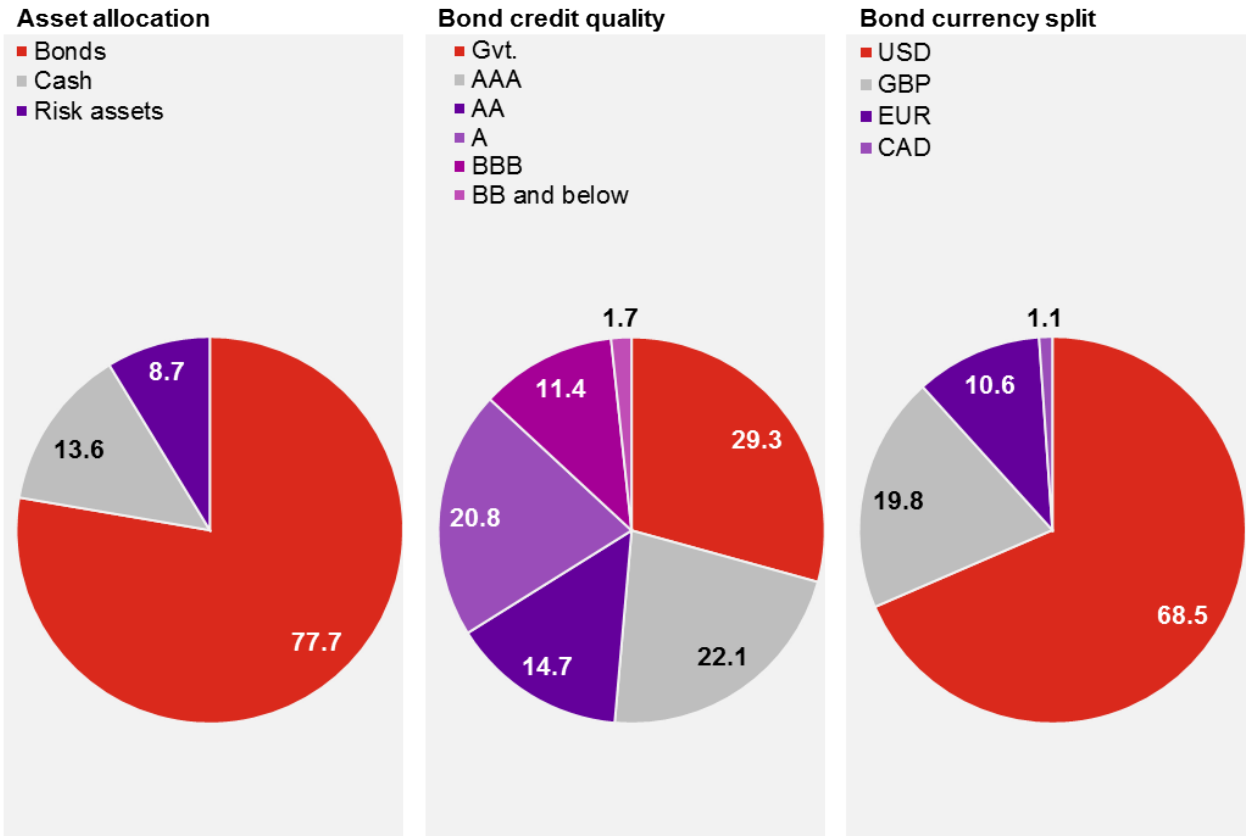
Marketing

During 2014, Hiscox increased its Group-wide marketing spend by 3.9% to £31.8 million (2013: £30.6 million). The majority of the Group's marketing efforts are focused on direct-to-customer operations in the UK, the United States and Europe. Hiscox has also invested significantly in marketing the recently acquired DirectAsia operations. Marketing has been instrumental in building the Hiscox brand, communicating what Hiscox does, building awareness of Hiscox and ultimately driving sales. To date, the Group has seen the benefits mostly in the UK where its marketing efforts have had a positive impact on the Group's direct, retail broker and Lloyd's activities.

Investment

The Group pursues a conservative investment strategy with the majority of funds held in high quality bonds and cash.

Investment portfolio £3,032m* as at 30 June 2015**



*Excludes third-party assets managed by Kiskadee Investment Managers

**The investment portfolio has no direct exposure to sovereign debt of Greece, Ireland, Italy, Portugal or Spain

These funds are currency matched where they are held to pay claims. As many of the Group's insurance and reinsurance liabilities have short time spans, the Group does not aim to match exactly the duration of its assets and liabilities. A proportion of the Group's assets are usually allocated to riskier assets, principally equities which management of the Group believe have better long term growth prospects. The proportion of funds the Group invests in risk assets depends on the outlook for investment and the underwriting markets.

Reflecting market conditions, in recent years the Group's investment results have been relatively modest. In 2014 the Group's investments before derivatives made £56.4 million (2013: £58.9 million) equating to a return of 1.8% (2013: 1.9%).

Uncertainty and low yields remain a feature of financial markets. With its conservative bond portfolio and an exposure to equity markets the Group's investment performance for the first six months of 2015 was in line with expectations. Following the £192 million return of capital to shareholders in April, and excluding the Kiskadee funds, the Group's assets under management at 30 June 2015 were £3,032 million (30 June 2014: £2,965 million) and its investment result before derivatives was £27.9 million (compared to £30.1 million for the corresponding period in 2014), 1.8% on an annualised basis (compared to 2.0% for the corresponding period in 2014).

Major Claims

To date, 2015 has been a benign year in terms of major natural catastrophes. The Atlantic hurricane season (which officially ends on 30 November) has so far seen limited catastrophe events. However, there have recently been a number of smaller natural catastrophe events e.g. California Wildfires, Chile Earthquake, Hurricane Joaquin and Southern French Floods. Whilst the Group expects limited impact, if any, from the Chile Earthquake or Hurricane Joaquin, the Group will be impacted by losses from the California Wildfires and Southern France Floods. The California Wildfires destroyed or damaged a number of properties and currently the impact on the Group's direct book is assessed at £2.8m net with minimal impact expected at the reinsurance level. For the Southern France Floods the group expects about 200 claims where the net exposure will not exceed €5m. Again the Group expects minimal impact at the reinsurance level.

From a man-made catastrophe perspective, the headline claim in 2015 has been the explosion in Tianjin in August 2015. This loss is still being assessed by the global insurance market and the position remains uncertain given the lack of hard facts on the loss. The current Group estimate is £6.1m net after an initial review of its exposure.

Outside of catastrophes the Group has been impacted by the political situation in Russia and the Ukraine and low commodity prices, particularly the price of oil. During 2015 the Group has posted reserves of £15.7m on various risk claims in its 'Political Risk Account'. In addition 'Energy' continues to be impacted by individual large risk losses and in April 2015 the Group reserved a total of £5.2m for the 'Chevron Bigfoot Project' claim where tendons securing the tension leg platform of a deepwater oil project in the Gulf of Mexico detached and fell to the seabed.

Capital

Capital Management

Hiscox believes in actively managing its capital. The Issuer's board of directors (the "**Board**") monitors the capital strength of the Group and ensures that its insurance carriers are suitably capitalised for regulatory and ratings purposes, taking into account future needs including growth where opportunities arise. Over the past ten years Hiscox has returned a net total of over £850 million to shareholders through progressive dividends, share buy-backs and capital returns. At the same time total equity has grown from £369 million to £1,454 million as at 31 December 2014.

Capital Requirements

The Group monitors its capital requirements based on both external risk measures, set by regulators and the ratings agencies, and its own internal guidelines of risk appetite. A full description of the requirements set by the Group's regulators for the most significant insurance carriers is included in note 3.3 to the Group's 2014 Financial Statements.

The Group is required by the BMA to hold available statutory capital and surplus of an amount that is equal to or exceeds the ECR and the following chart shows the Group's historic position against the ECR requirement.

Management compares the capital requirements of the Group against its available capital. Available capital is defined by the Group as total equity which was £1,454 million at 31 December 2014 (2013: £1,409 million). Debt or preference shares are not defined as available capital by the Group as they do not absorb losses, should they occur, ahead of or alongside ordinary shareholders.

However, the Group can source additional funding through a revolving credit and letter of credit facility. Additional funding from these sources comprised $875 million at 31 December 2014 (2013: US$875 million), of which US$441.5 million was drawn at 31 December 2014 (2013: $333 million).

Rating Agencies

The ability of the Group to attract business, particularly reinsurance, is dependent upon the maintenance of appropriate financial strength ratings from the leading rating agencies, Standard & Poor's, A.M. Best Europe – Rating Services Limited ("**A.M. Best**") and Fitch. These ratings are assigned individually to the insurance carriers of the Group, but capital adequacy is also monitored by the rating agencies at the consolidated Group level.

The financial strength ratings of the Group's significant insurance company subsidiaries are outlined below:

	A.M. Best	Fitch	Standard & Poor's
Hiscox Insurance Company Limited	A (Excellent)	A+ (Strong)	A (Strong)
Hiscox Insurance Company (Bermuda) Limited	A (Excellent)	A+ (Strong)	-
Hiscox Insurance Company (Guernsey) Limited	A (Excellent)	A+ (Strong)	-
Hiscox Insurance Company Inc.	A (Excellent)	-	-

Syndicate 33 benefits from an A.M. Best rating of A (Excellent). In addition, the Syndicate also benefits from the Lloyd's ratings of A (Excellent) from A.M. Best, A+ (Strong) from Standard & Poor's and AA- (Very strong) from Fitch.

The Issuer and Hiscox plc, holding companies within the Group, are also rated as follows:

		Fitch Ratings		Standard & Poor's	
	Rating type	*Rating*	*Outlook*	*Rating*	*Outlook*
Hiscox plc	Senior	A-	Stable	-	-
Hiscox Ltd	Senior	A-	Stable	BBB+ exp	Stable

As at the date of this Prospectus, each of A.M. Best, Fitch and Standard & Poor's is a credit rating agency established in the European Union and is registered under the CRA Regulation. As such, each Rating Agency is included in the list of credit rating agencies published by the ESMA on its website in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Capital Modelling and Regulation

The capital requirements of an insurance group are determined by its exposure to risk and the solvency criteria established by management and statutory regulations.

The Group's capital requirements are managed both centrally and at a regulated entity level. The assessed capital requirement for the business placed through HIC, HIB, HICG and Hiscox Insurance Company Inc. is driven by the level of resources necessary to maintain both regulatory requirements and the capital necessary to maintain a financial strength of an A rating.

The BMA is the group supervisor of the Group and, therefore, supervises its prudential (including capital and solvency) requirements. The Group has sufficient capital to meet these requirements.

The current capital regime in the UK requires insurance companies to calculate their own capital requirements through Individual Capital Assessments ("**ICA**"). HIC and Hiscox's Lloyd's operations maintain models in accordance with this regime. Hiscox's Lloyd's operations now use the internal model that has been built to meet the requirements of the forthcoming Solvency II regime to carry out the ICA as part of Lloyd's transition towards Solvency II. The models are concentrated specifically on the particular product lines, market conditions and risk appetite of each entity. The Group uses its own integrated modelling expertise to produce the ICA calculations. The results mirror those driving the existing internal capital setting process.

For Syndicate 33 and Syndicate 3624, the ICA process produces a result that is then uplifted by Lloyd's to identify the capital required for the Society of Lloyd's to hold the A rating. The strong control and risk management environment, together with the sophistication of the modelling, have produced a capital ratio below that suggested under the previous risk-based capital regime. Another key area of capital modeling for Hiscox is to identify which insurance vehicle produces the best return on capital employed for the Group, given certain restraints from licences, reinsurance and the regulatory environment. This modelling takes into account transactional costs and tax, in addition to the necessary capital ratios. It proves the capital efficiency of Lloyd's, despite a tax disadvantage against offshore entities, and the cost advantage of processing smaller premium business outside Lloyd's. In addition to the ICA modelling process, the EU Insurance Groups Directive of 1998, as amended by the Financial Groups Directive ("**FGD**"), compels insurance companies that are members of a group to consider the solvency margin of their ultimate parent company. This consideration must refer to the surplus assets of the ultimate parent's related insurers, reinsurers, intermediate holding companies and other regulated entities.

The FGD has been applied in the UK through the Integrated Prudential Sourcebook for Insurers (INSPRU) and General Prudential Sourcebook (GENPRU). In accordance with these provisions, the EU parent company (Hiscox plc's) solvency margin consideration became a minimum capital requirement for the Group from 31 December 2006 onwards. The Group has complied with this requirement since it was introduced.

In the Group's other geographical territories, including the United States and Asia, its subsidiaries underwriting insurance business are required to operate within broadly similar risk-based externally imposed capital requirements when accepting business.

Internal capital requirements

The Group sets risk limits and tolerances which reflect the amount of risk it is willing to accept as a business. The Group's current exposure by the key risk types is monitored against these pre-defined measures. The largest driver of capital is underwriting risk and the Group manages its underwriting portfolio so that in a 1 in 200 aggregate bad year it will lose no more than 12.5% of its core capital plus 100% of its buffer capital (£100 million) with an allowance for expected investment income. Limits are set in a similar way for other major categories of risk to which the Group is exposed.

The losses to the market as a whole in the event of a 1 in 200 year scenario would be substantial, and would be expected to bring about positive market changes, including increased premiums, which may benefit insurers that are sufficiently well-capitalised to continue writing significant new business. Given the Group's risk appetite model, capital position and Letter of Credit facilities, as well as its well-developed reinsurance partnerships, it would expect to be well-positioned in any such resulting strong market.

Risk Management

The Group's overall appetite for accepting and managing varying classes of risk is defined by the Group's board. The 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 board exercises oversight of the development and operational implementation of its risk management policies and procedures, and ongoing compliance with them, principally through a dedicated internal audit function, which has operational independence, clear terms of reference influenced by the board's non-executive directors and a clear upwards reporting structure back into the board. The Group, in common with the non-life insurance industry generally, is driven by a desire to originate, retain and service insurance contracts to maturity. The Group's cash flows are funded mainly through advance premium collections and the timing of such premium inflows is reasonably predictable. In addition, the majority of material cash outflows are typically triggered by the occurrence of insured events not correlated to financial markets, and not by the inclination or will of policyholders.

The principal sources of risk relevant to the Group's operations and its financial statements fall into two broad categories: insurance risk and financial risk, both of which are described in notes 3.1 and 3.2 to the financial statements for the financial year ended 31 December 2014.

See also note 3 to the 2014 Financial Statements for a detailed description of the Group's risk management in relation to its insurance, financial and capital risks.

Board of Directors

The Directors of the Issuer are listed in the table below together with any significant external appointments

Name	Function on the Board	Outside Directorships and Principal outside activities
Robert Childs	Non-Executive Chairman	Chairman of The Bermuda Society
Bronislaw Masojada	Chief Executive	Board member of the Association of British Insurers and Non-Executive Director of Pool Reinsurance Company Limited
Richard Watson	Chief Underwriting Officer	Board Member of Lloyd's Members Association and Non-Executive Director of White Oak Underwriting Agency Limited
Lynn Carter	Independent Non-Executive Director	Director of American Express Centurion Bank
Caroline Foulger	Independent Non-Executive Director	Chair of the Board of the Bermuda Business Development Agency, Non-Executive Director of the Bank of N.T.Butterfield & Son Limited and Catalina Holdings (Bermuda) Ltd.
Ernst Jansen	Independent Non-Executive Director	Director of two investment vehicles of Achmea BV
Anne MacDonald	Independent Non-Executive Director	Director of Rentrak Corporation
Robert McMillan	Independent Non-Executive Director	
Gunnar Stokholm	Independent Non-Executive Director	

In addition, the Company has appointed an Interim CFO, John Worth (see profile below). The former Group Chief Financial Officer, Stuart Bridges, resigned with effect from 31 August 2015 after 16 years of service to take up a similar role with ICAP plc. In the meantime the search for a new permanent CFO is underway.

The business address of each of the directors for the purposes of this Prospectus is Wessex House, 4th Floor, 45 Reid Street, Hamilton, HM12, Bermuda.

Each of the directors has declared his/her interests and none of the directors of the Issuer has any actual or potential conflict between their duties to the Issuer and their private interests or other duties listed above, other than the role undertaken by Bronislaw Masojada at Pool Reinsurance Company Limited. Hiscox Insurance Company Limited, Syndicate 33 and Syndicate 3624 are regularly involved in high value transactions with Pool Reinsurance Company Limited in the normal course of their business. Accordingly, there may be occasions where the duties of Mr Masojada as a director of the Issuer conflict with his duties in respect of his role at Pool Reinsurance Company Limited. If as a consequence Mr Masojada is conflicted he does not vote on the board resolution concerned.

Executive Director/CFO Profiles

Bronislaw Masojada: Chief Executive

Bronek Masojada joined Hiscox in 1993. From 1989 to 1993 he was employed by McKinsey and Co. Bronek served as a Deputy Chairman of Lloyd's from 2001 to 2007, was a Non-Executive Director of Ins-sure Holdings Limited from 2002 to 2006 and Chairman of the Lloyd's Tercentenary Research Foundation from 2008 to 2014. He is a past President of The Insurance Institute of London and immediate Past Master of The Worshipful Company of Insurers.

Richard Watson: Chief Underwriting Officer

Richard Watson joined Hiscox in 1986, having previously worked for Sedgwick's and Hogg Robinson. In 2005, he was appointed Managing Director of Hiscox Global Markets, the largest division of Hiscox by premium income, and was the Underwriter of Syndicate 33 from 2006 to 2009. In 2009, Richard moved to New York and served as the Chief Executive Officer for Hiscox USA for three years. He returned to London in 2012 to become Chief Underwriting Officer for the Hiscox Group.

John Worth: Interim Chief Financial Officer

John Worth was previously Chief Financial Officer of Aspen Insurance Holdings Limited, which is quoted on the New York Stock Exchange. Prior to Aspen, John held a number of senior financial roles within insurance and banking at Barclays, Ernst & Young, Prudential and Price Waterhouse, where he qualified as a chartered accountant. He has worked extensively in the US and the Far East, having previously been based in both the Caribbean and Japan.

Recent Developments

On 9 November 2015, the Company issued its Interim Management Statement for the nine months ended 30 September 2015 (the "**IMS**"), which is incorporated by reference in this Prospectus.

As stated in the IMS, during that period gross written premiums grew by 12.9% to £1,536.9 million (2014: £1,361.3 million) driven by a strong performance in insurance lines particularly in Hiscox USA and Hiscox London Market. The Group has also benefited from good risk selection and another benign claims experience.

Bermudian Law Considerations

Although the Issuer is incorporated in Bermuda, it is designated as non-resident of Bermuda for exchange control purposes by the BMA. Pursuant to its non-resident status, the Issuer may engage in transactions in currencies other than Bermuda dollars and there are no restrictions on its ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to non-Bermuda residents.

The Issuer is incorporated in Bermuda as an "exempted company". Under Bermuda law, exempted companies are companies formed for the purpose of conducting business outside Bermuda from a principal place of business in Bermuda. As an "exempted" company, the Issuer may not, without the express authorisation of the Bermuda legislature or under a licence or consent granted by the Bermuda Minister, participate in certain business transactions, including: (i) the acquisition or holding of land in Bermuda (except that held by way of lease or tenancy agreement which is required for its business and held for a term not exceeding 50 years, or which is used to provide accommodation or recreational facilities for its officers and employees and held with the consent of the Bermuda Minister, for a term not exceeding 21 years); (ii) the taking of any mortgages on land in Bermuda to

secure an amount in excess of $50,000; or (iii) the carrying on of business of any kind for which it is not licensed in Bermuda, except in certain limited circumstances such as doing business with another exempted undertaking in furtherance of its business (as the case may be) carried on outside Bermuda.

Neither the Bermuda Registrar of Companies nor any other regulatory body in Bermuda has approved or disapproved of the Notes or passed upon the adequacy of this Prospectus, save that the BMA has reviewed the Conditions of the Notes and confirmed that the Conditions meet the requirements for Tier 2 Capital under the Relevant Rules. Any representation to the contrary is a criminal offence.

Securities may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003, and the Exchange Control Act 1972, and related regulations of Bermuda which regulate the sale of securities in Bermuda. In addition, specific consent is required from the BMA, pursuant to the provisions of the Exchange Control Act 1972 and related regulations, for all issuances and transfers of securities (which includes the Notes) of Bermuda companies, other than in cases where the BMA has granted a general permission. The BMA, in its notice to the public dated June 1, 2005, has granted permission for the issue and subsequent transfer of any securities, other than an equity security, from and/or to a non-resident of Bermuda. As the Notes to be issued in this offering are not equity securities, the specific permission of the BMA is not required to be obtained prior to any issuance.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Prospectus, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

Bermuda tax consideration

On the date of this Prospectus, there is no required withholding or deduction for or on account of tax from source on the Notes under Bermuda law.

Holders of the Notes who are not a resident in or engaged in business through a permanent establishment in Bermuda will not be subject to any taxes or duties in Bermuda on gains realised on the disposal or redemption of a Note or on income from a Note. In addition, no registration, transfer or other similar taxes are imposed under the laws of Bermuda by reason only of the acquisition, ownership or disposal of a Note. A holder will not be deemed to be domiciled or subject to taxation in Bermuda by reason only of holding a Note.

Under current Bermuda law, there is no income, corporate or profits tax or withholding tax, capital gains tax or capital transfer tax payable by the Issuer. The Issuer has obtained from the Bermuda Minister under The Exempted Undertaking Tax Protection Act 1966, as amended, an assurance that, in the event that Bermuda enacts legislation imposing tax computed on profits, income, any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance, then the imposition of any such tax shall not be applicable to the Issuer or to any of its operations or its shares, debentures or other obligations, until 31 March 2035. The Issuer could be subject to taxes in Bermuda after that date. This assurance is subject to the proviso that it is not to be construed so as to prevent the application of any tax or duty to such persons as are ordinarily resident in Bermuda or to prevent the application of any tax payable in accordance with the provisions of the Bermuda Land Tax Act 1967, as amended or otherwise payable in relation to any property leased to the Issuer. The Issuer pays annual Bermuda government fees. In addition, all entities employing individuals in Bermuda are required to pay a payroll tax and there are other sundry taxes payable, directly or indirectly, to the Bermuda government.

EU Directive on the Taxation of Savings Income

Under Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "**Savings Directive**"), EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest or similar income paid or secured by a person established in an EU Member State to or for the benefit of an individual resident in another EU Member State or certain limited types of entities established in another EU Member State.

For a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The end of the

transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the "**Amending Directive**") amending and broadening the scope of the requirements described above. The Amending Directive requires EU Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the Savings Directive, although it does not impose withholding taxes. The proposal also provides that, if it proceeds, EU Member States will not be required to apply the new requirements of the Amending Directive.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement dated 20 November 2015 (the "**Subscription Agreement**"), Barclays Bank PLC, Lloyds Bank plc, The Royal Bank of Scotland plc and UBS Limited (together, the "**Joint Lead Managers**") have agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at the issue price of 100 per cent. of their principal amount less certain commissions. The Joint Lead Managers are entitled to terminate and to be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or its territories except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S (as defined in the Securities Act, "**Regulation S**").

The Notes are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Bermuda

The Notes may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 and the Exchange Control Act 1972 (and regulations made thereunder) and the requirements of the related regulations of Bermuda which regulate the sale of securities in Bermuda.

Each Joint Lead Manager has represented, warranted and agreed that no invitation whether directly or indirectly has or will be made to the public in Bermuda to subscribe for the Notes.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA do not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

General

No action has been or will be taken by the Issuer or the Joint Lead Managers that would permit a public offering of the Notes or possession or distribution of this document or other offering material relating to the Notes in any jurisdiction where, or in any circumstances in which, action for these purposes is required. This document does not constitute an offer and may not be used for the purposes of any offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Notes or have in their possession or distribute such offering material, in all cases at their own expense.

Neither the Issuer nor the Joint Lead Managers represent that the Notes may at any time lawfully be sold in or from any jurisdiction in compliance with any applicable registration requirements or pursuant to an exemption available thereunder or assumes any responsibility for facilitating such sales.

The Joint Lead Managers and their affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and other members of the Group (including, in some cases, credit agreements, credit lines and other financing arrangements) in the ordinary course of their banking business. The Joint Lead Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

The Joint Lead Managers and their affiliates may provide banking services including financing, to the Issuer, and for which they may be paid fees and expenses. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and/or its affiliates (including the Notes). The Joint Lead Managers may have a lending relationship with the Issuer and its affiliates and may routinely hedge its credit exposure to the Issuer and/or its affiliates consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Issuer or the relevant affiliate, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments (including, without limitation, the Notes).

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 132345023 and an ISIN Code of XS1323450236.

2. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

3. The yield of the Notes for the period to (but excluding) the First Call Date is 6.125 per cent., on an annual basis. The yield is calculated as at the Issue Date on the basis of the issue price and the interest rate of 6.125 per cent. per annum. It is not an indication of future yield.

4. The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be £4,200.

5. It is expected that the applications for the Notes to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be granted on or about 24 November 2015 and that such admission will become effective, and that dealings in the Notes on the London Stock Exchange will commence, on or about 25 November 2015.

6. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 15 October 2015 and a committee of the board of directors of the Issuer passed on 19 November 2015.

7. The Trust Deed provides that the Trustee may rely on certificates or reports from any auditors or other parties in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document in connection therewith contains any limit on the liability of such auditors or such other party.

8. There has been no significant change in the financial or trading position of the Group since 30 June 2015 (the date of the Issuer's most recent financial statements), nor has there has been any material adverse change in the prospects of the Group since 31 December 2014.

9. There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the period of 12 months prior to the date of this document, a significant effect on the financial position or profitability of the Group.

10. The Prospectus will also be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at: http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

11. Copies of the audited consolidated financial statements of the Issuer for the years ended 31 December 2013 and 2014 and the unaudited consolidated interim financial statements of the Issuer for the six months ended 30 June 2015 (in each case together with any audit or review reports prepared in connection therewith), the interim management statement for the Group for the nine months ended 30 September 2015 and copies of this Prospectus, the Trust Deed and the Agency Agreement and the constitutional

documents of the Issuer will be available for inspection at the specified offices of each of the Paying Agents (as defined in the Conditions) during normal business hours, so long as any of the Notes is outstanding.

12. KPMG Audit Limited, Registered Auditors with the Chartered Professional Accountants of Bermuda, have audited, and rendered an unqualified audit report on, in accordance with International Standards on Auditing issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board, the consolidated financial statements of the Issuer, for the two years ended 31 December 2013 and 31 December 2014. KPMG Audit Limited has no material interest in the Issuer.

13. The Issuer does not intend to provide any post-issuance information in relation to the Notes.

PRINCIPAL OFFICE OF THE ISSUER

Hiscox Ltd
Wessex House
45 Reid Street
Hamilton HM12
Bermuda

TRUSTEE

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

PRINCIPAL PAYING AGENT

Citibank N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR AND TRANSFER AGENT

Citigroup Global Markets Deutschland AG
Reuterweg 16
60323 Frankfurt
Germany

AGENT BANK

Citibank N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

JOINT LEAD MANAGERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Lloyds Bank plc
10 Gresham Street
London EC2V 7AE
United Kingdom

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR
United Kingdom

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

AUDITOR OF THE ISSUER

KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton HM08
Bermuda

LEGAL ADVISERS

To the Issuer as to English Law

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

To the Issuer as to Bermudan Law

Appleby (Bermuda) Limited
Canon's Court
22 Victoria Street
PO Box HM 1179
Hamilton HMEX
Bermuda

To the Joint Lead Managers and the Trustee

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom