

LANCASHIRE HOLDINGS LIMITED

2 May 2024
Hamilton, Bermuda

Lancashire Holdings Limited (“Lancashire” or “the Group”) today announces its trading statement for the three months ended 31 March 2024.

Trading statement highlights

- Gross premiums written increased by 7.8% year-on-year to \$631.7 million.
- Insurance revenue increased by 24.6% year-on-year to \$422.0 million.
- Group Renewal Price Index (RPI) of 104%.
- Total investment return, including unrealised gains and losses, of 0.9%.
- Regulatory ECR ratio of 328% as at 31 December 2023.

Alex Maloney, Group Chief Executive Officer, commented:

“Lancashire has had a very strong start to 2024, reporting a record quarter.

The positive underwriting environment allowed us to grow our business further with gross premiums written increasing nearly 8% year-on-year to \$631.7 million. Insurance revenue increased by nearly 25% year-on-year to \$422 million.

We continue to see strong opportunities for profitable growth across our portfolio with a Group RPI for the quarter of 104%.

Our new U.S. operation, Lancashire Insurance U.S., has now begun underwriting excess and surplus lines business in the property and energy casualty classes. We are very pleased with the strong team we have built and we believe that there are significant long-term opportunities for Lancashire in this market.

In terms of the loss environment, the market impact of the tragic Baltimore bridge disaster late in the quarter is still being assessed, however our potential exposure will be within our expectations for an event of this type.

We affirm the guidance we gave for the 2024 financial year for an undiscounted combined ratio around the mid-80% range, and a return on equity, as measured by the change in diluted book value per share, of around 20%.

On investments, our portfolio delivered a positive return of 0.9% for the quarter. The market yield of 5.4% was offset by mark to market movements on fixed maturities.

I am excited by the prospects for Lancashire as we move through 2024. Our strong balance sheet, with a regulatory ECR ratio of 328%, gives us the flexibility to achieve our goals. We remain focused on writing profitable business across our diversified product suite, offering relevant solutions to our clients, and fully delivering on our strategic priorities.”

Business update

Gross premiums written and insurance revenue

	Three months ended				
	31 March 2024	31 March 2023	Change	Change	RPI
	\$m	\$m	\$m	%	%
Reinsurance	399.7	369.3	30.4	8.2 %	103 %
Insurance	232.0	216.9	15.1	7.0 %	105 %
Gross premiums written	631.7	586.2	45.5	7.8 %	104 %
Reinsurance	201.8	155.1	46.7	30.1 %	
Insurance	220.2	183.6	36.6	19.9 %	
Insurance revenue	422.0	338.7	83.3	24.6 %	

Gross premiums written

Gross premiums written increased by \$45.5 million, or 7.8%, in the first three months of 2024 compared to the same period in 2023. The Group's two principal segments, and the key market factors impacting them, are discussed below.

Reinsurance segment

The most significant contributor to growth in this segment was in property reinsurance, with new business written across all lines as well as positive RPIs. Offsetting this somewhat, RPIs were flat in the casualty reinsurance class and there were some exposure reductions on contracts written in prior years.

Insurance segment

Property insurance was the main driver of growth in the insurance segment. This class of business benefited from the recent addition of the new Lancashire U.S. operation, growth from the Lancashire Australia office, as well as positive RPIs. We also continued to write new business across the other insurance classes, somewhat offset by exposure decreases.

Insurance revenue

Insurance revenue increased by \$83.3 million, or 24.6%, in the first three months of 2024 compared to the same period in 2023. Growth was more substantial for insurance revenue than gross premiums written as we continue to benefit from earnings coming through from prior underwriting years. Gross premium earned, which is a major driver of insurance revenue, as a percentage of gross premiums written was 76.6% for the first quarter of 2024 compared to 69.1% in 2023. This increase was largely driven by the casualty treaty book.

Loss environment

The loss environment during the first quarter of 2024 was relatively benign with no natural catastrophe losses of note. Whilst the Group has some exposure to the Baltimore bridge disaster, it will be within expectations for this type of event. We do not expect to change our undiscounted combined ratio guidance for the year.

Investments

As at	31 March 2024	31 March 2023
Duration	1.7 years	1.6 years
Credit quality	A+	AA-
Book yield	4.3%	3.3%
Market yield	5.4%	5.0%
Managed investments (\$m)	\$2,824.9	\$2,542.0

The investment portfolio generated a positive return of 0.9% in the first quarter of 2024. While the market yield remained elevated at 5.4%, generating strong investment income, interest rates increased across the yield curve outside the 6-month maturity. The negative return from interest rate increases was somewhat negated by credit spread tightening. The bank loan and private credit portfolios generated strong returns in the quarter.

Analyst and Investor Conference Call

There will be an analyst and investor conference call on the trading statement at 1:00pm UK time / 9:00am Bermuda time / 8:00am EDT on Thursday 2 May 2024. The conference call will be hosted by Lancashire management and a presentation will be made available on the Group's website prior to the call.

Participant Access

Please note that conference call participants are required to register in advance to access either the audio conference call or webcast, the full registration and access details are set out below.

Audio access: <https://url.uk.m.mimecastprotect.com/s/n6bwCGZA9IA55o0I1zdSz?>
Please register to obtain your personal audio conference pin and call details.

Webcast access: <https://url.uk.m.mimecastprotect.com/s/blj7CBgvnT8553MHjgheg?>
Please use this link to register and access the call via webcast.

A webcast replay facility will be available for 12 months and accessible at: <https://www.lancashiregroup.com/en/investors/results-reports-and-presentations.html>

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About Lancashire

Lancashire, through its UK and Bermuda-based operating subsidiaries, is a provider of global specialty insurance and reinsurance products.

Lancashire common shares trade on the premium segment of the Main Market of the London Stock Exchange under the ticker symbol LRE. Lancashire has its head office and registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

The Bermuda Monetary Authority is the Group Supervisor of the Lancashire Group.

For more information, please visit Lancashire's website at www.lancashiregroup.com.

This release contains information, which may be of a price sensitive nature that Lancashire is making public in a manner consistent with the UK Market Abuse Regulation and other regulatory obligations. The information was submitted for publication, through the agency of the contact persons set out above, at 07:00 BST on 2 May 2024.

NOTE REGARDING RPI METHODOLOGY:

THE RENEWAL PRICE INDEX ("RPI") IS AN INTERNAL METHODOLOGY THAT MANAGEMENT USES TO TRACK TRENDS IN PREMIUM RATES OF A PORTFOLIO OF INSURANCE AND REINSURANCE CONTRACTS. THE RPI WRITTEN IN THE RESPECTIVE SEGMENTS IS CALCULATED ON A PER CONTRACT BASIS AND REFLECTS MANAGEMENT'S ASSESSMENT OF RELATIVE CHANGES IN PRICE, TERMS, CONDITIONS AND LIMITS AND IS WEIGHTED BY PREMIUM VOLUME. THE RPI DOES NOT INCLUDE NEW BUSINESS, TO OFFER A CONSISTENT BASIS FOR ANALYSIS. THE CALCULATION INVOLVES A DEGREE OF JUDGEMENT IN RELATION TO COMPARABILITY OF CONTRACTS AND THE ASSESSMENT NOTED ABOVE. TO ENHANCE THE RPI METHODOLOGY, MANAGEMENT MAY REVISE THE METHODOLOGY AND ASSUMPTIONS UNDERLYING THE RPI, SO THE TRENDS IN PREMIUM RATES REFLECTED IN THE RPI MAY NOT BE COMPARABLE OVER TIME. CONSIDERATION IS ONLY GIVEN TO RENEWALS OF A COMPARABLE NATURE SO IT DOES NOT REFLECT EVERY CONTRACT IN THE PORTFOLIO OF CONTRACTS. THE FUTURE PROFITABILITY OF THE PORTFOLIO OF CONTRACTS WITHIN THE RPI IS DEPENDENT UPON MANY FACTORS BESIDES THE TRENDS IN PREMIUM RATES.

NOTE REGARDING ALTERNATIVE PERFORMANCE MEASURES:

THE GROUP USES ALTERNATIVE PERFORMANCE MEASURES TO HELP EXPLAIN BUSINESS PERFORMANCE AND FINANCIAL POSITION. THESE MEASURES HAVE BEEN CALCULATED CONSISTENTLY WITH THOSE AS DISCLOSED IN THE GROUP'S ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2023.

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELLED LOSS SCENARIOS) MADE IN THIS RELEASE OR OTHERWISE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING, WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS "BELIEVES", "AIMS", "ANTICIPATES", "PLANS", "PROJECTS", "FORECASTS", "GUIDANCE", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "CAN", "LIKELY", "WILL", "SEEKS", "SHOULD", OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE GROUP TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. FOR A DESCRIPTION OF SOME OF THESE FACTORS, SEE THE GROUP'S ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2023. IN ADDITION TO THOSE FACTORS CONTAINED IN THE GROUP'S 2023 ANNUAL REPORT AND ACCOUNTS, ANY FORWARD-LOOKING STATEMENTS CONTAINED IN THIS RELEASE MAY BE AFFECTED BY: THE IMPACT OF THE COLLAPSE OF THE FRANCIS SCOTT KEY BRIDGE IN BALTIMORE WHICH OCCURRED IN THE FIRST QUARTER OF 2024; AND THE ESCALATION OF HOSTILITIES IN THE MIDDLE EAST AND ITS IMPACT ON THE STABILITY OF THE REGION, GLOBAL SUPPLY ROUTES AND INSURANCE AND FINANCIAL MARKETS. ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE OR OTHERWISE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE GROUP OR INDIVIDUALS ACTING ON BEHALF OF THE GROUP ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THIS NOTE. PROSPECTIVE INVESTORS SHOULD SPECIFICALLY CONSIDER THE FACTORS IDENTIFIED IN THIS RELEASE AND THE REPORT AND ACCOUNTS NOTED ABOVE WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.