Investor Presentation

www.lancashiregroup.com
Safe harbour statements

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Lancashire is a global specialty P&C reinsurer

Active portfolio construction and risk management will continue to support our performance irrespective of market conditions.

Our business model centres around our “Underwriting comes first” principle:

1. We aim to maximise risk-adjusted returns over the long term.
2. We are highly selective in choosing risks to underwrite and we focus on higher margin business.
3. We operate three capital platforms, which allow us further flexibility in accessing and underwriting the risks we like.
4. We actively manage our capital base to support healthy shareholder returns whatever the operating environment.

![Insurance and Reinsurance Composition](chart.png)

63% insurance 37% reinsurance / 35% nat-cat exposed 65% other

(1) Based on 2019 actual gross premiums written.
Why invest in Lancashire:

1. **Underwriting comes first, whatever the market environment.** This core principle has helped us deliver a market-leading track record, with better combined ratios over 3 years (0.3 pts outperformance) 5 years (9.1 pts outperformance) and 10 years (21.7 pts outperformance) than our peer group average\(^{(1)}\)

2. **Actively balancing risk and return through risk selection and risk management.** Our daily underwriting call, strategic overview of risk and active management of exposures have proven they lead to long-term success.

3. **Three different platforms to access opportunities.** Our three market-leading platforms drive our long-term success: Lancashire Insurance companies, Lancashire Syndicates Limited and Lancashire Capital Management. Better broker relationships; better cross-selling and referral opportunities; and better reinsurance purchasing power.

4. **Maximize returns across the cycle.** We aim to deliver superior underwriting performance. We maintain a strong balance sheet and actively manage our capital base to support healthy shareholder returns whatever the operating environment.

5. **Proven superior risk/return profile over the long run.** RoE and TSR comfortably above peer averages. Our CEO, CFO and CUO have been with Lancashire for over 10 years and have over 20 years average industry experience. Our senior underwriters have c. 25 years average industry experience, with average tenure at Lancashire of approximately 8 years.

6. **Active use of capital management.** Our active use of capital management can help deliver shareholder returns. We aim to carry the right level of capital to match attractive underwriting opportunities, utilising an optimal mix of capital tools.

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\(^{(1)}\) Peer group includes Arch, Argo, Axis, Beazley, Everest, Greenlight Re, Hanover, Hiscox, Renaissance Re and Third Point Re. Third Point Re commenced underwriting operations in 2012. Source: Company reports. Three year average based on 2017-2019, five year average based on 2015-2019 and ten year average based on 2010-2019.
1. **Underwriting comes first:** Delivering better returns, even in heavier loss years

**Combined Ratio**

- Delivering strong combined ratios in specialty insurance lines demonstrates Lancashire’s continued profitability in these lines of business.

- 10 year average based on 2010 to 2019 reporting periods. Lancashire ratios are weighted by annual net premiums earned. Annual sector ratios are weighted by annual net premiums earned.

- Sector includes Arch, Argo, Axis, Beazley, Everest, Greenlight Re, Hanover, Hiscox, Ren Re and Third Point Re. Third Point Re commenced underwriting operations in 2012. Source: Company reports.
2. Actively balancing risk and return: Robust risk management process

1. **Daily Underwriting and Marketing Conference Call** for the Lancashire Insurance companies allows for better risk selection and portfolio construction
   - Supports our “underwriting comes first” principle: senior management and underwriters are on the call, allowing for more objective analysis of risk and fast feedback loops on market conditions
   - Unique underwriting approach with proven results
   - Excellent record of combined ratio outperformance

2. **Risk and Return Committee** helps ensure active management of exposures
   - Strategic overview of risk and portfolio optimisation that allows for best use of capacity
   - Proven ability to manage risk/return dynamics via re-underwriting, risk selection and de-risking when appropriate
   - Three platform strategy enabling diversified access and a quick response to market events

3. **Disciplined capital deployment**
   - Commitment to maximising growth in fully converted book value per share (FCBVS), not just growth in revenues
   - Track record of active capital management via special dividends and buybacks, when appropriate
   - All permanent employees participate in Lancashire's restricted share scheme, aligning interests with shareholders
3. We use three different platforms to access opportunities

Better broker relationships; better cross-selling and referral opportunities; and better reinsurance purchasing power

**Lancashire Insurance Companies**
- We insure predominantly ‘front page of a newspaper’ risks. High layers with high deductibles differentiate market position and drive lower attritional loss ratios
- Consistent strategy and transparent risk appetite make Lancashire an important underwriter for key brokers

**Lancashire Syndicates**
- Long-standing client relationships, driving good knowledge of underlying risks
- Lloyd’s extensive global network and infrastructure offer distribution advantages

**Lancashire Capital Management**
- Ability to scale-up opportunistically based on market dislocations, delivering speed to market advantage
- Large line multi-class reinsurance on a collateralised basis remains in demand and with limited supply
4. We aim to maximise returns across the cycle

As shareholders ourselves, we care about:
1. Delivering a superior underwriting performance
2. Maintaining a strong balance sheet
3. Actively managing our capital base to support healthy shareholder returns whatever the operating environment

We are less focused on:
1. Revenue growth without the corresponding underwriting profitability
2. Taking excessive risk on our investment portfolio for short term gains
3. Diversification for diversification’s sake
5. Proven superior risk/return profile over the long run

- Lancashire has one of the best performances versus peers\(^{(2)}\) with lower volatility
- Evidence of adherence to business plan and strong risk management

\(^{(1)}\) Standard deviation is a measure of variability around the mean
\(^{(2)}\) Compound annual returns for Lancashire and peers are from 1 January 2010 through 31 December 2019. RoE calculated as the internal rate of return of the change in FCBVS in the period plus dividends accrued. Lancashire RoE calculation excludes the impact of warrant exercises. For Arch, Argo, Beazley, Everest, Hanover, Hiscox and Ren Re basic book value per share is used as FCBVS is not reported by these companies. Third Point recommenced underwriting operations in 2012.
6. Active use of capital management further helps deliver shareholder returns

- Strategic decision not to declare special dividend for 2019 to retain capital to take advantage of expected rate increases
- Successful equity placement of $340.3 million or 19.5% of the existing issued common share capital prior to the placement was raised in H1 2020 to take further advantage of expected rate increases

289.3% of original IPO share capital has been returned to shareholders

(1) Dividends included in the financial statement year in which they were recorded
Dividend yield is shown above the data in the chart area. Annual dividend yield is calculated as the total calendar year cash dividends divided by the year-end share price
Focus on delivering total shareholder return

This graph shows the value, by 30 June 2020, of £100 invested in Lancashire Holdings on 31 December 2010, compared with the value of £100 invested in the FTSE 250 Index on a daily basis.

The other points plotted are the values at intervening financial year-ends.
Outlook – positioned for growth

• **Market changes in risk perception are leading to stronger pricing momentum in our core lines of business.** Over the past 12-24 months, actions taken by some of our peers to re-trench, as well as rating agency and regulatory pressure on the insurance industry to improve profitability, had already started to improve pricing levels. This move has now been further amplified by the changing risk perception in the (re)insurance industry coupled with balance sheet erosion from COVID-19 and related asset side losses.

• **We raised additional capital in June 2020 to allow us the flexibility to grow our footprint and/or retain more risk over the coming months.** We have a proven track record of growing and shrinking our balance sheet in line with the underwriting opportunity. Our renewal price index has been increasing since 2018 and we anticipate the market dislocation to continue.

• **We anticipate deploying the additional capital offensively for growth, none of it is required to replenish capital.** As mentioned at our Q1 trading update, we had several hundred million dollars of excess capital in excess of our rating agency requirements and over $600 million above the BMA’s enhanced regulatory capital requirement before the June 2020 capital raise.

• **Our core strategy remains unchanged.** Lancashire's long-term strategy is to deploy more capital into a “hardening” market, in which pricing strengthens due to market capital constraints, and to lower the amount of capital we deploy in “softer” markets.
Appendix
Overview of Lancashire: our 16 year history

2005: LHL incorporated; AM Best assigns A- rating; IPO & listing on AIM

<table>
<thead>
<tr>
<th>Year</th>
<th>GPW ($m)</th>
<th>Combined ratio</th>
<th>Dividend yield</th>
<th>Return on Equity</th>
<th>Tangible capital</th>
<th>No. of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
<td>n/a</td>
<td>n/a</td>
<td>-3.2%</td>
<td>$1.1bn</td>
<td>5</td>
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<td>2006</td>
<td>626</td>
<td>44.3%</td>
<td>n/a</td>
<td>17.8%</td>
<td>$1.3bn</td>
<td>57</td>
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<tr>
<td>2007</td>
<td>753</td>
<td>46.3%</td>
<td>15.2%</td>
<td>31.4%</td>
<td>$1.3bn</td>
<td>79</td>
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<tr>
<td>2008</td>
<td>638</td>
<td>86.3%</td>
<td>n/a</td>
<td>7.8%</td>
<td>$1.4bn</td>
<td>91</td>
</tr>
<tr>
<td>2009</td>
<td>528</td>
<td>44.6%</td>
<td>18.1%</td>
<td>26.5%</td>
<td>$1.5bn</td>
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<tr>
<td>2010</td>
<td>689</td>
<td>54.4%</td>
<td>18.0%</td>
<td>23.3%</td>
<td>$1.4bn</td>
<td>103</td>
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<tr>
<td>2011</td>
<td>632</td>
<td>63.7%</td>
<td>8.4%</td>
<td>13.4%</td>
<td>$1.5bn</td>
<td>115</td>
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<tr>
<td>2012</td>
<td>724</td>
<td>63.9%</td>
<td>8.3%</td>
<td>17.1%</td>
<td>$1.6bn</td>
<td>104</td>
</tr>
</tbody>
</table>

2006
- Sirocco sidecar launched
- London office opened

2009
- Listing on LSE
- Inclusion in FTSE 250 index

2008
- Hurricane Ike
- Credit crisis – investment return 3.1%

2010
- S&P assign A- rating, ERM rating adequate with strong risk controls
- Moody’s assign A3 rating

2011
- Accordion sidecar launched
- AM Best upgrade to A rating
- Significant peer(3) outperformance in second largest aggregate loss year in history

2012
- Rollover of Accordion sidecar
- Saltire facility launched
- Issued $130 million of 5.7% senior unsecured notes due 2022

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(1) Annual dividend yield is calculated as the total calendar year cash dividends divided by the year-end share price
(2) RoE excludes the impact of warrant exercises
(3) 2011 peer group included Amlin, Aspen, Axis, Beazley, Catlin, Endurance, Flagstone, Hiscox, Montpelier, Renaissance Re and Validus
### Overview of Lancashire: our 16 year history (continued)

<table>
<thead>
<tr>
<th>Year</th>
<th>GPW ($m)</th>
<th>Combined ratio</th>
<th>Dividend yield</th>
<th>Return on Equity</th>
<th>Tangible capital</th>
<th>No. of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>680</td>
<td>70.2%</td>
<td>12.3%</td>
<td>18.9%</td>
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<td>2014</td>
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<td>68.7%</td>
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<td>2015</td>
<td>641</td>
<td>72.1%</td>
<td>17.3%</td>
<td>13.5%</td>
<td>$1.4bn</td>
<td>192</td>
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<td>2016</td>
<td>634</td>
<td>76.5%</td>
<td>10.5%</td>
<td>13.5%</td>
<td>$1.4bn</td>
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<tr>
<td>2017</td>
<td>592</td>
<td>124.9%</td>
<td>1.6%</td>
<td>-5.9%</td>
<td>$1.3bn</td>
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<td>2018</td>
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<td>92.2%</td>
<td>4.5%</td>
<td>2.4%</td>
<td>$1.2bn</td>
<td>218</td>
</tr>
<tr>
<td>2019</td>
<td>707</td>
<td>80.9%</td>
<td>1.5%</td>
<td>14.1%</td>
<td>$1.4bn</td>
<td>218</td>
</tr>
<tr>
<td>2020 H1</td>
<td>496</td>
<td>106.9%</td>
<td>1.0%</td>
<td>7.2%</td>
<td>$1.7bn</td>
<td>228</td>
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</table>

- **2013**: Purchase of Cathedral Capital Limited (Lancashire Syndicates)
- **2013**: Launch of Lancashire Capital Management, Kinesis Re and Kinesis Holdings
- **2014**: Alex Maloney appointed as CEO
- **2014**: Syndicate 3010 capacity added-energy and terror
- **2014**: Accordion and Saltire placed in run-off
- **2015**: Syndicate 3010 capacity expanded to £100 million
- **2017**: Hurricanes Harvey, Irma & Maria, Mexico earthquakes and California wildfires
- **2017**: TSR \(^{(3)}\) of 9.4% in one of the top three years for aggregate industry insured losses in recent history
- **2018**: Added new complementary specialty insurance lines: downstream energy, power and aviation deductible
- **2018**: Marine losses, Typhoons Jebi & Trami, Hurricanes Florence & Michael and California wildfires
- **2019**: Lancashire Insurance Company (UK) Limited re-enters D&F
- **2020 H1**: Successful equity placement of $340.3 million or 19.5% of the existing issued common share capital prior to the placement

\(^{(1)}\) Annual dividend yield is calculated as the total calendar year cash dividends divided by the year-end share price. Dividend yield at 31 December 2019 calculated as the total year-to-date cash dividends declared divided by the 31 December 2019 share price.

\(^{(2)}\) RoE excludes the impact of warrant exercises.

\(^{(3)}\) TSR: The IRR of the increase/(decrease) in share price in the period, measured in U.S. dollars, adjusted for dividends.
Our long-term performance is one of the most consistent in our peer group (1)

10 year Compound Annual RoE (2)

Peer group as defined by the Board. RoE calculated as the internal rate of return of the change in FCBVS in the period plus dividends accrued. For Arch, Argo, Beazley, Everest, Hanover, Hiscox and Ren Re basic book value per share is used as FCBVS is not reported by these companies. Source: Company reports

Lancashire RoE calculated excluding the impact of warrant exercises from 1 January 2013 to 31 December 2015. Data for Lancashire and peers is for the period 1 January 2010 through 31 December 2019.
Lancashire PML index: Group 100 year occurrence worldwide all perils net of RIP/RI, 1 April 2012 = 100

GC data: www.artemis.bm/regional-property-cat-rate-on-line-index/
Lancashire Capital Management profit commissions earned in 2019 on the January 2015 underwriting cycle of $1.0 million. This cycle is now closed

Lancashire Capital Management profit commissions earned in 2017 on the January 2016 underwriting cycle of $5.9 million. This cycle expired loss free
Reserve adequacy - consistent favourable reserve development

- Reserving record has demonstrated consistent overall prior year releases
- Favourable development in 2011 financial year included $36.9 million released following an independent reserve study for the 2010 and prior accident years
- Being an insurer (63% of 2019 actual gross written premiums) rather than a reinsurer means we get much better loss data, predominantly in a more timely manner
- Short-tail business, similar classes across the Group
- Reserve duration for the Group is approximately two years

Conservative portfolio structure – quality

TOTAL INVESTMENT PORTFOLIO

- **Asset Allocation**
  - Corporates and bank loans: 37%
  - Hedge funds: 5%
  - Agency structured products: 7%
  - Non-agency structured products: 7%
  - Private debt: 3%
  - Cash and short term securities: 18%
  - Other government bonds and debt: 3%
  - U.S. government bonds and agency debt: 20%

- **Duration**: 1.8 years

TOTAL FIXED MATURITIES AND MANAGED CASH

- **Credit Quality**
  - AAA: 17%
  - AA: 41%
  - A: 21%
  - BBB: 15%
  - BB or below: 6%

- Total investment portfolio at 30 June 20 = $1,915 million
- Total fixed maturities and managed cash at 30 June 20 = $1,748 million
- Average credit rating of AA- (fixed maturities and managed cash)
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