

Investor Presentation

H1 2021 Update

www.lancashiregroup.com

Safe harbor statements

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELLED LOSS SCENARIOS) MADE IN THIS PRESENTATION 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 2020. ALL FORWARD-LOOKING STATEMENTS IN THIS PRESENTATION 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 PRESENTATION WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.

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 2020.

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 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 OR, FOR EXAMPLE, NEW BUSINESS LINES WITHIN A SEGMENT. THE FUTURE PROFITABILITY OF THE PORTFOLIO OF CONTRACTS WITHIN THE RPI IS DEPENDENT UPON MANY FACTORS BESIDES THE TRENDS IN PREMIUM RATES.

NOTE REGARDING COVID-19 LOSS:

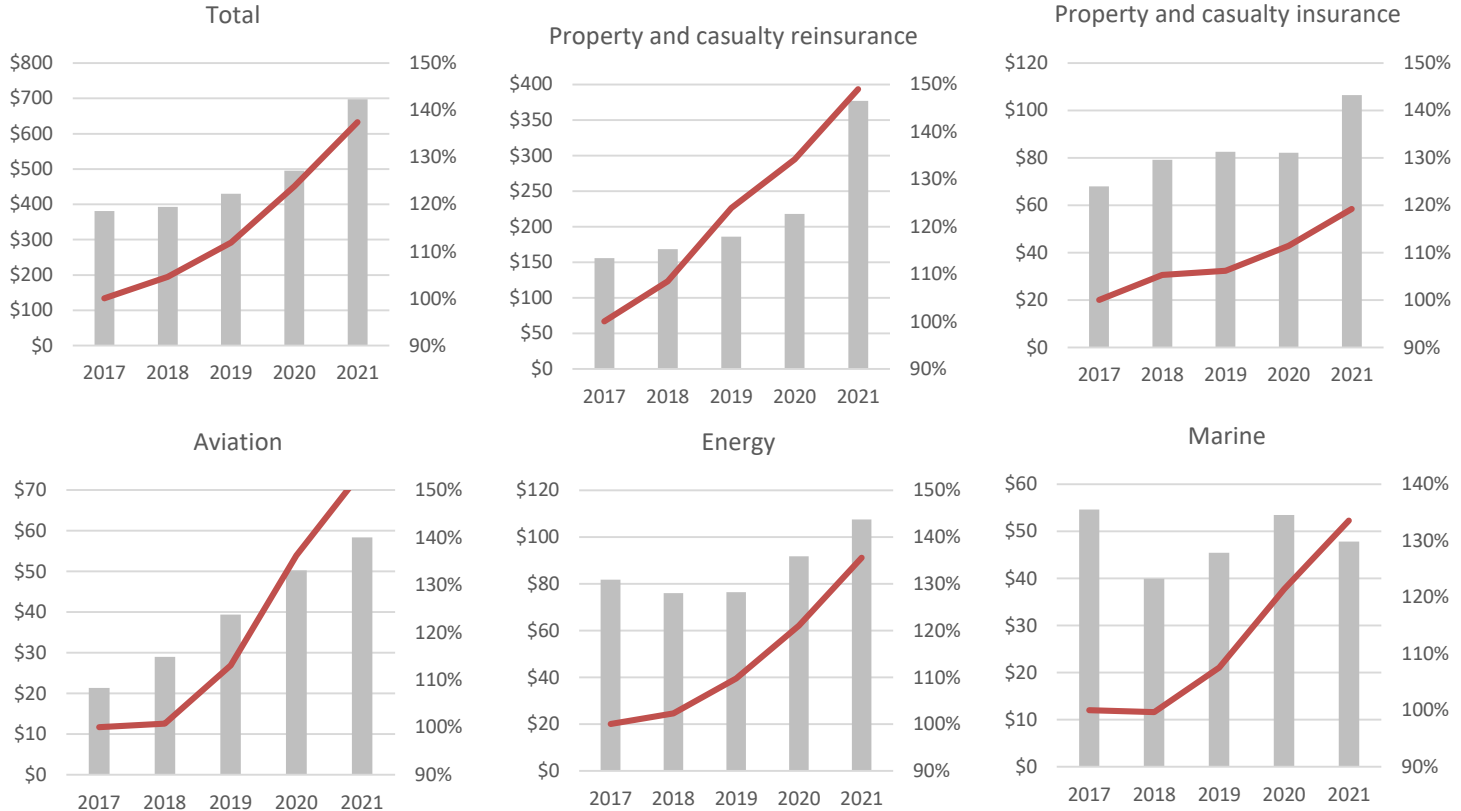
OUR COVID-19 LOSS PRIMARILY RELATES TO EXPOSURES WITHIN OUR PROPERTY AND CASUALTY REINSURANCE SEGMENT. GIVEN THE ONGOING NATURE OF THE COVID-19 PANDEMIC AND THE UNCERTAIN IMPACT ON THE INSURANCE INDUSTRY, THE GROUP'S ACTUAL ULTIMATE LOSS MAY VARY, PERHAPS MATERIALLY, FROM THE CURRENT ESTIMATE. THE FINAL SETTLEMENT OF ALL OF THESE CLAIMS IS LIKELY TO TAKE PLACE OVER A CONSIDERABLE PERIOD OF TIME. LANCASHIRE DOES NOT WRITE THE FOLLOWING LINES OF BUSINESS: TRAVEL INSURANCE; TRADE CREDIT; AND LONG-TERM LIFE AND PRIOR TO THE COVID-19 PANDEMIC DID NOT WRITE DIRECTORS' AND OFFICERS' LIABILITY OR MEDICAL MALPRACTICE. THE GROUP UNDERWRITES A SMALL NUMBER OF EVENT CANCELLATION CONTRACTS AND HAS MINIMAL EXPOSURE THROUGH MORTGAGE, ACCIDENT AND HEALTH BUSINESS.

H1 2021 highlights

- **Strongest H1 for gross premium written since inception**
 - GPW of \$697.2 million in H1 2021, 40.7% growth versus H1 2020.
 - Rate increases remain strong, with RPI of 111%.
- **Strong underwriting performance despite Winter Storm Uri losses**
 - Combined ratio of 80.7% and underwriting profit of \$127.1 million.
 - Winter Storm Uri losses of \$44.8 million (net of reinsurance and reinstatement premiums).
 - No change to our estimate of COVID-19 related losses.
- **Further hiring of new teams, continuing to build out Lancashire's book of business.**
- **We remain strongly capitalised and are continuing to put more capital to work**
 - Completed long-term debt refinancing in H1 2021. Debt to tangible capital ratio 24.2%.
 - Regulatory ECR ratio of 254% at 31 March 2021.
 - Capital headroom remains for further growth in 2021 and beyond.
- **Interim dividend of \$0.05 per common share declared on 27 July 2021.**

Strong premium growth in H1 2021

Gross premiums written (\$m) and cumulative RPI for the half year 2017 to 2021

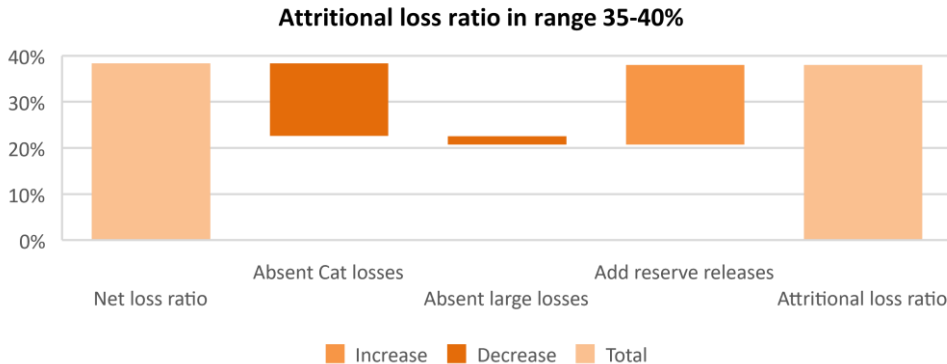


H1 2021 income statement

	Six months 2021 \$m	Six months 2020 \$m	Twelve months 2020 \$m
Gross premiums written	697.2	495.5	814.1
Outwards reinsurance premiums	(269.3)	(213.0)	(294.7)
Net premiums written	427.9	282.5	519.4
Net premiums earned	315.3	230.8	475.8
Insurance losses and loss adjustment expenses	(136.2)	(159.2)	(363.6)
Insurance losses and loss adjustment expenses recoverable	15.1	26.8	79.8
Net acquisition expenses	(67.1)	(59.0)	(115.0)
Underwriting profit	127.1	39.4	77.0
Net investment income, including realised gains & losses	21.9	10.0	48.3
Share of profit of associate	0.3	1.1	10.7
Other income	7.0	3.5	15.3
Financing costs	(30.7)	(11.0)	(20.1)
Net foreign exchange gains (losses)	1.6	(3.9)	1.4
Equity based compensation	(7.0)	(7.0)	(12.3)
General and administrative expenses	(66.1)	(55.1)	(114.4)
Net profit (loss) before tax	54.1	(23.0)	5.9
Tax charge	(6.2)	(3.0)	(1.4)
Net profit (loss) after tax	47.9	(26.0)	4.5
Non-controlling interest	(0.2)	-	(0.3)
Other comprehensive (losses) income	(14.1)	11.3	20.1
Comprehensive income (loss) - attributable to Lancashire	33.6	(14.7)	24.3
Net loss ratio	38.4%	57.4%	59.6%
Net acquisition ratio	21.3%	25.6%	24.2%
G&A expense ratio	21.0%	23.9%	24.0%
Combined ratio	80.7%	106.9%	107.8%
Change in FCBVS	2.4%	7.2%	10.2%

H1 2021 loss environment

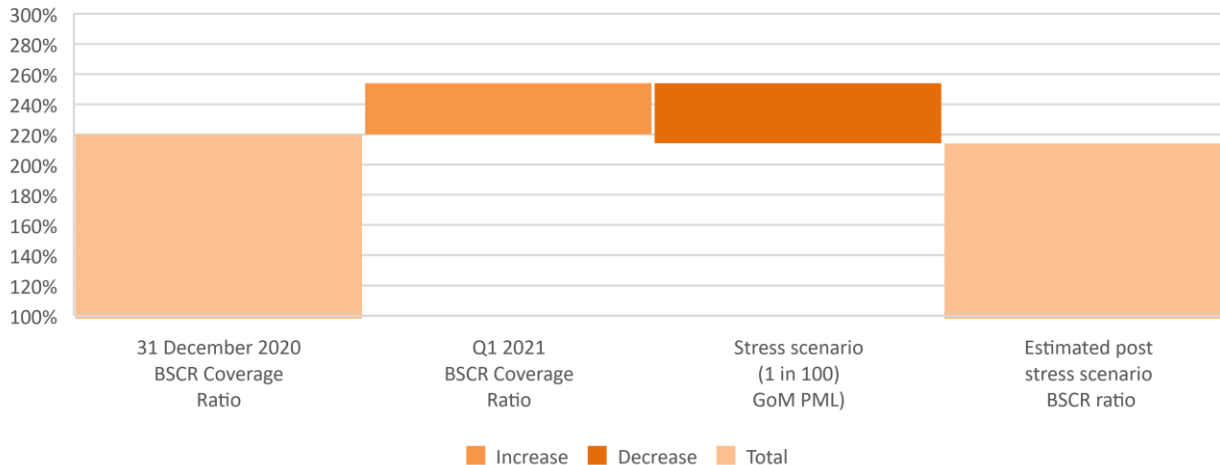
- Net Loss ratio of 38.4% for the first half of 2021.
- Winter Storm Uri losses of \$44.8 million (net of reinsurance and reinstatement premium).
- No material change to our estimated COVID-19 related losses.
- Prior year favourable development of \$53.6 million (see table).



Accident year	PY Development (\$m)
2016 AY & prior	16.7
2017 AY	12.9
2018 AY	(1.6)
2019 AY	1.8
2020 AY	23.8
Total	53.6

Note: Large losses – risk losses of \$5 million or more.

BSCR Coverage ratio development

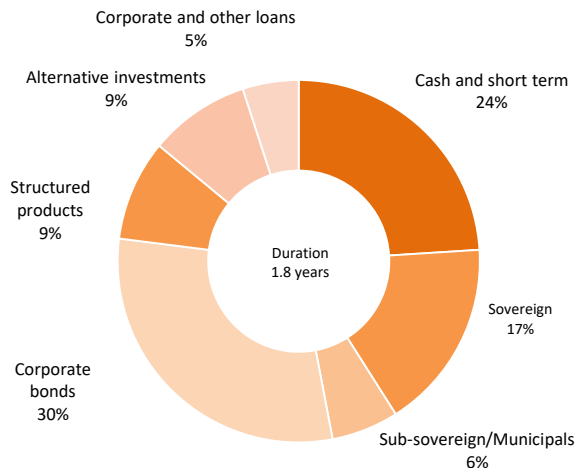


- The Q1 2021 coverage ratio of 254% incorporates additional regulatory capital from the Q1 debt issuance. We retain meaningful regulatory headroom to fund further growth.
- The stress scenario incorporates a net loss cat event – representative of our 1 in 100 GoM PML at 30 June 2021.

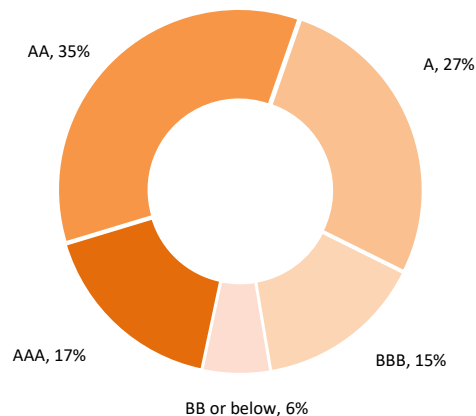
Note: The Q1 2021 BSCR coverage ratio is as submitted to the BMA and is calculated on a best efforts basis.

Investments: conservative portfolio structure – quality

Asset Allocation
total investment portfolio



Credit Quality
fixed maturities and managed cash



- Total investment portfolio at 30 June 2021 = \$2,541 million (incl. operating cash of \$289 million).
- Total fixed maturities and managed cash at 30 June 2021 = \$2,023.2 million.
- Average credit rating of A+ (fixed maturities and managed cash).

Outlook - positioned for growth

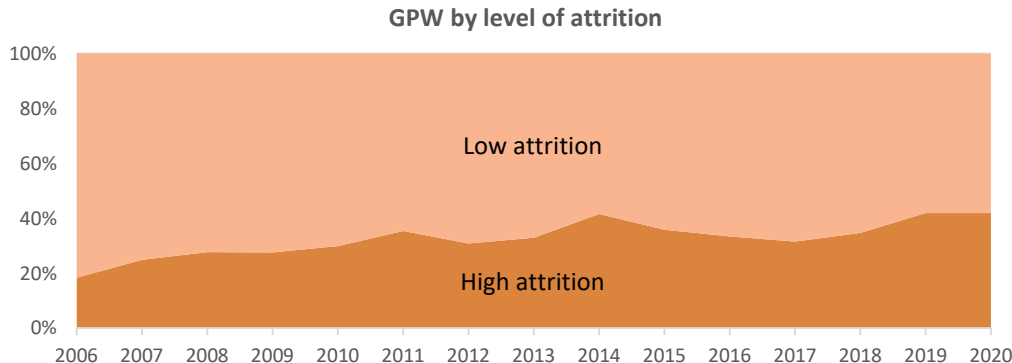
- Our core strategy has not changed – navigate the insurance cycle, manage the business for the long term, ignore the herd and be bold when we see true opportunity.
- After years of soft market conditions corrective action has led to multi-year rate hardening across the majority of our underwriting portfolio.
- We have emerged from the soft market in a strong position and therefore have the ability to grow as the underwriting opportunity continues to improve.
- Disciplined growth is important now to balance returns over the longer term. Growth will allow Lancashire to mitigate the weaker years through portfolio optimisation, reducing risk levels where appropriate and we expect this to enhance returns over the cycle.
- We will continue to grow while the opportunity persists as we look to maximise returns for shareholders in an attractive rating environment. We expect further growth to be supported in 2022 from existing and new teams.

APPENDIX

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Changing business mix drives changes in the attritional loss ratio

- When Lancashire began writing business in 2005/6 around 80% of our premiums related to low attrition/high volatility risk exposure.
- As we integrated Lancashire Syndicates from 2014, the low attrition/high volatility exposure premiums reduced to approximately 60%.
- The softer part of the cycle in some specialty lines saw an increase in low attrition/high volatility exposure to approximately 70% in 2017.
- Since 2018, we have been growing products with medium/high attrition and lower volatility exposures.
- As our premiums can and have changed significantly year-on-year, the balance of higher vs lower attritional loss ratio business can also change dramatically.
- **The key for us remains a focus on Change in FCBVS, a measure we aim to maximise each year.**



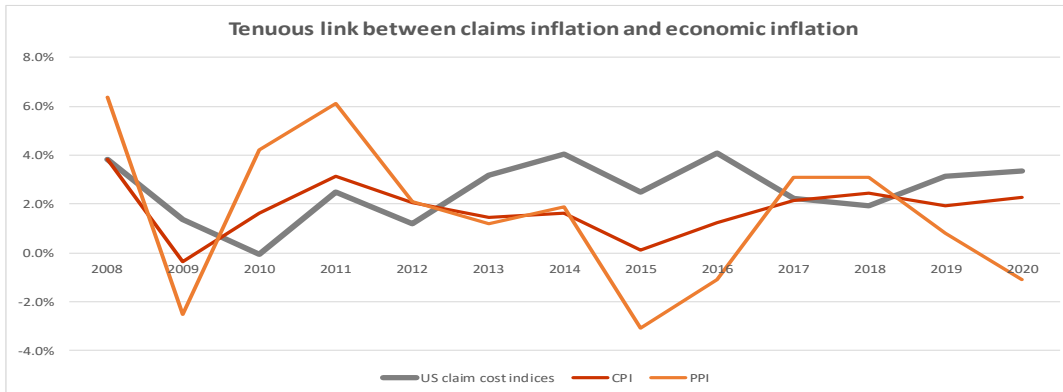
Business mix benefits

- The relative loss ratio split between attritional/large/catastrophe varies by business line.
- More attritional business generally has a lower capital requirement. The underlying combined ratio may be higher than catastrophe business, but the return on capital is positive and **accrative to Change in FCBVS.**
- We continue to be flexible in the balance of business between high and low attritional business, dependent on market conditions. Therefore, the 2021 year-end attritional loss ratio is expected to be within the previously announced range of 35-40%.
- We tend to reserve more conservatively on new lines while we get comfortable with underwriting and claims performance.

EXAMPLES	Property Cat Exposed	Traditional Specialty	New specialty lines
Product	Property catastrophe reinsurance	Upstream energy construction	Aviation deductible
Capital requirement	High	Medium	Low
Catastrophe exposure	High	Medium	Low
Large loss frequency	Low	High	Low
Attritional losses	Low	Medium	High
Volatility of returns	High	Medium	Low
Typical attritional loss ratio	Sub 20%	20%-50%	Above 50%

Claims inflation is not a major concern for Lancashire

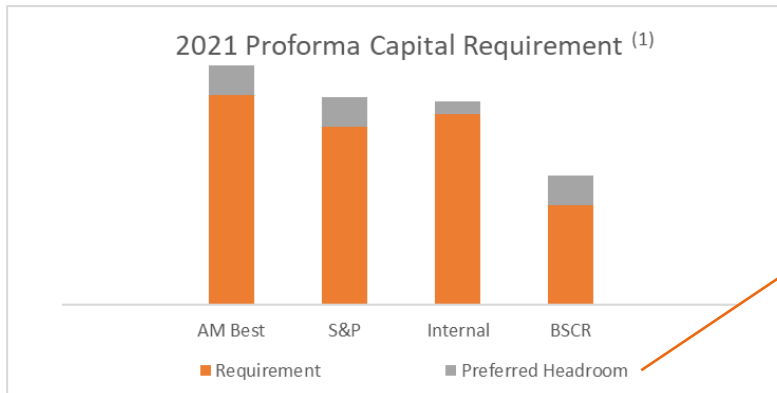
- We write a predominantly **short-tail book**, with the bulk of our policies renewing every year.
- Policies renew through the year, not just on January 1st.
- Clients provide regularly **updated schedules of insured values** where required.
- Catastrophe modelling includes (our) inflation loading.
- A weak relationship between claims inflation and economic inflation (see chart below).
- Short-term demand driven spikes in materials/labour reflected in our wider attritional loss ratio guidance.



Source: WTW, Bloomberg

Our approach to capital

- Two of our three long-stated strategic priorities relate to capital: *Effectively Balance Risk and Return* and *Operate Nimbly Through the Cycle*
 - We have a track record of active capital management, returning or raising capital where appropriate given expected underwriting returns.
 - Since inception we have returned \$2.9bn to shareholders, approximately 144% of our current market capitalisation of £1.535bn (\$2.103bn) as at 21 July 2021.
 - We raised \$340 million additional equity share capital in June 2020 and refinanced our long-term debt capital in March 2021 to enable us to write more business in a hardening market.
- We monitor capital and headroom against internal, rating agency and regulatory requirements. Of these the AM BCAR capital requirement under their 'Cat Stress' capital model is the most restrictive.



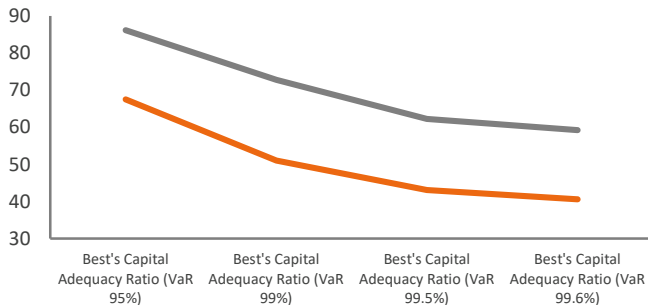
Preferred headroom is indicative. Management's preferred headroom target is flexible depending on market opportunities & conditions

⁽¹⁾ 2021 proforma capital requirements are estimated on a mean loss basis. Capital requirements are as follows: AM Best VaR 99.6 'cat stress' model, S&P 'AA', BSCR – the BMA new methodology and internal, based on our forecast exposures.

Maintaining a strong capital position

- We maintain a conservative capital position such that we can withstand a significant catastrophe event and still retain our ratings and regulatory solvency position.
- Our key capital driver is the AM Best ‘cat stress’ model, which is more penal than the published standard model as it reduces available capital by a 1 in 100 year All Perils Worldwide PML. We monitor headroom against the BCAR tolerance of 10% at the 99.6 confidence level to maintain our capital assessment as “strongest” by AM Best.
- Our successful H1 2021 debt issuance has increased the efficiency of our capital position as our new Tier 2 subordinated debt is fully allowable as regulatory and S&P capital.

AM Best capital adequacy ratios (insurance industry under standard model)¹



(1) Insurance industry average includes: Fidelis, Partner Re, Hamilton Insurance Group, Arch, Hiscox, Everest Re, Axis, aspen, Hanover Insurance Group, Beazley, Greenlight, Renaissance Re, Argo and Axa

BMA Regulatory Capital Requirements	Q1 2021	Q1 2021	2020	2020	2019	2019
	\$m	%	\$m	%	\$m	%
Total statutory economic capital and surplus	1,892		1,470		1,117	
Enhanced capital requirement	745	254%	668	220%	496	225%

Coverage ratio of the available statutory capital and surplus. Calculated under the BMA’s BSCR calculation methodology. Q2 2021 BSCR coverage ratio not yet available.

ESG - a central part of our strategy since inception

Environmental & Social

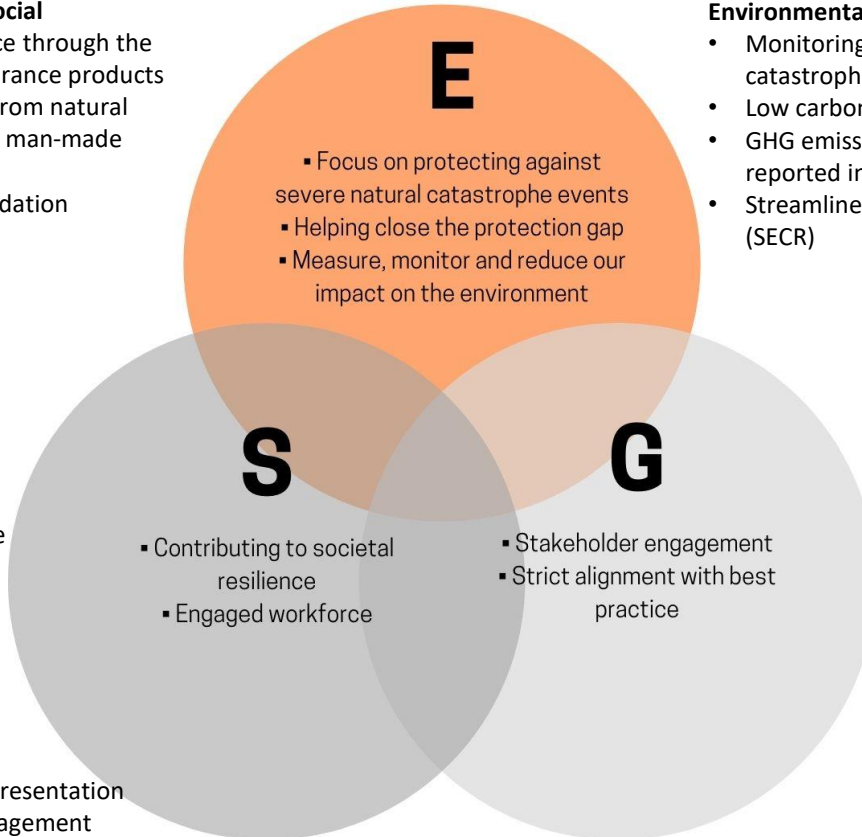
- Societal resilience through the provision of insurance products to aid recovery from natural catastrophe and man-made events
- Lancashire Foundation

Social

- Engaged workforce through staff surveys, D&I survey and a risk culture survey
- D&I working group
- Living Wage employer
- Suppliers expected to comply with living wage guidance
- Lancashire Foundation
- Graduate scheme

Social & Governance

- Strong female representation at the senior management and board level



Environmental

- Monitoring and management of catastrophe exposures
- Low carbon emissions per employee
- GHG emissions calculated annually and reported in the annual report and accounts
- Streamlined Energy & Carbon Reporting (SECR)

Environmental & Governance

- Signatory to the UNEP FI Principles of Sustainable Insurance
- Adoption of the TCFD framework
- Participation on industry climate change committees and working groups

Governance

- Compliance with the requirements of the UK Corporate Governance Code
- Ethical behavior with AML, Bribery, Financial Crime and Whistleblowing policies in place with annual training provided

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