LANCASHIRE HOLDINGS LIMITED

10 February 2021
Hamilton, Bermuda

Lancashire Holdings Limited ("Lancashire" or "the Group") announces its results for the year ended 31 December 2020.

Highlights:

- **Gross premiums written increased by 15.2% year on year to $814.1 million.**
- **Group RPI (Renewal Price Index) of 112% for the year.**
- **Combined ratio of 107.8%, including the impact of COVID-19.**
- **Year to date total investment return, including unrealised gains and losses, of 3.9%.**
- **Final dividend of $0.10 per common share.**

	Year ended	
	31 December 2020	**31 December 2019**
Financial highlights ($m)		
Gross premiums written	814.1	706.7
Net premiums written	519.4	424.7
Underwriting profit	77.0	186.5
Profit before tax	5.9	119.5
Comprehensive income[1]	24.3	145.7
Change in FCBVS[2]	10.2%	14.1%
Financial ratios		
Total investment return	3.9%	4.9%
Net loss ratio	59.6%	30.8%
Combined ratio	107.8%	80.9%

[1] These amounts are attributable to Lancashire and exclude non-controlling interests.
[2] Defined as the change in fully converted book value per share, adjusted for dividends. See the section headed "Alternative Performance Measures" below.

Alex Maloney, Group Chief Executive Officer, commented:

"The whole world faced a uniquely challenging year in 2020. Our first thoughts go to those whose lives have been impacted by personal tragedy and hardship. Similarly, our thanks go to all those who in their work and conduct are helping to defeat the current threat of the COVID-19 pandemic.

This last year has demonstrated the value of our strategic planning in preparing for challenges and opportunities, both expected and unexpected. In the face of these challenges I am pleased to report that the Group's Change in FCBVS (formerly termed Return on Equity or RoE[1]) was 10.2% for the full year. As we entered 2020 I believed that we were then in the early stages of a necessary market correction. Since then the COVID-19 pandemic has generated a level of dislocation and uncertainty in the global economy and markets which has demonstrably accelerated a pronounced re-rating and improvement in the pricing of many of the (re)insurance products which we sell. In these times of heightened uncertainty, insurance has retained its value as an important risk management tool which remains central in the strategic planning of many of our clients.

The strengthening in market pricing is illustrated by our cross class RPI of 112% for the year.

1Refer to Alternative Performance Measures (APMs) section below.

We have also achieved a year on year increase in our gross premiums written under management which was $1,067.1 million in 2020, compared to $934.8 million in 2019.

We have used the improving market not only to grow our premium income but also to build up our expertise. Across our business we have been active during 2020 in recruiting new employees both to our underwriting teams and within the wider business. As we enter 2021 we have added to our underwriting portfolio a casualty reinsurance book of business underwritten from our Bermuda office, which we intend to build out cautiously over the coming years.

The COVID-19 pandemic has impacted the whole insurance industry as a loss event. Whilst it is too early to comment on total global insured losses from this event, I am pleased that Lancashire's approach to reserving for COVID-19 losses has remained consistent throughout the year, albeit uncertainty still remains as this is an ongoing event. As a business we have generally avoided those retail and SME classes which have been most heavily impacted. 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. We also witnessed windstorm losses in the second half of the year and an unusually high level of frequency in non-natural catastrophe specialty losses throughout the year. Although these events were within our board-approved tolerances, a combination of these factors has meant that our underwriting returns have been stressed, resulting in a combined ratio of 107.8% for the year.

Our conservative investment philosophy has again served us well for the year, and after initial volatility in the first quarter, it was pleasing to see the investment portfolio recover and ultimately contribute to our profitability for the full year. The growth in shareholder equity achieved during the year was helped by the strong support from our shareholders for the equity placing which we conducted in June 2020. We are beginning to take advantage of the improving market conditions and there was evidence of further strengthening over the January renewal season.

As we pass the end of another year, I would like to thank all our staff, our shareholders, clients and their brokers for their continuing support for our business. We understand that the challenges of the current pandemic are ongoing. But it is with some optimism that we enter 2021 with the right skill-set and capital base to enable us to trade in a market which is materially improved from the soft market of recent years."

Natalie Kershaw, Group Chief Financial Officer, commented:

"We are pleased to have navigated 2020 relatively unscathed given the number of catastrophe and risk losses incurred in addition to the financial impacts of COVID-19. In such a difficult year we consider making an overall profit after tax of $4.2 million and comprehensive income of $24.3 million a very positive result. Our investment portfolio contributed significantly to our profitability, generating returns of 3.9% for the year.

Our capital position coming into 2020 was strong and sufficient to fund the 15.2% gross written premium growth during the year. Our outlook for 2021 is one of further rate hardening and we expect to utilise the $340.3 million of capital raised in our equity placing in June 2020 to fund further growth in our business during 2021. In line with our stated dividend policy we are declaring our standard final ordinary dividend of $0.10 per share.

The Group also retained its strong operational resilience in 2020 as we transitioned from a world in which remote working was not the business norm, to one where we have all become adept at virtual forms of communication."

Underwriting results

Gross premiums written	Year ended 31 December 2020 $m	2019 $m	Change $m	Change %	RPI %
Property	426.9	382.1	44.8	11.7	108
Aviation	151.0	119.6	31.4	26.3	121
Energy	144.7	128.1	16.6	13.0	113
Marine	91.5	76.9	14.6	19.0	116
Total	**814.1**	**706.7**	**107.4**	**15.2**	**112**

Gross premiums written increased by 15.2% in 2020 compared to 2019. The Group's four principal segments, and the key market factors impacting them, are discussed below.

Within the property segment, our (re)insurance lines contain a high degree of catastrophe risk and as such have seen pricing dislocation during 2020 leading to a property segment RPI of 108% for the year. As well as these rating trends in renewal business, we have seen an increase in new business flows, in particular within the property catastrophe class and the property direct and facultative classes. These positive trends were marginally offset by the property political risk and property terrorism classes, a good portion of which are, by their nature, non-renewing.

Our aviation segment has been building steadily in the past few years, growing our product offering as market conditions improve. The increase in aviation gross premiums written in 2020 was primarily due to new business and rate increases in the aviation deductible and the aviation hull and liability classes of business with strong support from the aviation reinsurance class.

Our energy portfolio continued to evolve during 2020. The increase in energy gross premiums written was primarily focused in the power and downstream energy classes where both rate increases and new business led to the premiums almost doubling relative to 2019. Upstream energy remained broadly stable, as modest rate increases were offset by small reductions in exposures.

Marine pricing has been rising, due to capacity withdrawals over a number of years, demonstrated by our RPI of 116% during 2020. The increase in marine gross premiums written was primarily due to new business growth in the marine cargo and the marine hull classes of business supported by rate and exposure increases across all lines of business. The marine segment also benefited from the favourable timing impact of multi-year policies renewing in 2020 compared to 2019.

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Ceded reinsurance premiums increased by $12.7 million, or 4.5%, in 2020 compared to in 2019. The higher level of inwards gross premiums written has resulted in an increased level of outwards quota share reinsurance spend while the newer classes of business that the Group has started underwriting have also resulted in additional cover being purchased when compared to the prior year. These increases were somewhat offset by lower outwards reinstatement premiums compared to the prior year and a lower ceding percentage applied on some of the outwards quota share contracts purchased.

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The Group's net loss ratio for 2020 was 59.6% compared to 30.8% in 2019. The accident year loss ratio for 2020, including the impact of foreign exchange revaluations, was 71.4% compared to 51.3% in 2019.

During 2020, Lancashire experienced an active loss environment across both its specialty and catastrophe lines, with exposure to COVID-19 related losses and to a number of natural catastrophe events, including hurricanes Laura and Sally, the Midwest derecho storm and the wildfires in California. In addition, as noted in our Q3 trading update, risk losses were higher than our expectations and this continued into Q4 2020, impacting all our segments. These loss events reflect the nature of the insurance products offered by the Group's trading subsidiaries as part of their usual business and are within the Group's risk tolerances.

Our net losses, excluding the impact of inwards and outwards reinstatement premiums, from COVID-19 related losses, natural catastrophe and large risk loss events, amounted to $149.5 million for the year ended 31 December 2020. Our COVID-19 loss primarily relates to exposures within our property 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. The Group's estimated ultimate net financial impact of COVID-19, including losses and reinstatement premiums, is consistent with that reported in July at approximately $42 million. In 2019, our net losses from catastrophe events, excluding the impact of inwards and outwards reinstatement premiums, were $52.1 million.

Excluding the impact of foreign exchange revaluations, the table below shows the impact of current accident year COVID-19 related losses and catastrophe loss events on the Group's loss ratio for the year ended 31 December 2020:

	Losses	**Loss ratio**
	$m	**%**
Reported at 31 December 2020	283.8	59.6 %
Absent catastrophe events noted above	216.8	45.5 %
Absent COVID-19 losses	244.1	51.0 %
Absent catastrophe and COVID -19 losses	177.1	36.9 %

Note: The table does not sum to a total due to the impact of reinstatement premium.

As reported in the Group's results for the year ended 31 December 2019, and excluding the impact of foreign exchange revaluations, the impact of the catastrophe loss events on the Group's 2019 loss ratio was as follows:

	Losses	**Loss ratio**
	$m	**%**
Reported at 31 December 2019	129.8	30.8 %
Absent all catastrophe events	77.7	18.5 %

Prior year favourable development for 2020 was $52.0 million, compared to $88.0 million of favourable development in 2019. The favourable development in both 2020 and 2019 was primarily due to general IBNR releases across most lines of business due to a lack of reported claims. The second half of 2020 also included favourable development on the 2017 accident year, mainly from reserve releases on natural catastrophe loss events within the property segment. This was somewhat offset in the first half of the year by a number of late reported losses from the 2019 accident year, reserve deterioration on a couple of marine claims in the 2017 and 2019 accident years, and adverse development on the 2010 New Zealand earthquake in the property segment. In the prior year, the Group benefited from favourable development on the 2017 catastrophe loss events partially offset by 2018 accident year claims in the energy segment.

The table below provides further detail of the prior years' loss development by class, excluding the impact of foreign exchange revaluations.

Year ended 31 December	2020 $m	2019 $m
Property	46.6	44.9
Aviation	3.3	6.8
Energy	17.2	23.9
Marine	(15.1)	12.4
Total	**52.0**	**88.0**

Note: Positive numbers denote favourable development.

The table below provides further detail of the prior years' loss development by accident year, excluding the impact of foreign exchange revaluations.

Year ended 31 December	2020 $m	2019 $m
2015 accident year and prior	(1.8)	19.0
2016 accident year	0.9	19.3
2017 accident year	20.7	30.8
2018 accident year	25.3	18.9
2019 accident year	6.9	–
Total	**52.0**	**88.0**

Note: Positive numbers denote favourable development.

The ratio of IBNR to total net loss reserves was 34.4% at 31 December 2020 compared to 30.9% at 31 December 2019.

Investments

Net investment income, excluding realised and unrealised gains and losses, was $29.0 million for 2020, a decrease of 23.1% compared to 2019. Total investment return, including net investment income, net other investment income, net realised gains and losses, impairments and net change in unrealised gains and losses, was $69.1 million in 2020 compared to $83.2 million for 2019.

In a year of significant volatility, the investment portfolio generated a strong total return of 3.9%, with positive returns generated from all asset classes. The returns were driven primarily by the fixed maturity portfolios, given the decline in treasury yields and the tightening of credit spreads during the year. The tighter spreads and stronger equity markets also drove significant returns in the hedge fund and private debt portfolios. All other asset classes also had positive returns on a year to date basis, similar to 2019.

The managed portfolio was as follows:

	As at 31 December 2020	As at 31 December 2019
Fixed maturity securities	82.8%	79.0%
Cash and cash equivalents	8.5%	11.4%
Private investment funds	4.7%	0.9%
Hedge funds	4.0%	8.7%
Total	**100.0%**	**100.0%**

Key investment portfolio statistics for our fixed maturities and managed cash were:

	As at 31 December 2020	**As at 31 December 2019**
Duration	2.0 years	1.8 years
Credit quality	A+	A+
Book yield	1.7 %	2.4 %
Market yield	0.7 %	2.1 %

Third Party Capital Management

The total contribution from third party capital activities consisted of the following items:

Year ended 31 December	**2020 $m**	**2019 $m**
Lancashire Capital Management underwriting fees	10.0	7.9
Lancashire Capital Management profit commission	1.8	1.0
Lancashire Syndicates' fees & profit commission	3.5	2.5
Total other income	**15.3**	**11.4**
Share of profit of associate	10.7	5.9
Total net third party capital management income	**26.0**	**17.3**

The higher Lancashire Capital Management ("LCM") underwriting fees in 2020 reflect the increased level of premiums under management compared to 2019. The amount of LCM profit commission recognised is driven by the timing of loss experience, settlement of claims and collateral release and therefore varies year on year. The share of profit of associate reflects Lancashire's equity interest in the LCM managed vehicle.

Other operating expenses

Other operating expenses were $114.4 million in 2020 compared to $106.0 million in 2019. The increase was primarily driven by higher employment costs due to an increase in the number of employees from 218 in the prior year to 255 in the current year. Non-employment costs increased slightly due to a number of project initiatives during the year which drove an increase in legal and external consulting fees. These increases were partly offset by reduced expenditure on travel and entertainment and promotional events.

Equity based compensation

The equity based compensation expense was $12.3 million in 2020 compared to $9.6 million in 2019. The equity based compensation charge was driven by anticipated vesting levels of active awards based on current performance expectations. Increased equity based compensation charges were recorded in 2020 as higher performance targets were met.

Capital

On 10 June 2020 a total of 39,568,089 new common shares in Lancashire were placed at a price of 700 pence per share, raising proceeds of $340.3 million for the Company. The shares issued represented approximately 19.5% of the issued common share capital of Lancashire prior to the placing.

As at 31 December 2020, total capital available to Lancashire was $1.866 billion, comprising shareholders' equity of $1.539 billion and $327.5 million of long-term debt. Tangible capital was $1.712 billion. Leverage was 17.6% on total capital and 19.1% on total tangible capital. Total capital and total tangible capital as at 31 December 2019 were $1.517 billion and $1.363 billion respectively.

Per share data

Year ended	**31 December 2020**	**31 December 2019**
Fully converted book value per share	$6.28	$5.84
Change in FCBVS[1]	10.2%	14.1%
Dividends per common share for the financial year	$0.15	$0.15
Diluted earnings per share	$0.02	$0.58

[1] Defined as the change in fully converted book value per share, adjusted for dividends. See the section headed "Alternative Performance Measures" below.

Dividends

The Lancashire Board declared the following dividends during 2020:

- A final dividend relating to 2019 of $0.10 per common share; and
- An interim dividend of $0.05 per common share.

Lancashire announces that its Board of Directors has declared a final dividend for 2020 of $0.10 (approximately £0.08) per common share, subject to a shareholder vote of approval at the AGM to be held on 28 April 2021, which will result in an aggregate payment of approximately $24.4 million. On the basis that the final dividend is approved by shareholders at the AGM, the dividend will be paid in Pounds Sterling on 4 June 2021 (the "Dividend Payment Date") to shareholders of record on 7 May 2021 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date.

Shareholders interested in participating in the dividend reinvestment plan ("DRIP"), or other services including international payment, are encouraged to contact the Group's registrars, Link Asset Services, for more details at: https://www.linkassetservices.com/shareholders-and-investors/shareholder-services-uk.

Financial Information

The Audited Consolidated Financial Statements for the year ended 31 December 2020 are published on Lancashire's website at www.lancashiregroup.com.

The 2020 Annual Report and Accounts are expected to be circulated to shareholders on 8 March 2021 and will also be made available on Lancashire's website.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 1:00pm UK time / 9:00am Bermuda time / 8:00am EST on Wednesday 10 February 2021. The conference call will be hosted by Lancashire management.

Participant Access:
Dial in 5-10 minutes prior to the start time using the number / confirmation code below:

United Kingdom Toll-Free: 08003589473
United Kingdom Toll: +44 3333000804
United States Toll-Free: +1 855 85 70686
United States Toll: +1 6319131422
PIN code: 74690404#

URL for additional international dial in numbers: https://event.sharefile.com/share/view/s7bae1d9235d495a8

The call can also be accessed via webcast, for registration and access: https://onlinexperiences.com/Launch/QReg/ShowUUID=E62A27A0-01C0-4486-A6BC-405997B36CDB

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

For further information, please contact:

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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. The Group companies carry the following ratings:

	Financial Strength Rating(1)	Financial Strength Outlook(1)	Long Term Issuer Rating(2)
A.M. Best	A (Excellent)	Stable	bbb+
S&P Global Ratings	A-	Stable	BBB
Moody's	A3	Stable	Baa2

(1) Financial Strength Rating and Financial Strength Outlook apply to Lancashire Insurance Company Limited and Lancashire Insurance Company (UK) Limited.
(2) Long Term Issuer Rating applies to Lancashire Holdings Limited.

Lancashire Syndicates Limited benefits from Lloyd's ratings: A.M. Best: A (Excellent); S&P Global Ratings: A+ (Strong); and Fitch: AA- (Very Strong).

Lancashire has capital of approximately $1.9 billion and its 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.

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

The Bermuda Monetary Authority ("BMA") is the Group Supervisor of the Lancashire Group.

Lancashire Insurance Company Limited is regulated by the BMA, with its registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

Lancashire Insurance Company (UK) Limited is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA, with its registered office at Level 29, 20 Fenchurch Street, London EC3M 3BY, United Kingdom.

Lancashire Syndicates Limited is authorised by the PRA and regulated by the FCA and the PRA. It is also authorised and regulated by Lloyd's, with its registered office at Level 29, 20 Fenchurch Street, London EC3M 3BY, United Kingdom.

Lancashire Capital Management Limited is regulated by the BMA, with its registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

This release contains information, which may be of a price sensitive nature, that Lancashire is making public in a manner consistent with the EU 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 GMT on 10 February 2021.

Alternative Performance Measures (APMs)
As is customary in the insurance industry, the Group utilises certain non-GAAP measures in order to evaluate, monitor and manage the business and to aid users' understanding of the Group. Management believes that the APMs included in this release are important for understanding the Group's overall results of operations and may be helpful to investors and other interested parties who may benefit from having a consistent basis for comparison with other companies within the industry. However, these measures may not be comparable to similarly labelled measures used by companies inside or outside the insurance industry. In addition, the information contained herein should not be viewed as superior to, or a substitute for, the measures determined in accordance with the accounting principles used by the Group for its audited consolidated financial statements or in accordance with GAAP.

In compliance with the Guidelines on APMs of the European Securities and Markets Authority, as applied by the FCA, information on APMs which the Group uses is described below. This information has not been audited.

All amounts, excluding share data, percentage or where otherwise stated, are in millions of U.S. dollars.

Net loss ratio: Ratio, in per cent, of net insurance losses to net premiums earned. This ratio gives an indication of the amount of claims expected to be paid out per $1.00 of net premium earned in the financial year.

	31 December 2020	31 December 2019
Net insurance losses	283.8	129.8
Divided by net premiums earned	475.8	421.7
Net loss ratio	**59.6%**	**30.8%**

Net acquisition ratio: Ratio, in per cent, of net insurance acquisition expenses to net premiums earned. This ratio gives an indication of the amount expected to be paid out to insurance brokers and other insurance intermediaries per $1.00 of net premium earned in the financial year.

	31 December 2020	31 December 2019
Net acquisition expenses	115.0	105.4
Divided by net premiums earned	475.8	421.7
Net acquisition cost ratio	**24.2%**	**25.0%**

Net expense ratio: Ratio, in per cent, of other operating expenses, excluding restricted stock expenses, to net premiums earned. This ratio gives an indication of the amount of operating expenses expected to be paid out per $1.00 of net premium earned in the financial year.

	31 December 2020	31 December 2019
Other operating expenses	114.4	106.0
Divided by net premiums earned	475.8	421.7
Net expense ratio	**24.0%**	**25.1%**

Combined ratio (KPI): Ratio, in per cent, of the sum of net insurance losses, net acquisition expenses and other operating expenses to net premiums earned. The Group aims to price its business to ensure that the combined ratio across the cycle is less than 100%.

	31 December 2020	31 December 2019
Net loss ratio	59.6%	30.8%
Net acquisition cost ratio	24.2%	25.0%
Net expense ratio	24.0%	25.1%
Combined ratio	**107.8%**	**80.9%**

Accident year loss ratio: The accident year loss ratio is calculated using the accident year ultimate liability revalued at the current balance sheet date, divided by net premiums earned. This ratio shows the amount of claims expected to be paid out per $1.00 of net premium earned in an accident year.

	31 December 2020	31 December 2019
Current accident year ultimate liability	339.1	217.8
Divided by net premiums earned*	474.9	424.8
Accident year loss ratio	**71.4%**	**51.3%**

*For the accident year loss ratio, net premiums earned excludes inwards and outwards reinstatement premium from prior accident years.

Fully converted book value per share ('FCBVS') attributable to the Group: Calculated based on the value of the total shareholders' equity attributable to the Group and dilutive restricted stock units as calculated under the treasury method, divided by the sum of all shares and dilutive restricted stock units, assuming all are exercised. Shows the Group net asset value on a diluted per share basis for comparison to the market value per share.

	31 December 2020	31 December 2019
Shareholders' equity attributable to the Group	1,538,466,664	1,193,631,460
Common voting shares outstanding*	241,811,908	201,453,615
Shares relating to dilutive restricted stock	3,333,356	2,837,041
Fully converted book value denominator	245,145,264	204,290,656
Fully converted book value per share	**$6.28**	**$5.84**

*Common voting shares outstanding comprise issued share capital less amounts held in trust.

Change in FCBVS (previously termed "ROE") (KPI). The internal rate of return of the change in FCBVS in the period, plus accrued dividends. Sometimes referred to as ROE. The Group's aim is to maximise risk-adjusted returns for shareholders across the cycle through a purposeful and sustainable business culture.

	31 December 2020	31 December 2019
Opening FCBVS	($5.84)	($5.26)
Q1 dividend per share	-	$0.10
Q2 dividend per share	$0.10	-
Q3 dividend per share	$0.05	$0.05
Q4 dividend per share + closing FCBVS	$6.28	$5.84
Change in FCBVS*	**10.2%**	**14.1%**

*Calculated using the internal rate of return.

For the year ended 31 December 2020, the Group has renamed return on equity ("ROE") to Change in FCBVS. It should be noted that the methodology in calculating this metric has remained unchanged and has been calculated in a consistent manner by the Group over the reporting periods.

Total investment return (KPI): Total investment return in percentage terms, is calculated by dividing the total investment return excluding foreign exchange by the investment portfolio net asset value, including managed cash on a daily basis. These daily returns are then annualized through geometric linking of daily returns. The return can be approximated by dividing the total investment return excluding foreign exchange by the average portfolio net asset value, including managed cash. The Group's primary investment objectives are to preserve capital and provide adequate liquidity to support the Group's payment of claims and other obligations. Within this framework we aim for a degree of investment portfolio return.

	31 December 2020	31 December 2019
Total investment return	69.1	83.2
Average invested assets*	1,873.9	1,732.2
Approximate total investment return	**3.7%**	**4.8%**
Reported total investment return	**3.9%**	**4.9%**

*Calculated as the average between the opening and closing investments and externally managed cash.

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 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", "ANTICIPATES", "AIMS", "PLANS", "PROJECTS", "FORECASTS", "GUIDANCE", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "CAN", "LIKELY", "WILL", "SEEKS", "SHOULD", OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. ALL SUCH STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDING, WITHOUT LIMITATION, THE FINANCIAL POSITION OF THE COMPANY AND ITS SUBSIDIARIES (THE "GROUP"), THE GROUP'S TAX RESIDENCY, LIQUIDITY, RESULTS OF OPERATIONS, PROSPECTS, GROWTH, CAPITAL MANAGEMENT PLANS AND EFFICIENCIES, ABILITY TO CREATE VALUE, DIVIDEND POLICY, OPERATIONAL FLEXIBILITY, COMPOSITION OF MANAGEMENT, BUSINESS STRATEGY, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS (INCLUDING DEVELOPMENT PLANS AND OBJECTIVES RELATING TO THE GROUP'S INSURANCE BUSINESS) ARE FORWARD-LOOKING STATEMENTS. 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.

THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: THE ACTUAL DEVELOPMENT OF LOSSES AND EXPENSES IMPACTING ESTIMATES FOR CLAIMS WHICH ARISE AS A RESULT OF THE COVID-19 PANDEMIC WHICH IS AN ONGOING EVENT AS AT THE DATE OF THIS RELEASE, HURRICANES LAURA AND SALLY, MIDWEST DERECHO STORM AND THE WILDFIRES IN CALIFORNIA WHICH OCCURRED DURING THE FOURTH QUARTER OF 2020, TYPHOON HAGIBIS WHICH OCCURRED IN THE FOURTH QUARTER OF 2019, HURRICANE DORIAN AND TYPHOON FAXAI WHICH OCCURRED IN THE THIRD QUARTER OF 2019, THE CALIFORNIAN WILDFIRES AND HURRICANE MICHAEL WHICH OCCURRED IN THE FOURTH QUARTER OF 2018, HURRICANE FLORENCE AND THE TYPHOONS THAT OCCURRED IN THE THIRD QUARTER OF 2018, HURRICANES HARVEY, IRMA AND MARIA AND THE EARTHQUAKES IN MEXICO THAT OCCURRED IN THE THIRD QUARTER OF 2017 AND THE WILDFIRES WHICH IMPACTED PARTS OF CALIFORNIA DURING 2017; THE IMPACT OF COMPLEX AND UNIQUE CAUSATION AND COVERAGE ISSUES ASSOCIATED WITH ATTRIBUTION OF LOSSES TO WIND OR FLOOD DAMAGE OR OTHER PERILS SUCH AS FIRE OR BUSINESS INTERRUPTION RELATING TO SUCH EVENTS; POTENTIAL UNCERTAINTIES RELATING TO REINSURANCE RECOVERIES, REINSTATEMENT PREMIUMS AND OTHER FACTORS INHERENT IN LOSS ESTIMATIONS; THE GROUP'S ABILITY TO INTEGRATE ITS BUSINESSES AND PERSONNEL; THE SUCCESSFUL RETENTION AND MOTIVATION OF THE GROUP'S KEY MANAGEMENT; THE INCREASED REGULATORY BURDEN FACING THE GROUP; THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT THE GROUP WRITES OR MAY WRITE; THE GROUP'S ABILITY TO IMPLEMENT SUCCESSFULLY ITS BUSINESS STRATEGY DURING 'SOFT' AS WELL AS 'HARD' MARKETS; THE PREMIUM RATES WHICH MAY BE AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN THE GROUP'S TARGETED BUSINESS LINES; THE POSSIBLE LOW FREQUENCY OF LARGE EVENTS; POTENTIALLY UNUSUAL LOSS FREQUENCY; THE IMPACT THAT THE GROUP'S FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS MAY HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES OR DIVIDENDS; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN THE GROUP'S UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; INCREASED COMPETITION FROM EXISTING ALTERNATIVE CAPITAL PROVIDERS, INSURANCE LINKED FUNDS AND COLLATERALISED SPECIAL PURPOSE INSURERS, AND THE RELATED DEMAND AND SUPPLY DYNAMICS AS CONTRACTS COME UP FOR RENEWAL; THE EFFECTIVENESS OF THE GROUP'S LOSS LIMITATION METHODS; THE POTENTIAL LOSS OF KEY PERSONNEL; A DECLINE IN THE GROUP'S OPERATING SUBSIDIARIES' RATINGS WITH A.M. BEST, S&P GLOBAL RATINGS, MOODY'S OR OTHER RATING AGENCIES; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; CYCLICAL DOWNTURNS OF THE INDUSTRY; THE IMPACT OF A DETERIORATING CREDIT ENVIRONMENT FOR ISSUERS OF FIXED MATURITY INVESTMENTS; THE IMPACT OF SWINGS IN MARKET INTEREST RATES, CURRENCY EXCHANGE RATES AND SECURITIES PRICES; CHANGES BY CENTRAL BANKS REGARDING THE LEVEL OF INTEREST RATES; THE IMPACT OF INFLATION OR DEFLATION IN RELEVANT ECONOMIES IN WHICH THE GROUP OPERATES; THE EFFECT, TIMING AND OTHER UNCERTAINTIES SURROUNDING FUTURE BUSINESS COMBINATIONS WITHIN THE INSURANCE AND REINSURANCE INDUSTRIES; THE IMPACT OF TERRORIST ACTIVITY IN THE

COUNTRIES IN WHICH THE GROUP WRITES RISKS; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITIES IN THE GROUP'S INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE THE GROUP CONDUCTS BUSINESS; LANCASHIRE HOLDINGS LIMITED OR ANY OF THE GROUP'S BERMUDIAN SUBSIDIARIES BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR IN THE UNITED KINGDOM; THE IMPACT OF THE CHANGE IN TAX RESIDENCE ON STAKEHOLDERS OF THE COMPANY; AND THE IMPACT OF THE EXPIRATION OF THE TRANSITION PERIOD ON 31 DECEMBER 2020 FOLLOWING THE UK'S WITHDRAWAL FROM THE EUROPEAN UNION ON THE GROUP'S BUSINESS, REGULATORY RELATIONSHIPS, UNDERWRITING PLATFORMS OR THE INDUSTRY GENERALLY.

ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE HOLDINGS LIMITED 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 WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	2020 $m	2019 $m
Gross premiums written	814.1	706.7
Outwards reinsurance premiums	(294.7)	(282.0)
Net premiums written	**519.4**	**424.7**
Change in unearned premiums	(51.5)	(35.8)
Change in unearned premiums on premiums ceded	7.9	32.8
Net premiums earned	**475.8**	**421.7**
Net investment income	29.0	37.7
Net other investment income	6.5	8.0
Net realised gains (losses) and impairments	12.8	8.9
Share of profit of associate	10.7	5.9
Other income	15.3	11.4
Net foreign exchange gains (losses)	1.4	(1.5)
Total net revenue	**551.5**	**492.1**
Insurance losses and loss adjustment expenses	363.6	264.5
Insurance losses and loss adjustment expenses recoverable	(79.8)	(134.7)
Net insurance acquisition expenses	115.0	105.4
Equity based compensation	12.3	9.6
Other operating expenses	114.4	106.0
Total expenses	**525.5**	**350.8**
Results of operating activities	**26.0**	**141.3**
Financing costs	20.1	21.8
Profit before tax	**5.9**	**119.5**
Tax charge	(1.4)	(1.3)
Profit after tax	**4.5**	**118.2**
Non-controlling interests	(0.3)	(0.3)
Profit after tax attributable to Lancashire	**4.2**	**117.9**
Net change in unrealised gains/losses on investments	20.8	28.6
Tax charge on net change in unrealised gains/losses on investments	(0.7)	(0.8)
Other comprehensive income	**20.1**	**27.8**
Total comprehensive income attributable to Lancashire	**24.3**	**145.7**
Net loss ratio	59.6%	30.8%
Net acquisition cost ratio	24.2%	25.0%
Administrative expense ratio	24.0%	25.1%
Combined ratio	**107.8%**	**80.9%**
Basic earnings per share	$ 0.02	$ 0.59
Diluted earnings per share	$ 0.02	$ 0.58
Change in FCBVS	**10.2%**	**14.1%**

Consolidated balance sheet

As at 31 December 2020

	2020 $m	2019 $m
Assets		
Cash and cash equivalents	432.4	320.4
Accrued interest receivable	8.0	7.2
Investments	1,856.0	1,525.1
Inwards premiums receivable from insureds and cedants	371.9	350.5
Reinsurance assets		
- Unearned premiums on premiums ceded	97.4	89.5
- Reinsurance recoveries	338.7	327.5
- Other receivables	31.1	16.9
Other receivables	27.3	51.7
Investment in associate	127.2	108.3
Property, plant and equipment	0.7	1.2
Right-of-use asset	16.1	18.2
Deferred acquisition costs	89.0	81.7
Intangible assets	154.5	154.5
Total assets	**3,550.3**	**3,052.7**
Liabilities		
Insurance contracts		
- Losses and loss adjustment expenses	952.8	874.5
- Unearned premiums	457.9	406.4
- Other payables	22.5	27.4
Amounts payable to reinsurers	151.7	126.6
Deferred acquisition costs ceded	19.6	17.6
Other payables	46.1	47.5
Corporation tax payable	1.5	2.4
Deferred tax liability	10.9	9.6
Interest rate swap	—	1.1
Lease liability	20.9	21.9
Long-term debt	327.5	323.5
Total liabilities	**2,011.4**	**1,858.5**
Shareholders' equity		
Share capital	122.0	101.5
Own shares	(21.2)	(13.3)
Other reserves	1,221.6	881.3
Accumulated other comprehensive income	33.6	13.5
Retained earnings	182.5	210.6
Total shareholders' equity attributable to equity shareholders of Lancashire	**1,538.5**	**1,193.6**
Non-controlling interest	0.4	0.6
Total shareholders' equity	**1,538.9**	**1,194.2**
Total liabilities and shareholders' equity	**3,550.3**	**3,052.7**
Basic book value per share	$6.36	$5.92
Fully converted book value per share	$6.28	$5.84

Consolidated statement of cash flows

For the year ended 31 December 2020

	2020 $m	2019 $m
Cash flows from operating activities		
Profit before tax	5.9	119.5
Tax paid	(1.6)	(2.1)
Depreciation	3.3	3.9
Interest expense on long-term debt	15.7	18.5
Interest expense on finance leases	1.3	1.3
Interest and dividend income	(36.9)	(39.7)
Net amortisation of fixed maturity securities	4.9	(1.3)
Equity based compensation	12.3	9.6
Foreign exchange (gains) losses	(3.2)	2.5
Share of profit of associate	(10.7)	(5.9)
Net other investment income	(7.4)	(8.8)
Net realised (gains) losses and impairments	(12.8)	(8.9)
Net unrealised losses on interest rate swaps	(1.1)	0.7
Changes in operational assets and liabilities		
- Insurance and reinsurance contracts	84.5	(46.0)
- Other assets and liabilities	26.7	(8.8)
Net cash flows from operating activities	**80.9**	**34.5**
Cash flows (used in) from investing activities		
Interest and dividends received	39.9	41.1
Purchase of property, plant and equipment	–	(1.1)
Purchase of underwriting capacity	–	(0.7)
Investment in associate	(8.2)	(35.3)
Purchase of investments	(1,129.7)	(948.3)
Proceeds on sale of investments	837.9	1,127.7
Net cash flows (used in) from investing activities	**(260.1)**	**183.4**
Cash flows from (used in) financing activities		
Interest paid	(15.9)	(18.5)
Lease liabilities paid	(3.5)	(3.6)
Proceeds from issuance of common shares	340.3	–
Dividends paid	(32.3)	(30.2)
Dividends paid to minority interest holders	(0.5)	–
Distributions by trust	(0.8)	(1.3)
Net cash flows from (used in) financing activities	**287.3**	**(53.6)**
Net increase in cash and cash equivalents	**108.1**	**164.3**
Cash and cash equivalents at the beginning of year	320.4	154.6
Effect of exchange rate fluctuations on cash and cash equivalents	3.9	1.5
Cash and cash equivalents at end of period	**432.4**	**320.4**