Lancashire Holdings Limited (“Lancashire” or “the Group”) today announces its trading statement for the three months ended 31 March 2020.

Trading statement highlights

- Resilient business model and operational capabilities despite COVID-19 global disruption
- Approximately $35.0 million of COVID-19 claims estimated for the quarter, including the impact of reinsurance and reinstatement premiums
- Gross premiums written increased by 11.8% year on year to $242.8 million
- Group Renewal Price Index of 108%
- Total net investment return, including unrealised gains and losses, of negative 1.9% in the quarter

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<thead>
<tr>
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<th>Three months ended</th>
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<tbody>
<tr>
<td></td>
<td>31 March 2020</td>
<td>31 March 2019</td>
</tr>
<tr>
<td>Gross premiums written</td>
<td>$242.8m</td>
<td>$217.2m</td>
</tr>
<tr>
<td>Renewal Price Index</td>
<td>108%</td>
<td>103%</td>
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<tr>
<td>Total net investment return (including unrealised gains and losses)</td>
<td>(1.9%)</td>
<td>1.8%</td>
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Alex Maloney, Group Chief Executive Officer, commented:

“Firstly, I want to extend my sympathy to those of our colleagues and friends who have suffered illness or personal loss at this time. I also want to thank our people for their dedication and professionalism in ensuring the smooth running of our business during what have been challenging and unprecedented times.

Since early March our London and Bermuda offices have successfully moved to a home working model which has enabled us to continue to underwrite and to service the needs of our clients and their brokers. The Lloyd’s, London and international insurance markets have effectively moved to a model of remote trading and Lancashire has been fully equipped to handle this transition.

Our purpose as a business is to deliver bespoke risk solutions that protect our clients and support economies, businesses and communities in the face of uncertain loss events and to manage our own risk exposures and capital resources. Whilst the world’s attention is naturally focused on the current pandemic crisis, we should remember that this is one of many possible risks, and that risk management is our field of expertise. We therefore continue to work with our brokers and clients to deliver our insurance and reinsurance products in all our areas of specialism including swift payment of valid claims. Whilst we expect economic challenges for clients in a number of sectors, including aviation, marine and energy, we have thus far seen demand hold up in many of our business classes.

Looking at the developments during the first quarter, the January 2020 renewal season saw an increase in our year on year premium income of about 12% and an RPI of 108%. This is evidence of improved market discipline and, with the recent stress to many insurance industry balance sheets, we consider that the need for improved risk pricing will continue during 2020.
In terms of the impact of the current pandemic on Lancashire’s own business and capital resources, we have established provisional reserves for pandemic related liabilities of approximately $35.0 million. In line with the broader market, our investment portfolio delivered a negative total net investment return of 1.9% for the first quarter, which is to a large degree, driven by unrealised losses. This was in line with our expectations of performance given the stressed market conditions.

As a business we constantly monitor our risk exposures against the capital we hold, so we can meet the expectations of our policyholders, regulators, rating agencies and shareholders. Yesterday, at our AGM, our shareholders approved our final dividend for the year 2019 of $0.10 per share, which the Board had recommended in February 2020. We have carefully considered guidance from both regulatory and shareholder bodies in relation to the use of capital, including payment of dividends at the present time. Whilst we continue to monitor developments, the Board considers that the business is well capitalised to meet all of its obligations to our policyholders and to afford appropriate headroom for growth opportunities. In view of this, the Board determined that the Company should put the previously announced dividend resolution to shareholders at yesterday’s AGM, where it received strong support.

Our thoughts remain with those front-line workers and people in wider society who have been most impacted by the current crisis. The Lancashire Foundation has been active in donating to projects which support certain disadvantaged communities impacted by this pandemic in both Bermuda and the UK. Lancashire has no intention of furloughing any employees, nor have we participated in any government loan schemes or similar arrangements.

In the face of this real world “stress test” I have been impressed by the resilience of our business model and the professionalism of our people. The Group retains a robust solvency buffer and we stand ready to meet the challenges and opportunities that lie ahead.”

COVID-19 update

Resilient business model and operational capabilities
The COVID-19 pandemic is an ongoing situation making it exceptionally difficult to predict what the ultimate impact for the Group or the industry will be. We have established a reserve of approximately $35.0 million of losses, net of reinsurance and reinstatement premiums, in the first quarter of 2020 based on a review of our book and potential COVID-19 exposures arising in the first quarter of the year. This is principally in relation to our property segment. Given the ongoing nature of the pandemic our final COVID-19-related losses may be materially different from those booked to date.

We do not write the following lines of insurance business: travel insurance; trade credit; accident and health; Directors’ and Officers’ liability; medical malpractice; and long-term life. We have minimal exposure to mortgage business and are exposed to a small number of event cancellation contracts.

The Group has more than adequate liquidity and solvency headroom and management will continue to monitor and regularly review the longer term impact of the COVID-19 pandemic on the Group.

Looking after our people and supporting our communities
We are pleased to say that all our employees continue to do a tremendous job in navigating the challenges of working from home. The safety of our staff and all our stakeholders is of paramount importance to us, and we have the capability to continue to trade remotely in these unique circumstances.
In continuing to support our communities, the Lancashire Foundation has made a donation of £100,000 to COVID-19 causes, to be split between Bermuda and the UK. In the UK, the Foundation will focus its support in two main areas, being: (i) the support of key NHS workers, and (ii) assisting vulnerable people in Lancashire’s local community in London. In Bermuda the majority of the funds will be donated to the Bermuda Hospital with the remaining balance supporting a charitable food bank to tackle food insecurity, an issue that has become more acute for the vulnerable in the current crisis.

**Open for business**
Lancashire remains fully open for business and will continue to service the needs of our clients, brokers, shareholders and other key stakeholders as we always have done.

**Dividends**
On 12 February 2020, the Board of Directors declared a payment of an ordinary dividend of $0.10 per common share, subject to a shareholder vote of approval at the AGM on 29 April 2020, which would result in an aggregate payment of approximately $20.1 million. The final dividend was approved by shareholders at yesterday’s AGM, and the dividend is due to be paid on 5 June 2020 to shareholders of record on 11 May 2020.

**Business update**

**Gross premiums written**

<table>
<thead>
<tr>
<th></th>
<th>31 March 2020 $m</th>
<th>31 March 2019 $m</th>
<th>Change $m</th>
<th>Change %</th>
<th>RPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td>152.4</td>
<td>137.6</td>
<td>14.8</td>
<td>10.8</td>
<td>104</td>
</tr>
<tr>
<td>Energy</td>
<td>35.6</td>
<td>29.7</td>
<td>5.9</td>
<td>19.9</td>
<td>109</td>
</tr>
<tr>
<td>Marine</td>
<td>25.0</td>
<td>29.7</td>
<td>(4.7)</td>
<td>(15.8)</td>
<td>114</td>
</tr>
<tr>
<td>Aviation</td>
<td>29.8</td>
<td>20.2</td>
<td>9.6</td>
<td>47.5</td>
<td>117</td>
</tr>
<tr>
<td>Total</td>
<td><strong>242.8</strong></td>
<td><strong>217.2</strong></td>
<td><strong>25.6</strong></td>
<td><strong>11.8</strong></td>
<td><strong>108</strong></td>
</tr>
</tbody>
</table>

The Group’s operating segments for the purposes of segmental reporting have been revised in the current year. Management and the Board of Directors review the Group’s business primarily by four principal segments: Property, Energy, Marine and Aviation. The gross premiums written and previously reported in the Lancashire Syndicates segment are now reported across the four principal operating segments. The prior period comparatives have been re-presented in conformity with the current year view.

Gross premiums written increased by 11.8% in the first three months of 2020 compared to the same period in 2019. The Group’s four principal segments, and the key market factors impacting them, are discussed below.

The increase in property gross premiums written was driven primarily by new business across all lines of business with rate and exposure increases also contributing to the growth. These increases were somewhat offset by a reduced level of reinstatement premium compared to the same period in 2019 and some business we did not renew.

Energy gross premiums written increased primarily due to new business and rate and exposure increases in the upstream energy, downstream energy and power classes of business. The increase in the upstream energy class was
partially offset by timing differences on the renewal of non-annual policies and exposure adjustments on policies bound in prior underwriting years.

The decrease in marine gross premiums written was due to timing differences on the renewal of non-annual policies in the marine hull and total loss class, which more than offset new business and rate and exposure increases in the marine cargo class. In the first quarter of 2019 the marine builders’ risk class also benefited from exposure increases on policies bound in prior underwriting years.

Aviation gross premiums written increased primarily due to new business in the aviation deductible and the aviation hull and liability class of business, as well as exposure increases on policies bound in prior underwriting years in the AV52 class.

Claims environment
The attritional claims environment during the first quarter of 2020 was more active than the first quarter of 2019, with some weather and single risk losses in the quarter.

The Group’s total ultimate loss estimates net of reinsurance and the impact of inwards and outwards reinstatement premiums for the 2018 and 2017 major catastrophe events and the 2019 wind losses remained stable in the aggregate during the quarter.

Investments
The Group’s investment portfolio total return (including unrealised gains and losses) was negative 1.9% for the first quarter of 2020. The majority of the unrealised losses were driven by the bank loan and hedge fund portfolios given the significant spread widening in credit and volatility in equities. The short duration and higher credit quality of our fixed income portfolios helped to mitigate the losses during the quarter, where we saw positive returns in our treasuries, agency debt and agency structured products, given the reduction in interest rates by the Federal Reserve. In addition, any exposure to equities and equity linked products had matured or been sold prior to March, which helped to mitigate our losses during the quarter.

Since the end of the quarter, we have seen a narrowing of spreads and increased liquidity given the significant numbers of programmes put in place by the Federal Reserve to increase liquidity and enable normal market functioning. This has helped reverse some of the initial negative movements in our portfolio.

The managed investment portfolio statistics were:

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<thead>
<tr>
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<th>31 March 2020</th>
<th>31 March 2019</th>
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</thead>
<tbody>
<tr>
<td>Duration</td>
<td>2.0 years</td>
<td>1.6 years</td>
</tr>
<tr>
<td>Credit quality</td>
<td>A+</td>
<td>A+</td>
</tr>
<tr>
<td>Book yield</td>
<td>2.2%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Market yield</td>
<td>2.4%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Managed investments ($m)</td>
<td>$1,565.3</td>
<td>$1,746.4</td>
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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 30 April 2020. 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 - Local: +44 3333000804
United States - Toll free: +1 855 85 70686
United States - Local: +1 6319131422
PIN Code 94958604#

URL for additional international dial in numbers:
https://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf

The call can also be accessed via webcast, for registration and access:
https://event.on24.com/wcc/r/2266403/60B45F1C64683125327AD708485C1B56

A webcast replay facility will be available for 12 months and accessible at:

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.

Lancashire has capital of approximately $1.5 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.

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

For more information, please visit Lancashire’s website at [www.lancashiregroup.com](http://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 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 BST on 30 April 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. 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 2019.

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELLED LOSS SCENARIOS) MADE IN THIS TRADING STATEMENT 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", "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 2019. IN ADDITION TO THOSE FACTORS CONTAINED IN THE GROUP’S ANNUAL REPORT AND ACCOUNTS, ANY FORWARD-LOOKING STATEMENTS CONTAINED IN THIS TRADING STATEMENT MAY BE AFFECTED BY THE IMPACT OF THE COVID-19 PANDEMIC ON THE GROUP’S CLIENTS, THE SECURITIES IN OUR INVESTMENT PORTFOLIO AND ON GLOBAL FINANCIAL MARKETS GENERALLY AS WELL AS ANY GOVERNMENTAL OR REGULATORY CHANGES INCLUDING POLICY COVERAGE ISSUES ARISING THEREFROM.

ALL FORWARD-LOOKING STATEMENTS IN THIS TRADING STATEMENT OR OTHERWISE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASTER 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 TRADING STATEMENT WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.