

LANCASHIRE HOLDINGS LIMITED

28 April 2022
Hamilton, Bermuda

Lancashire Holdings Limited (“Lancashire” or “the Group”) today announces its trading statement for the three months ended 31 March 2022.

Trading statement highlights

- Gross premiums written increased by 34.7% year-on-year to \$477.9 million.
- Group Renewal Price Index (RPI) of 106%.
- Net loss estimates from the conflict incurred within Ukraine in the range of \$20-30 million.
- Regulatory ECR ratio of approximately 255% as at 31 December 2021.
- Total net investment return of negative 2.3%, primarily driven by unrealised losses.

Alex Maloney, Group Chief Executive Officer, commented:

“Lancashire continues to be shocked and saddened by the tragic human costs and wider destructive impacts of the conflict in Ukraine. In response to the developing humanitarian crisis, Lancashire is supporting UNICEF and the Red Cross through direct contributions from the Lancashire Foundation as well as matching employee donations.

From a business perspective, we continue to monitor events across Ukraine and Russia with respect to potential exposure to losses in our political violence, aviation war and marine insurance classes, as well as our aviation and specialty reinsurance classes.

We estimate that our ultimate net losses incurred within Ukraine are in the range of \$20 million to \$30 million.

This continues to be a complex and evolving situation and we will give an update at the announcement of our half year results in July. While we continue to analyse our potential exposure scenarios in Russia, we consider that any potential losses would be within our risk tolerances, and would not impact our ability to deliver on our ambitious growth plans for 2022.

Against this backdrop, underlying trading conditions remain favourable and Lancashire has continued to deliver strong premium growth in the first quarter, with a 34.7% increase in gross premiums written year-on-year. In light of the potential for broader market dislocation, we remain confident that our strong balance sheet, robust capital position and talented underwriting teams, will give us further opportunities for profitable growth during 2022.”

Business update

Gross premiums written

	Three months ended				
	31 March	31 March	Change	Change	RPI
	2022	2021			
	\$m	\$m	\$m	%	%
Property and casualty reinsurance	310.1	223.0	87.1	39.1	108
Property and casualty insurance	56.2	39.2	17.0	43.4	104
Aviation	23.7	25.6	(1.9)	(7.4)	103
Energy	52.2	45.2	7.0	15.5	104
Marine	35.7	21.8	13.9	63.8	106
Total	477.9	354.8	123.1	34.7	106

The increase in gross premiums written of 34.7% for the first three months of 2022 compared to the same period in 2021 was primarily due to growth in the property and casualty reinsurance segment driven by new business in the new casualty reinsurance classes of business. Overall the RPI for this segment remained strong at 108%.

The growth in the property and casualty insurance segment, was primarily due to the continued build out of the property direct and facultative book of business as well as new business in property political risk and property construction classes.

Growth in the marine class was driven by a combination of new business, the renewal of a large multi-year contract and the marine liability class of business having a very strong RPI.

The increase in the energy segment was primarily driven by new business in the energy liabilities class, where the Group has added new underwriting teams and expanded its offering.

The first quarter is not a major renewal period for the aviation segment and the gross premium written has remained comparable to the prior year.

Loss environment

We estimate that our ultimate net losses incurred within Ukraine are in the range of \$20 million to \$30 million, excluding the impact of reinstatement premiums. Our loss estimates for Ukraine and potential losses in Russia will continue to be assessed as the conflict and the implications of sanctions evolve.

Investments

	31 March 2022	31 March 2021
Duration	2.0 years	1.8 years
Credit quality	A+	A+
Book yield	1.5%	1.5%
Market yield	2.3%	0.9%
Managed investments (\$m)	\$2,303.8	\$2,141.2

All sectors of the fixed income and equity markets suffered negative returns during the quarter, which saw a significant increase in interest rates, a widening of credit spreads and market volatility in the wake of the conflict in Ukraine. Our investment portfolio produced a negative return of 2.3%, primarily driven by unrealised losses.

Intention to purchase own shares

Pursuant to and in accordance with the general authority granted by shareholders at Lancashire's Annual General Meeting held on 27 April 2022, Lancashire intends to purchase up to 3,000,000 of its common shares of \$0.50 each in order to satisfy a number of future exercises of awards under its Restricted Share Scheme. A further announcement in accordance with Listing Rule 12.4 will be made in due course.

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 28 April 2022. The conference call will be hosted by Lancashire management and a presentation will be made available on the Group's website prior to the call.

Participant Access

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

United Kingdom - Toll free:	08003589473
United Kingdom - Local:	+443333000804
United States - Toll free:	+1 855 85 70686
United States - Local:	+1 6319131422
PIN Code	90460598#

URL for additional international dial in numbers:

https://events-ftp.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://onlinexperiences.com/scripts/Server.nxp?LASCmd=AI:4;F:QS!10100&ShowUUID=6C5C8259-D436-4C24-AF99-F4DEA563758F>

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

<https://www.lancashiregroup.com/en/investors/results-reports-and-presentations.html>

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About Lancashire

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

Lancashire has capital of approximately \$1.8 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.

This release contains information, which may be of a price sensitive nature that Lancashire is making public in a manner consistent with the UK Market Abuse Regulation and other regulatory obligations. The information was submitted for publication, through the agency of the contact persons set out above, at 07:00 BST on 28 April 2022.

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 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 2021.

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", "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 2021. 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 CONFLICT IN UKRAINE, INCLUDING ANY ESCALATION OR EXPANSION THEREOF, 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. 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 TRADING STATEMENT AND THE REPORT AND ACCOUNTS NOTED ABOVE WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.