LANCASHIRE HOLDINGS LIMITED

29 July 2020
Hamilton, Bermuda

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its results for the six months ended 30 June 2020.

Highlights:

- **Resilient business model and operational capabilities despite COVID-19 global disruption; high productivity maintained.**
- **Gross premiums written increased by 15.3% year on year to $495.5 million, ahead of rate, with the Group Renewal Price Index of 111%.**
- **Strong underlying underwriting performance, with a combined ratio of 88.9% absent the COVID-19 loss estimate (106.9% including COVID-19).**
- **Investments rebounded in Q2, resulting in total net investment return of 1.3% for the six months ended 30 June 2020.**
- **Interim dividend of $0.05 per common share.**

	Six months ended	
	30 June 2020	**30 June 2019**
Financial highlights ($m)		
Gross premiums written	495.5	429.6
Net premiums written	282.5	222.6
Underwriting income	39.4	79.4
(Loss) profit before tax	(23.0)	40.5
Comprehensive (loss) income[1]	(14.7)	68.7
Financial ratios		
Total investment return (including internal currency hedging)	1.3%	3.2%
Net loss ratio	57.4%	34.5%
Combined ratio	106.9%	86.6%

[1] These amounts are attributable to Lancashire and exclude non-controlling interests.

Alex Maloney, Group Chief Executive Officer, commented:

"The global COVID-19 pandemic has presented a difficult set of threats to our health, our societies and our economies which remain both fluid and uncertain.

Once again, I would like to thank all of our people at Lancashire for showing their continued creativity and commitment, which has been so central to demonstrating a robust operational flexibility and resilience, since successfully moving to a home working environment in March 2020. This nimble "can do" culture within our business has given Lancashire the resources to continue to meet the needs of our clients and their brokers against this unprecedented backdrop. Our underlying business has performed very well during this period and we have been able to respond rapidly to take advantage of the improving (re)insurance market, generating a 15% increase in gross premiums written in the first half of the year.

In the face of the challenges generated by the COVID-19 pandemic to both sides of the balance sheet, there has been a retrenchment in (re)insurance market risk capital and capacity. In the year to 30 June 2020, we have witnessed double-digit percentage rate increases in many of our lines of business and accelerated rating dislocation in the catastrophe exposed reinsurance lines, resulting in rises in the range of 20%-30% for 1 June renewals in Florida. I believe that the economic fundamentals now dictate that this pricing trend is likely to strengthen throughout 2020 and into 2021 across a number of our business lines, and that current market conditions present an attractive opportunity for growth consistent with our strategy of deploying capital in line with the insurance market cycle.

We were pleased to have executed a successful equity capital raise as announced on 10 June 2020. We took this step to allow us to deploy capital to take advantage of the growth opportunities presented by the improving pricing environment. I would like to thank our existing and new shareholders for their strong support for the capital raise.

The effects of COVID-19 as a loss event to the insurance and reinsurance markets remain both ongoing and uncertain. For Lancashire, the current estimated impact of the COVID-19 loss event has been assessed consistent with our usual internal processes for deriving ultimate loss estimates, albeit that there is higher uncertainty with this event. During the second quarter of 2020, we increased our COVID-19 loss estimate to approximately $42 million, from approximately $35 million, net of reinsurance and reinstatement premiums. As noted in the our Q1 trading statement, Lancashire does not write the following lines of business: travel insurance; trade credit; accident and health; Directors' and Officers' liability; medical malpractice; and long-term life. The Group also has minimal exposure to mortgage business and is exposed to a small number of event cancellation contracts.

In a rapidly changing market, we are seeing attractive opportunities to develop many of our existing lines of business and to establish new ones. Our business is well positioned to grow our underwriting portfolio and to develop opportunities to improve the risk adjusted returns for our business and our investors."

Natalie Kershaw, Group Chief Financial Officer, commented:

"For the first half of 2020 we generated an underwriting profit of $39.4 million and an overall comprehensive loss of $14.7 million. Our financial results were impacted by the COVID-19 losses, plus a number of late reported attritional claims from prior years. Excluding COVID-19 we did not incur any new major losses in the first half of the year and we have seen significant premium growth across all our underwriting segments. Our investment strategy remains conservative and whilst our portfolio was impacted by the volatility which occurred during the first quarter of 2020 as a result of the global pandemic, I am pleased to note that for the year to 30 June 2020 our portfolio recovered to generate a positive return of 1.3%.

In line with our stated ordinary dividend policy, on 28 July we declared an ordinary interim dividend of $0.05 per share."

Underwriting results

	Six months ended				
Gross premiums written	**2020**	**2019**	**Change**	**Change**	**RPI**
	$m	**$m**	**$m**	**%**	**%**
Property	300.1	268.5	31.6	11.8	107
Energy	91.7	76.4	15.3	20.0	110
Marine	53.5	45.4	8.1	17.8	113
Aviation	50.2	39.3	10.9	27.7	121
Total	**495.5**	**429.6**	**65.9**	**15.3**	**111**

Gross premiums written increased by 15.3% in the first six 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 of the property classes, with rate and exposure increases also a strong contributor to the growth. Compared to the prior year, the second quarter renewal season was particularly strong, and saw the Group benefit from the hardening pricing environment. This contributed to significant growth in the property catastrophe class of business in the second quarter. These increases were partially offset by a reduction of premiums in the political risk class, which is largely a non-renewing book, plus a reduced level of reinstatement premium compared to the same period in 2019.

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 marine gross premiums written was primarily due to rate and exposure increases across all lines of business supported by new business growth in the marine cargo and the marine hull classes of business. The marine segment also benefited from exposure increases on policies bound in prior underwriting years.

Although the first half of the year is not a major renewal period for the aviation segment, we saw a significant increase in gross premiums written primarily due to new business and rate increases in the aviation deductible and the aviation hull and liability classes of business, as well as exposure increases on policies bound in prior underwriting years in the AV52 class.

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Ceded reinsurance premiums increased by $6.0 million, or 2.9%, in the first six months of 2020 compared to the same period in 2019. The increased spend was primarily due to cover purchased for newer classes of business. There was also increased outwards quota share reinsurance spend as a result of the higher inwards gross premiums written in the associated classes of business. These increases were largely 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 the first six months of 2020 was 57.4% compared to 34.5% for the same period in 2019. The accident year loss ratio for the first six months of 2020, including the impact of foreign exchange revaluations, was 55.4% compared to 40.5% for the same period in 2019. Excluding the impact of COVID-19, the Group's net loss ratio was 40.0% and the accident year loss ratio was 38.2%.

As at 30 June 2020, the Group's COVID-19 ultimate loss estimate, net of reinsurance and reinstatement premiums, amounted to approximately $42 million. This arose primarily from 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.

Prior year unfavourable development for 2020 was $5.1 million, compared to $15.9 million of favourable development for the same period in 2019. The unfavourable development during the first six months of 2020 was primarily driven 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, in addition to adverse development on the 2010 New Zealand earthquake in the property segment. The favourable development during the first six months of 2019 was primarily due to general IBNR releases across most lines of business, offset somewhat by 2018 accident year claims in our property and energy segments.

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

	Six months ended	
	2020	2019
	$m	$m
Property	(3.7)	4.8
Energy	11.6	1.1
Marine	(14.5)	7.2
Aviation	1.5	2.8
Total	**(5.1)**	**15.9**

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.

	Six months ended	
	2020	2019
	$m	$m
2010 accident year and prior	(5.6)	4.3
2011 accident year	0.3	1.9
2012 accident year	0.3	0.5
2013 accident year	(0.2)	0.5
2014 accident year	(0.5)	(0.2)
2015 accident year	0.5	–
2016 accident year	0.4	9.0
2017 accident year	(5.2)	10.0
2018 accident year	14.8	(10.1)
2019 accident year	(9.9)	–
Total	**(5.1)**	**15.9**

Note: Positive numbers denote favourable development.

The ratio of IBNR to total net loss reserves was 34.8% at 30 June 2020 compared to 34.8% at 30 June 2019.

Investments

Net investment income, excluding realised and unrealised gains and losses, was $14.9 million for the first six months of 2020, a decrease of 24.0% from the same period in 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 a gain of $22.0 million for the first six months of 2020 compared to a gain of $57.1 million for the first six months of 2019.

The Group's investment portfolio returned 1.3% for the first six months of 2020. As previously reported, the first quarter of 2020 produced a negative investment return of 1.9% given market volatility due to the COVID-19 pandemic, which then largely reversed in the second quarter resulting in quarterly gains of 3.3%. The second quarter gains were seen across all asset classes that benefited from significant U.S. fiscal stimuli. Fixed maturities recouped all of the losses from the first quarter, with hedge funds, bank loans and private debt funds still showing small losses on a year to date basis.

Returns in the first six months of 2019 were driven by a strong equity market combined with both a decrease in treasury yields and a narrowing of credit spreads. This resulted in positive performance in all asset classes, particularly in the bank loan, equity and hedge fund portfolios.

The managed portfolio was as follows:

	As at 30 June 2020	As at 31 December 2019	As at 30 June 2019
Fixed maturity securities	81.0%	79.0%	82.1%
Cash and cash equivalents	11.8%	11.4%	6.9%
Hedge funds	4.5%	8.7%	9.5%
Private investment funds	2.7%	0.9%	–
Equity securities	–	–	1.5 %
Total	**100.0%**	**100.0%**	**100.0%**

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

	As at 30 June 2020	As at 31 December 2019	As at 30 June 2019
Duration	1.9 years	1.8 years	1.8 years
Credit quality	AA-	A+	A+
Book yield	1.8 %	2.4 %	2.7 %
Market yield	1.1 %	2.1 %	2.4 %

Third Party Capital Management

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

	Six months ended 2020 $m	2019 $m
Lancashire Capital Management underwriting fees	2.7	1.9
Lancashire Syndicates' fees & profit commission	0.8	0.9
Total other income	**3.5**	**2.8**
Share of profit of associate	1.1	0.1
Total net third party capital management income	**4.6**	**2.9**

The higher Lancashire Capital Management underwriting fees in 2020 reflect the increased level of premiums under management compared to 2019. The share of profit of associate reflects Lancashire's equity interest in the Lancashire Capital Management managed vehicle.

Other operating expenses

Other operating expenses were $55.1 million in the first six months of 2020 compared to $50.8 million in the first six months of 2019. An increase in headcount, general salary increases and variability around incentive pay led to an increase in employment costs. This was partly offset by a reduction in other operating expenses and the favourable impact from the depreciation of Sterling foreign exchange rates relative to the prior period.

Equity based compensation

The equity based compensation expense was $7.0 million in the first six months of 2020 compared to $3.8 million in the first six months of 2019. The equity based compensation charge was driven by anticipated vesting levels of active awards based on current performance expectations.

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 30 June 2020, total capital available to Lancashire was $1.830 billion, comprising shareholders' equity of $1.506 billion and $323.7 million of long-term debt. Tangible capital was $1.675 billion. Leverage was 17.7% on total capital and 19.3% on total tangible capital. Total capital and total tangible capital as at 30 June 2019 were $1.445 billion and $1.291 billion respectively.

Per share data

	Six months ended	
	30 June 2020	**30 June 2019**
Fully converted book value per share	$6.16	$5.52
Return on equity[1]	7.2%	6.9%
Return on equity excluding the impact of the capital raise[1]	(1.0%)	6.9%
Dividends per common share for the financial year[2]	$0.05	$0.05
Diluted (loss) earnings per share	($0.13)	$0.19

[1] Return on equity is defined as the change in fully converted book value per share, adjusted for dividends. See the section headed "Alternative Performance Measures" below for further detail on how the Group defines return on equity.
[2] See the section headed "Dividends" below for the Record Date and Dividend Payment Date.

Dividends

Lancashire announces that on 28 July 2020 its Board of Directors declared an interim dividend for 2020 of $0.05 (approximately £0.04) per common share, which will result in an aggregate payment of approximately $12.1 million. The dividend will be paid in Pound Sterling on 11 September 2020 (the "Dividend Payment Date") to shareholders of record on 14 August 2020 (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 Unaudited Condensed Interim Consolidated Financial Statements for the six months ended 30 June 2020 and the 2020 half year Financial Supplement are published on Lancashire's website at www.lancashiregroup.com.

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 EDT on Wednesday 29 July 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 Toll: +44 3333000804
United States Toll-Free: +1 855 85 70686
United States Toll: +1 6319131422
PIN code: 46831254#

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/Launch/QReg/ShowUUID=548AF467-7210-41FE-83C0-4FC47E9F9DFA

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 $1.8 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.

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 with effect from 1 January 2019.

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 BST on 29 July 2020.

Alternative Performance Measures

As is customary in the insurance industry, the Group also utilises certain non-GAAP measures ("**Alternative Performance Measures**" or "**APMs**") in order to evaluate, monitor and manage the business and to aid users' understanding of the Group. In compliance with the Guidelines on APMs of the European Securities and Markets Authority, we give information on APMs in the table below. This information has not been audited.

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 labeled 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.

The following APMs included in this release have not been prepared in accordance with the accounting principles used by the Group for its audited and / or interim consolidated financial statements. Below is an explanation of the definition of these APMs as well as information regarding their relevance:

APM	**Definition**	**Relevance**
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.
Net acquisition cost 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.
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.
Accident year loss ratio	The accident year loss ratio is calculated using the accident year ultimate liability re-valued 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.
Combined ratio	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 significantly less than 100 per cent.

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's net asset value on a diluted per share basis for comparison to the market value per share.
Return on equity ("**RoE**") (RoE is also sometimes referred to as the change in FCBVS adjusted for dividends)	The internal rate of return of the change in FCBVS in the period, plus dividends accrued. Tangible RoE attributable to the Group excludes intangible assets from capital.	The Group's aim is to maximise risk adjusted returns for its shareholders across the cycle.
Total investment return	Total investment return measures investment income and net realised and unrealised gains and losses produced by the Group's managed investment portfolio.	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 the Group aims for a degree of investment portfolio return.

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", "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, 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 NEGOTIATIONS REGARDING THE UK'S RELATIONSHIP WITH THE EUROPEAN UNION ON THE GROUP'S BUSINESS, REGULATORY RELATIONSHIPS, UNDERWRITING PLATFORMS OR THE INDUSTRY GENERALLY, FOLLOWING THE UK'S EXIT FROM THE EUROPEAN UNION WHICH TOOK PLACE AT THE END OF JANUARY 2020.

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 (loss) income

	Six months 2020 $m	Six months 2019 $m
Gross premiums written	495.5	429.6
Outwards reinsurance premiums	(213.0)	(207.0)
Net premiums written	**282.5**	**222.6**
Change in unearned premiums	(129.3)	(104.2)
Change in unearned premiums on premiums ceded	77.6	94.3
Net premiums earned	**230.8**	**212.7**
Net investment income	14.9	19.6
Net other investment (losses) income	(15.5)	7.3
Net realised gains (losses) and impairments	10.6	(0.2)
Share of profit of associate	1.1	0.1
Other income	3.5	2.8
Net foreign exchange losses	(3.9)	(2.3)
Total net revenue	**241.5**	**240.0**
Insurance losses and loss adjustment expenses	159.2	152.0
Insurance losses and loss adjustment expenses recoverable	(26.8)	(78.6)
Net insurance acquisition expenses	59.0	59.9
Equity based compensation	7.0	3.8
Other operating expenses	55.1	50.8
Total expenses	**253.5**	**187.9**
Results of operating activities	**(12.0)**	**52.1**
Financing costs	11.0	11.6
(Loss) profit before tax	**(23.0)**	**40.5**
Tax charge	(3.0)	(1.4)
(Loss) profit after tax	**(26.0)**	**39.1**
Non-controlling interests	–	–
(Loss) profit after tax attributable to Lancashire	**(26.0)**	**39.1**
Net change in unrealised gains/losses on investments	12.0	30.4
Tax charge on net change in unrealised gains/losses on investments	(0.7)	(0.8)
Other comprehensive income	**11.3**	**29.6**
Total comprehensive (loss) income attributable to Lancashire	**(14.7)**	**68.7**
Net loss ratio	57.4%	34.5%
Net acquisition cost ratio	25.6%	28.2%
Administrative expense ratio	23.9%	23.9%
Combined ratio	106.9%	86.6%
Basic (loss) earnings per share	$ (0.13)	$ 0.19
Diluted (loss) earnings per share	$ (0.13)	$ 0.19
Change in fully converted book value per share	7.2%	6.9%

Consolidated balance sheet

	As at 30 June 2020 $m	As at 30 June 2019 $m	As at 31 December 2019 $m
Assets			
Cash and cash equivalents	496.5	232.8	320.4
Accrued interest receivable	7.3	6.6	7.2
Investments	1,689.6	1,581.3	1,525.1
Inwards premiums receivable from insureds and cedants	459.1	425.4	350.5
Reinsurance assets			
- Unearned premiums on premiums ceded	167.1	151.0	89.5
- Reinsurance recoveries	323.1	306.4	327.5
- Other receivables	27.6	43.2	16.9
Other receivables	33.3	56.2	51.7
Investment in associate	81.5	65.2	108.3
Property, plant and equipment	0.9	1.3	1.2
Right-of-use asset	16.8	19.5	18.2
Deferred acquisition costs	96.8	84.8	81.7
Intangible assets	154.5	153.8	154.5
Total assets	**3,554.1**	**3,127.5**	**3,052.7**
Liabilities			
Insurance contracts			
- Losses and loss adjustment expenses	888.6	884.1	874.5
- Unearned premiums	535.7	474.8	406.4
- Other payables	26.4	40.8	27.4
Amounts payable to reinsurers	179.6	178.2	126.6
Deferred acquisition costs ceded	17.2	11.4	17.6
Other payables	42.0	54.7	47.5
Corporation tax payable	1.6	2.1	2.4
Deferred tax liability	12.2	12.3	9.6
Interest rate swap	1.3	1.4	1.1
Lease liability	19.6	22.5	21.9
Long-term debt	323.7	324.1	323.5
Total liabilities	**2,047.9**	**2,006.4**	**1,858.5**
Shareholders' equity			
Share capital	121.3	101.0	101.5
Own shares	(6.7)	(5.3)	(13.3)
Other reserves	1,202.3	867.9	881.3
Accumulated other comprehensive income	24.8	15.3	13.5
Retained earnings	164.4	141.9	210.6
Total shareholders' equity attributable to equity shareholders of Lancashire	**1,506.1**	**1,120.8**	**1,193.6**
Non-controlling interest	0.1	0.3	0.6
Total shareholders' equity	**1,506.2**	**1,121.1**	**1,194.2**
Total liabilities and shareholders' equity	**3,554.1**	**3,127.5**	**3,052.7**
Basic book value per share	$6.23	$5.57	$5.92
Fully converted book value per share	$6.16	$5.52	$5.84

Consolidated statement of cash flows

	Six months 2020 $m	Six months 2019 $m
Cash flows (used in) from operating activities		
(Loss) profit before tax	(23.0)	40.5
Tax paid	(1.2)	–
Depreciation	1.7	2.0
Interest expense on long-term debt	8.2	9.4
Interest expense on finance leases	0.6	0.7
Interest and dividend income	(17.9)	(19.2)
Net amortisation of fixed maturity securities	1.6	(1.0)
Equity based compensation	7.0	3.8
Foreign exchange losses	0.1	2.0
Share of profit of associate	(1.1)	(0.1)
Net other investment losses (income)	15.0	(7.3)
Net realised losses (gains) and impairments	(10.6)	0.2
Net unrealised losses on interest rate swaps	0.2	1.0
Changes in operational assets and liabilities		
- Insurance and reinsurance contracts	(10.1)	(51.2)
- Other assets and liabilities	14.3	(9.0)
Net cash flows (used in) from operating activities	**(15.2)**	**(28.2)**
Cash flows (used in) from investing activities		
Interest and dividends received	19.0	19.4
Purchase of property, plant and equipment	–	(0.6)
Purchase of underwriting capacity	–	–
Investment in associate	27.9	2.0
Purchase of investments	(619.3)	(522.9)
Proceeds on sale of investments	458.4	639.6
Net cash flows (used in) from investing activities	**(114.0)**	**137.5**
Cash flows from (used in) financing activities		
Interest paid	(8.3)	(9.4)
Lease liabilities paid	(1.8)	(1.8)
Proceeds from issuance of common shares	340.3	–
Dividends paid	(20.2)	(20.1)
Dividends paid to minority interest holders	(0.5)	–
Distributions by trust	(0.7)	(1.0)
Net cash flows from (used in) financing activities	**308.8**	**(32.3)**
Net increase in cash and cash equivalents	**179.6**	**77.0**
Cash and cash equivalents at the beginning of year	320.4	154.6
Effect of exchange rate fluctuations on cash and cash equivalents	(3.5)	1.2
Cash and cash equivalents at end of period	**496.5**	**232.8**