



# Driving forward *a more diverse and robust business*

**Alex Maloney**  
Group Chief Executive Officer

This year our focus remained firmly on delivering our long-term strategy and actively managing the cycle.

I'm very pleased to report that Lancashire continued its strong growth trajectory, increasing gross premiums written year-on-year by 34.9% to \$1.7 billion and delivering a combined ratio of 97.7%.

Our robust underwriting performance came against a backdrop of high industry losses and a volatile macroeconomic environment.

In line with our 'underwriting comes first' principle, we have continued to expand our footprint and take full advantage of the organic growth opportunities and rate increases being seen across the majority of our product lines.

This growth has come from those lines where we have longer-term strength and expertise and from those we have added over the past few years as part of our actions to diversify and fortify our portfolio.

Although there have been years in the past when we have had to be patient, we are now starting to see the benefits of the expansion we started in 2018 coming through.

Traditionally, Lancashire has been seen as an established writer of natural catastrophe risk business meaning that when such events occur it is expected to impact our performance. However, during 2022 we have demonstrated that the growth and diversification of recent years now allows us to absorb significant catastrophe losses, such as hurricane Ian. While this event is estimated to be the second most costly hurricane on record, we have still produced a net underwriting profit.

This is a notable positive step-change for the business and testament to the clear long-term strategy we have set out.

Catastrophe and weather related losses for the year, excluding the impacts of reinstatement premiums, were \$218.4 million. This includes the impact of hurricane Ian, which was within our expectations for these types of events and at the lower end of the \$160 million to \$190 million range provided at Q3.

*“Everything we do is driven by the underwriting opportunity. It is why we are here and why we do what we do.”*

We previously set aside \$22 million for direct claims emanating from the conflict in Ukraine. In Q4, we subsequently revised this to include an additional management margin for any potential indirect claims related to the conflict across a number of classes. Our potential claims related to the conflict now total \$65.8 million. Given the nature of the conflict, the ultimate claims relating to the event are subject to a high level of uncertainty.

On investments, the volatility in the global financial markets and higher interest rates have understandably affected our 2022 investment result, which was negative 3.5% including mark-to-market losses. These losses are largely unrealised and were the most significant driver of the negative change in FCBVS of 6.7% for the year. Going forward, we expect to see higher investment income as a result of the higher interest rate environment.

From a capital perspective, we held a very strong position throughout the year and we have the necessary headroom to continue to write profitable business, and deliver returns, during what we expect to be a harder market in 2023.

Overall, I am pleased with our performance in 2022, and that the decisions we have made in the past few years to better balance the portfolio mean we have returned an underwriting profit in a challenging year.

During 2022, we have continued to strengthen our underwriting teams and our organisational infrastructure through key internal promotions and external hires.

Lancashire aims to retain and attract the best people in our industry. Our underwriters have market-leading expertise and our support functions are vitally important in the overall delivery of our growth strategy.

We made a number of senior appointments from within our existing underwriting teams during the year. This is testament to the strength of talent, knowledge and experience that we have at Lancashire, in underwriting and across the wider business.

Our long-term investment in developing our people means that we are able to reward and promote colleagues across the Group when suitable opportunities arise.

We are also enhancing and expanding our capabilities in a range of areas, including business development, human resources, procurement, change and vendor management, and sustainability.

We have always recruited on merit which has given us the benefits of a diverse employee community and we continue to look at how we can bring more people into the industry from a range of backgrounds.

### **Q: How have the business's strategic objectives and vision changed in 2022?**

**A:** Each year the Board reviews the Group strategy, and in 2022 we made some changes to reflect the size of the business and our future aspirations. This includes a new focus on our people, operations and sustainability.

It is important to stress that our number one priority remains the same and will not change – underwriting comes first.

It is this emphasis on disciplined underwriting that underpins everything we do. It is also in many cases why people want to join Lancashire.

They know that we have a strong team, in both underwriting and support functions, and that we value and reward expertise and talent.

As I said last year, everything we do is driven by the underwriting opportunity. It is why we are here, why we do what we do and why we play an important role in supporting and protecting communities and economies across the world.

I am pleased that in delivering on our strategy we have the full support of our people. We hosted sessions in London and Bermuda during 2022 for our people managers, where we had an opportunity to discuss how to bring the strategy and vision to life – and how we can further improve the work experience for employees.

This spirit of collaboration is incredibly important for us at Lancashire.

Fundamentally we are a people business and we have a high level of engagement from all our colleagues. Keeping our positive culture and making Lancashire a place that develops, retains and attracts quality people is central to our success going forward.

I very much look forward to the opportunities for further profitable growth that the next 12 months may bring, and I'd like to thank all of our colleagues for their hard work, and our investors, clients, and brokers for their support during the past year.