



A stronger *and more resilient business*

Peter Clarke
Non-Executive Chair

For Lancashire, 2022 was the year where we continued to implement our long-term strategy of building a more diverse and robust business. We deployed our capital according to the opportunity in an improving pricing environment.

The year started with a challenging macroeconomic environment, which was further amplified by the conflict in Ukraine. In addition, the insurance industry had to deal with the large natural catastrophe loss of hurricane Ian and other loss events.

However, I am very pleased that we maintained our strong forward momentum – with an increase in gross premiums written of 34.9% – despite the various challenges.

This is the second year of strong premium growth since we raised new equity capital in 2020, and we now have a more diversified and balanced underwriting portfolio.

The Board is pleased with this continued growth in both existing and new classes including longer tail casualty lines, and the Group's position going into a strong market for many of our product lines in 2023.

Overall, the Board is satisfied that the business has demonstrated discipline and resilience in a challenging year.

The Group's negative change in FCBVS of 6.7%, based on the comprehensive loss of \$92.6 million, was mainly driven by rising U.S. interest rates and general volatility in investment markets. These have impacted our investment returns at negative 3.5% and resulted in unrealised losses on our investment portfolio during the year, which we expect to unwind for the most part as our predominantly shorter duration assets reach maturity.

Elevated natural catastrophe insured losses also contributed, with estimated industry-wide losses in 2022 of around \$120bn, exceeding the 10-year average by 40%.

Natural catastrophe risk business, particularly property catastrophe risks, is an important part of Lancashire's product offering to its clients, offering confidence to vulnerable communities that they can return to normal post a loss event.

As a result, we can expect our underwriting results to be impacted by catastrophe losses such as hurricane Ian. Nevertheless, Lancashire delivered a combined ratio of 97.7%, which demonstrates the benefits of the current growth and greater risk diversification in enabling us to produce an underwriting profit even in a year of heightened losses.

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This is testament to the delivery of our strategy to grow our footprint when the market opportunity allows, and to rigorously monitor and manage our risk exposures through the cycle.

The Group’s philosophy on reserving has been conservative and is well established. Management engaged proactively with the Board during 2022 in explaining the reserving exercises which were conducted, in particular with regard to the conflict in Ukraine and hurricane Ian. This gives us the confidence in our overall capital position and Natalie talks more about this in her review.

Importantly, maintaining our positive culture as we grow is at the heart of Lancashire’s strategy, as outlined by Alex in his review. The Board is fully supportive of management’s efforts to ensure we continue to retain and attract a talented and diverse group of colleagues.

During 2022, we also continued to have an active dialogue on issues of climate change, sustainability and governance. We were pleased to join the ClimateWise organisation during the year and we have again reported against the recommendations of TCFD and outlined our activities in measuring and actively monitoring climate change effects on the Group.

Through the Lancashire Foundation we have always sought to support charities that have a positive impact on the communities they serve. The cost-of-living crisis has made that need even more acute. I am pleased that during 2022, the Foundation’s focus on social causes has been increasingly valuable and effective. The Foundation’s support for homeless charities is particularly apt and the organisations we have funded include in their ethos a long-term goal of helping people back on their feet.

During the course of 2022, we have acknowledged and discussed the impact that the increased cost-of-living can have on some employees. We have ensured that our focus with regards to remuneration and assistance has been targeted to benefit those who are likely to require additional support the most. To that end, the Board approved a one-off cost-of-living payment for employees whose salary was below a specific level. You can read more about our work on Environmental, Social and Governance matters in our sustainability section starting on page 40.

As in previous years, we have not changed our dividend strategy. Subject to a shareholder vote at the 2023 AGM, we propose to pay a final ordinary dividend of \$0.10 per common share, unchanged on prior years. Further information can be found on page 119. Our dividend policy is set out on page 118.

Q: How have employees assisted in navigating a challenging year?

A: Lancashire employs some of the best people in our industry. Our underwriters have market-leading expertise and all our support functions effectively aid our overall goal to deliver on our strategy.

In a challenging year, acting as one team with one driver for success is incredibly important. I am reminded constantly in my conversations with people from around the business of the strength of pride that they feel in working at Lancashire.

On behalf of the Board, I would like to thank Alex, the wider management team and all our colleagues for their hard work and commitment.

We believe the outlook for 2023 and beyond is extremely exciting and that we have the right teams across the Group to deliver our strategy and grow when there are opportunities.