Our market *environment*

At Lancashire, we build when market conditions are favourable to create sustainable returns.

Our strong balance sheet will support our growth ambitions.

Natalie Kershaw
Group Chief Financial Officer

A balanced *approach*

Natalie Kershaw
Group Chief Financial Officer

We held a very strong capital position throughout the year and we have the necessary headroom to write profitable business during what promises to be an improving insurance market in 2023. We will always use our capital effectively to support the underwriting environment and manage our exposures to market conditions.

Financial highlights

	2022 $m	2021 $m	2020 $m	2019 $m	2018 $m
Gross premiums written	**1,652.3**	1,225.2	814.1	706.7	638.5
Net underwriting profit	**150.8**	69.0	77.0	186.5	121.7
(Loss) profit after tax[1]	**(3.3)**	(62.2)	4.2	117.9	37.5
Comprehensive (loss) income[1]	**(92.6)**	(92.9)	24.3	145.7	24.7
Dividends[2]	**36.2**	36.4	32.3	30.2	70.2
Diluted (loss) earnings per share	**($0.01)**	($0.26)	$0.02	$0.58	$0.19
Fully converted book value per share	**$5.24**	$5.77	$6.28	$5.84	$5.26
Change in FCBVS	**(6.7%)**	(5.8%)	10.2%	14.1%	2.4%
Combined ratio	**97.7%**	107.3%	107.8%	80.9%	92.2%
Accident year loss ratio	**69.9%**	81.0%	71.4%	51.3%	70.0%
Total investment return	**(3.5%)**	0.1%	3.9%	4.9%	0.8%

1. Amounts are attributable to Lancashire and exclude non-controlling interests.
2. Dividends are included in the financial statement year in which they were recorded.

During 2022, we have continued to deliver on our strategy to diversify our portfolio.

We have reported a combined ratio of 97.7%% for 2022, a strong performance when set against a backdrop of significant loss events, including hurricane Ian, and the conflict in Ukraine.

For hurricane Ian we incurred catastrophe losses of $163.3 million, excluding the impact of reinstatement premiums, in line with our expectations for this type of event.

The work we have done over the past four years has been targeted at strategic growth, and we reported gross premiums written for the year at $1,652.3 million - an increase of 34.9% on 2021.

This growth has come both from those lines where we are traditionally strong, and from the newer classes of business that we have begun to write with new talented underwriting teams joining us.

Lancashire has always had a well-established approach to reserving, and we have a consistent approach to these newer lines. Our philosophy is to be conservative and comfortable with how these classes are performing during the first years of writing this business.

When catastrophe loss events occur, such as hurricane Ian, the size of our business and our strong collaborative culture mean that we have a clear line of sight in assessing the likelihood of claims arising. We use a combination of sophisticated modelling techniques, historical loss experience analysis, and our team's expert judgement to estimate ultimate losses. These loss estimates are developed on a contract-by-contract basis rather than a percentage of a wider expected industry loss.

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.

The volatility in the global financial markets and steeper interest rates have inevitably affected our investment performance. Our investment result for 2022 was a negative return of 3.5% including mark-to-market losses. These losses are largely unrealised and are the main contributing factor to the comprehensive loss of $92.6 million.

The short duration of our portfolio means that we will see the benefit of the higher interest rate environment going forward in 2023. These additional returns will complement the growth in our underwriting portfolio.

In the medium term, we do not expect to make material changes to our investment strategy, with a focus on a short duration portfolio.

Clearly, global commerce across sectors will also be impacted by higher inflation. For Lancashire we have experience managing inflationary pressures – in both directions – through a number of our product lines.

Looking forward, our strategy has always been to manage the underwriting cycle and we are pleased that the decisions we have made in the past few years have put us in a strong position to take advantage of the market opportunities we will see in 2023.

From a capital perspective, we held a very strong capital position throughout the year, and we have the necessary headroom to write profitable business during what promises to be an improving insurance market in 2023. This includes our catastrophe products, where we are happy with our position in the market and share of risk.

We will always use our capital effectively to support the underwriting environment and manage our exposures to market conditions.

Maximising returns for the capital deployed is what we are here to do, providing the best opportunity for returns for our shareholders. As we move forward into 2023, and beyond, our strategy for growth will continue to focus on less capital-intensive lines of business while matching the underwriting of more volatile classes with the market opportunity.

Our strong capital position brings optionality, which is always beneficial in a fast-moving market. During 2022, we undertook a share repurchase programme to buy 4,589,592 common shares totalling $23.3 million to fund future exercises of awards under our RSS.

2022 was my second full year of serving as Group CFO. I am constantly impressed by the commitment of our teams across the business and their sharp focus on delivering on our strategic priorities.

I am extremely confident that Lancashire is in a strong position to further grow in a disciplined way as the pricing environment continues to move in a positive direction. The events of 2022 will only accelerate that change and we are well placed to optimise those opportunities.

Q: What preparations for the IFRS 17 changes has the business made in 2022?

A: During 2022, we have spent a considerable amount of time fine-tuning our preparations for the transition to IFRS 17. As the biggest insurance accounting change for more than a generation, it has been many years in the making.

As we move into implementation in 2023, we are confident that our preparations have been robust.

IFRS 17 allows businesses to make a number of judgments on how they will report. We have continued to work through these and to make the appropriate decisions to reflect the nature of our operations and our established focus on transparency.

At our Investor Day in November we outlined our approach to IFRS 17 to aid early understanding of the impact. With such a substantial change it is important to stress test our assumptions and processes, and we have carried out a number of 'parallel runs' internally, ready for final implementation in 2023.

In ensuring our systems, data, processes and people are ready we have seen a strong collaborative effort across a number of teams. While the overall preparations have been time-consuming, we have taken the opportunity to refine our wider processes and make positive enhancements. This includes improving our collation and use of data across the business, which will have the long-term benefit of making Lancashire more efficient and reducing operating costs in some areas.

Gaining *momentum*

Paul Gregory
Group Chief Underwriting Officer

For the past five years we have spoken about our desire to grow and diversify our underwriting footprint whilst market conditions are favourable. The intention of this strategy has been to build out a more robust portfolio of business that allows us to better absorb the inherent volatility of the business we underwrite. 2022 is the year where we demonstrated the benefit of this strategy.

We delivered a healthy combined ratio of 97.7% in a year characterised by a challenging loss environment. Additionally, we saw the impacts of political unrest, inflation, sanctions, and economic instability that were offset by improved market conditions.

Against this backdrop, we have continued to strengthen our underwriting bench, mainly through internal promotions and developing our talented teams.

During 2022, we once again witnessed a number of loss events that both tested our clients and demonstrated the value of the (re)insurance products we sell.

The conflict in Ukraine, and its tragic humanitarian consequences, dominated the year. Events such as these have far-reaching economic consequences and can create losses to (re)insurance policies that provide the relevant coverage. The total cost to the (re)insurance market for the conflict is not yet known, and there are a number of ongoing material uncertainties, but it is likely to be across both insurance and reinsurance classes including marine, energy, aviation, political violence, and political risk. These are classes in which we specialise and therefore have exposure to; albeit for a loss event of this magnitude, we see our estimated loss as very manageable.

"Gross Premiums Written is now at $1.7 billion. This is the highest at any point in our history and over $1 billion more than at the soft market low in 2017."

We have also seen significant industry losses from natural catastrophes with an estimated $120 billion of insured losses. A variety of events have contributed to this total including flooding in areas such as Pakistan, South Africa and Australia, hailstorms, drought and extreme heat in Europe, plus convective storms, winter storms and hurricanes across North America. Of all the natural catastrophe loss events of 2022 by far the largest from an insured perspective was hurricane Ian. Hurricane Ian impacted the west coast of Florida in late September and is estimated to be the second most costly hurricane on record. These events have once again tested our underwriting of natural catastrophe risk and, given the size of hurricane Ian, our portfolio has proved to be more robust than ever.

Despite these challenges, it has been another year of forward momentum in the build out of the underwriting portfolio and team. The underwriting environment has continued to be supportive, as demonstrated by a portfolio RPI of 108%. Almost every single sub-class of business delivered positive year-on-year rate increases, including classes that have now delivered cumulative rate rises each year for the past five years.

It is these market conditions, plus the addition of new teams and products, that have contributed to premium growth of approximately 35%, with gross premiums written now at $1.7 billion. This is the highest at any point in our history and over $1 billion more than at the soft market low in 2017. We anticipate even more favourable market conditions in 2023 and it is likely that this record premium level will be surpassed during the course of the next 12 months.

We have consciously been building out our underwriting expertise over the past number of years as the business evolves, and the underwriting bench has continued to expand through 2022.

We are pleased to have made a number of internal promotions over the past 12 months, demonstrating the strong development and progression of our underwriting talent as our footprint broadens. As the business grows, we will continue to offer attractive opportunities for those at Lancashire to progress their careers.

Alongside these internal promotions, we continue to hire new talent into the business. In 2022, we added new lines of business such as construction and engineering, added leadership capabilities in sub-classes such as energy liabilities to expand our market presence, and successfully launched our new office in Sydney, Australia, to underwrite regional property insurance. All of these have contributed to our 2022 premium growth and will keep developing over the coming years as they mature.

The dynamics across all our business segments have varied and we cover these more specifically in the analysis that follows. The Group's operating segments for the purpose of reporting were revised during the year to reflect an internal management restructuring that occurred in the second half.

	Premium $m			RPI	
Segment	2022	2021	Variance	2022	2021
Reinsurance	**842.1**	561.0	281.1	**108%**	110%
Insurance	**810.2**	664.2	146.0	**108%**	108%
Total	**1,652.3**	1,225.2	427.1	**108%**	109%

Reinsurance

Our reinsurance segment contains casualty reinsurance, property reinsurance and specialty reinsurance. There has been significant premium growth in this segment during 2022 of approximately 50%, with an RPI of 108%. This was expected given the build-out of casualty reinsurance and the strong rating environment for property and specialty reinsurance.

Casualty reinsurance comprises casualty, professional and financial lines and accident and health reinsurance. The rating environment for all these sub-classes has been broadly stable with an RPI of 101%, with growth being a result of the continued maturity of the casualty sub-class and professional and financial lines sub-classes. An inflationary and future recessionary environment can bring challenges to some of these longer tail classes. Having entered these classes very recently, we have no legacy portfolio, where reserve deterioration can become a negative drag on results, and rating levels are at historical highs. Our underwriting and reserving approach to these lines will remain prudent as we build out this portfolio.

Property reinsurance comprises our catastrophe exposed reinsurance classes as well as our excess of loss risk and other property treaty portfolios. As anticipated, rating for the natural catastrophe exposed sub-classes was positive as the market continued to harden; this is seen in the RPI of 111% for property reinsurance. During 2022, property catastrophe product line pricing strengthened during each quarter with supply reducing and demand increasing, while inflation saw our clients purchase more cover. We stuck to our stated strategy of maintaining relatively stable risk levels and taking the increased margin we got through rate improvements given we had already grown our footprint significantly during 2021. As we look to 2023, we expect to see a true hard market, due to the loss environment, the demand and supply imbalance and macroeconomic conditions.

Specialty reinsurance comprises our reinsurance offering for classes such as aviation, marine and energy, as well as our property retrocession portfolio. The rating environment across all of the sub-classes remained positive during 2022, with an RPI of 110%. We continue to build out our specialty treaty account in areas such as energy, marine and political violence, adding to the already well-established sub-classes of aviation reinsurance and property retrocession. Much like our property reinsurance class, our risk appetite for the property retrocession sub-class was broadly stable as we look to maintain the Group's natural catastrophe footprint. Loss events such as the conflict in Ukraine and hurricane Ian impacted these classes during 2022 and provided further impetus for continued improvement in both rating and terms and conditions as we move into 2023.

Insurance

Our insurance segment includes aviation insurance, casualty insurance, energy and marine insurance, property insurance and specialty insurance. We have seen another year of growth opportunities across this segment with rates across all sub-classes positive. The insurance segment RPI for 2022 was 108% with premium growth of approximately 22%. A combination of the positive rating environment, inflationary pressure increasing values at risk and the continued build out of new teams have all contributed to the growth we have seen in 2022.

It has been an interesting year for **aviation insurance** as the aviation industry continues to rebound strongly post the COVID-19 pandemic. Demand for aviation insurance has been relatively resilient despite the extreme downturn experienced by the sector during the pandemic years. In addition, the rating environment has continued to improve with a RPI of 118%, which is the highest across our portfolio. Within this there are sub-classes that are broadly stable from a rating perspective, given rates have increased steadily over the past five years, whilst the war / terrorism exposed products have seen a sharp increase in rating following the conflict in Ukraine. This is a class, however, that has seen a negative premium impact due to international sanctions on Russia which have been a headwind for growth in 2022. We continue to see opportunities to further grow our aviation portfolio during 2023, and the expectation is that rating will remain favourable to support this development.

Casualty insurance is a small segment of the business and comprises our accident and health insurance sub-class and a small amount of professional lines insurance which is adjunct to our casualty reinsurance class. Market conditions remain positive with an RPI of 105%. Accident and health was a new class of business to the Group in 2020 and has grown steadily. We continue to explore opportunities in the broader casualty insurance arena, albeit our focus thus far has centred around the reinsurance lines.

35%

increase in gross premiums written

Energy and marine insurance provides products across the spectrum of the marine and energy sectors. The rating environment has remained positive with an RPI of 104% for 2022. There has been a variance in rating levels across all of the sub-classes with some, such as downstream energy, broadly stable and others, such as marine liability, seeing double digit rate increases. We have been able to grow premiums ahead of rate given the positive environment, inflationary pressures boosting demand, and underlying values at risk. Additionally, our investments in newer sub-classes such as energy and marine liability have provided new business opportunities. This has offset the negative impact of Russian sanctions on premiums in some of the energy sub-classes.

We have continued to invest in our underwriting expertise to support the transition within the energy sector. In 2022, we brought in additional engineering resource to aid this ongoing development. This allows us to offer products and services that cater to the changing risks our clients face as their businesses transition. Insurance will continue to be a key risk management tool for the industry, supporting global net-zero goals and the wider transition. Please see the ESG section starting on page 40 for more information.

Whilst the conflict in Ukraine did create losses in the energy and marine sectors, our exposure was modest. Outside of this event there were no significant insured losses in the energy and marine sectors, although there were a number of mid-sized losses in the downstream energy and power generation sectors; some of which we incurred. These loss events should help maintain modest rating momentum into 2023.

Property insurance comprises property direct and facultative insurance and construction insurance. Trading conditions have been favourable with a 2022 RPI of 108%. Significant premium growth in property insurance this year has been driven by the favourable rating environment, inflationary pressures increasing demand, and underlying values at risk. In addition we have seen the benefits of various investments we have made. We opened our office in Australia to underwrite property direct and facultative insurance in the region, and the team have made a promising start. We also welcomed the construction team and market conditions have been better than originally anticipated, meaning that our start in this class has been strong. Across the broader property direct and facultative class we have continued to build out our portfolio on both our Lloyd's and Lancashire UK platforms, benefitting from a number of new business opportunities. As a product that provides natural catastrophe protection, property direct and facultative was impacted by the various events during 2022, and in particular hurricane Ian. Our anticipation is that these positive market conditions continue in 2023, providing more opportunity to develop our portfolio.

"The team have continued their drive forward as our bench strength grows, delivering on Lancashire's long-term strategy."

Specialty insurance comprises our terrorism, political violence and political and sovereign risks sub-classes. Prior to the conflict in Ukraine, rates in terrorism and political violence were starting to soften. As the insurance market reappraised its view of risk, this softening reversed and we started to see rate rises come through these product lines. The overall segment RPI for 2022 was 101%. The broader ramifications, in the form of political and economic turmoil that the conflict has produced, have undoubtedly influenced these sub-classes. The political and sovereign risk portfolio is predominantly non-renewable business and therefore is not subject to RPIs but the rating levels remain strong against this backdrop. We have delivered strong premium growth in the broader segment primarily as a result of new business opportunities. The outlook for 2023 is more promising as we anticipate the dislocation from the conflict to add more traction to the rating environment.

Overall, we are extremely proud of what the underwriting team have achieved in 2022.

The team have continued their drive forward as our bench strength grows, delivering on Lancashire's long-term strategy. 2023 will bring plenty of opportunity for this momentum to carry on as premiums continue to grow and the underwriting portfolio goes from strength to strength.

Underwriting results

James Irvine
Group Chief Underwriting Officer
– Reinsurance

James Flude
Group Chief Underwriting Officer
– Insurance

	2022			2021		
	Reinsurance $m	Insurance $m	Total $m	Reinsurance $m	Insurance $m	Total $m
Gross premiums written	**842.1**	**810.2**	**1,652.3**	561.0	664.2	1,225.2
Net premiums earned	**495.5**	**492.9**	**988.4**	302.1	394.4	696.5
Net loss ratio	**71.0%**	**45.5%**	**58.3%**	90.6%	49.9%	67.6%
Net acquisition cost ratio	**26.4%**	**26.4%**	**26.4%**	18.6%	25.5%	22.5%
Expense ratio	**–**	**–**	**13.0%**	–	–	17.2%
Combined ratio	**97.4%**	**71.9%**	**97.7%**	109.2%	75.4%	107.3%

The Group's operating segments for the purpose of segmental reporting have been revised in 2022. This reflects an internal management restructuring that occurred in the second half of the year.

Reinsurance gross premiums written

The significant increase in premiums in the reinsurance segment is primarily due to new business in the casualty reinsurance class as we continue our successful build out of the new product lines within this class. This class also benefited from significant written premium being recognised from new policies bound in 2021.

Strong growth was also seen in property reinsurance. Rates continued to harden with RPIs of 111%. Aside from rate rises there was limited exposure growth in this class as the Group maintained relatively stable risk levels, taking the increased margin through rate improvements, given we had already grown our footprint significantly during 2021.

In specialty reinsurance, all lines of business saw small increases in gross premiums written driven by new business growth. We continued to build out our specialty treaty account in areas such as energy, marine and political violence, adding to the already well-established sub-classes of aviation reinsurance and property retrocession.

Overall, for the reinsurance segment, reinstatement premiums were $45.1 million in 2022 compared to $42.8 million in the prior year.

Insurance gross premiums written

There was increased premium in the majority of insurance classes during the year. A combination of the positive rating environment, inflationary pressure increasing values at risk and the continued build out of new teams all contributed to the growth in 2022.

The most significant increases in this segment were in the property insurance class where the Group has continued to expand its property direct and facultative offering across all its underwriting platforms, including the newly established Australian platform. The Group also added a new property construction line of business.

The energy and marine insurance classes grew through the addition of new underwriting teams and product expansion, particularly in the marine liability and cargo and specie lines of business.

Outwards reinsurance premiums

Although in dollar terms the spend increased by $55.2 million or 13.5% compared to 2021, the proportion of outwards reinsurance premiums to gross premiums written has decreased year-on-year. The increase in reinsurance spend is primarily driven by the growth of the inwards portfolio and, to a lesser degree, by an increase in outwards reinstatement premium.

Net acquisition costs

Net acquisition costs were $261.2 million in 2022 compared to $157.0 million in 2021, and the Group's net acquisition costs ratio for the year ended 31 December 2022 was 26.4% compared to 22.5% in 2021. The increase is primarily driven by the reinsurance segment where a change in business mix has seen more premium growth in proportional lines of business, which incur higher commission costs.

Net insurance losses

The Group's net loss ratio for 2022 was 58.3% compared to 67.6% in 2021. The accident year loss ratio for 2022, including the impact of foreign exchange revaluations, was 69.9% compared to 81.0% in 2021.

During 2022, we experienced net losses from catastrophe, weather and large loss events of $308.8 million, excluding the impacts of reinstatement premiums. Within this, catastrophe and weather related losses for the year ended 31 December 2022, excluding the impacts of reinstatement premiums, were $218.4 million. This includes $163.3 million from hurricane Ian.

Our provision for large risk events for the year amounted to $90.4 million and include $65.8 million related to the ongoing conflict in Ukraine and $24.6 million from an accumulation of four large losses in the energy upstream and power generation lines of business.

Excluding the impact of foreign exchange revaluations, the table below shows the impact of the current year loss events on the Group's net loss ratio for the year ended 31 December 2022:

	Losses $m	Loss ratio %
Reported at 31 December 2022	**576.4**	**58.3**
Absent catastrophe and weather events	**358.0**	**35.7**
Absent large losses	**486.0**	**48.8**
Absent catastrophe, weather and large loss events	**267.6**	**26.3**

Note: The table does not sum to a total due to the impact of reinstatement premium.

During 2021, our total net catastrophe, weather and large losses, excluding the impact of reinstatement premiums, were $306.4 million.

Excluding the impact of foreign exchange revaluations, the table below shows the impact of prior year loss events on the Group's net loss ratio for the year ended 31 December 2021.

	Losses $m	Loss ratio %
Reported at 31 December 2021	470.5	67.6
Absent catastrophe and weather events	232.9	33.2
Absent large losses	401.7	57.7
Absent catastrophe, weather and large loss events	164.1	23.4

Note: The table does not sum to a total due to the impact of reinstatement premium.

Prior year loss development

Prior year favourable development for 2022 was $100.5 million, compared to $86.5 million of favourable development in 2021. The favourable development in 2022 was primarily due to general IBNR releases on the 2021 and 2020 accident years and across most lines of business, due to a lack of reported claims. There was also favourable development on natural catastrophe loss events from the 2019 and 2018 accident years as well as beneficial claims settlements on risk losses in the 2017 accident year.

The favourable development in 2021 was primarily driven by general IBNR releases on the 2020 accident year across most lines of business due to a lack of reported claims. 2021 also included favourable development on the 2017 accident year, mainly from reserve releases on natural catastrophe loss events, as well as some beneficial claims settlements from earlier accident years.

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

	2022 $m	2021 $m
Reinsurance	**45.3**	22.2
Insurance	**55.2**	64.3
Total	**100.5**	86.5

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.

Ultimate loss development by accident year

	2022 $m	2021 $m
2017 accident year and prior	**19.9**	36.1
2018 accident year	**13.6**	7.1
2019 accident year	**13.7**	8.8
2020 accident year	**27.5**	34.5
2021 accident year	**25.8**	–
Total	**100.5**	86.5

Note: Positive numbers denote favourable development.

Investment results

Denise O'Donoghue
Group Chief Investment Officer

Investments and liquidity

Since inception, the primary objectives for our investment portfolio have been capital preservation and liquidity, and we position our portfolio to limit down-side risk in the event of market shocks. Those objectives remain unchanged and are more important than ever in today's volatile markets. 2022 was the story of one of the most significant U.S. Federal Reserve rate increases in history as a tool to fight inflation. While it resulted in negative returns for 2022, 2023 has a more positive outlook, starting the year with much higher yields in the investment portfolio. With the significant rate hikes, continued inflation and an inverted yield curve, there is a risk of recession. However, given the level of current market yields, our portfolio can weather this, particularly with a high credit quality portfolio. With an inverted yield, we do not see any reason to increase duration significantly. We will continue to maintain a short, high credit quality portfolio with some portfolio diversification to balance the overall risk adjusted return.

Our portfolio mix illustrates our conservative philosophy, as shown in the chart below.

Investment performance

Net investment income, excluding realised and unrealised gains and losses, was $43.7 million for 2022, an increase of 90.0% compared to 2021. 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 loss of $76.7 million in 2022 compared to a gain of $1.3 million for 2021.

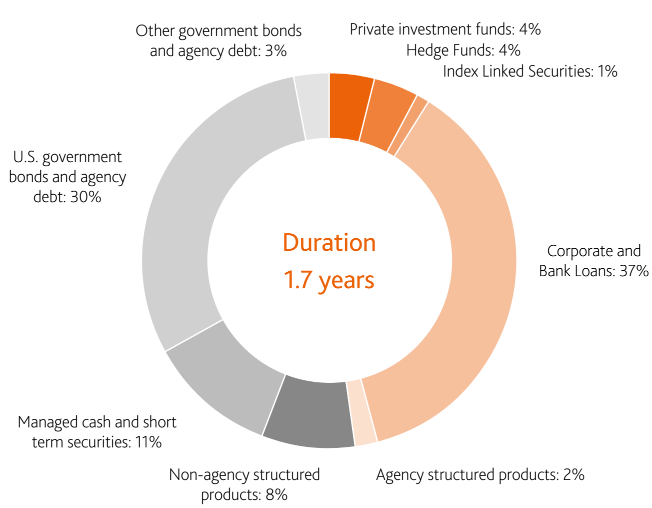
In a year of significant volatility, the investment portfolio generated a negative return of 3.5%. The returns were driven primarily from interest rate increases and the widening of credit spreads, resulting in losses in all asset classes. The majority of the losses were unrealised. It is expected that the majority of the unrealised losses will reverse over the next couple of years, given the short duration of the portfolio.

In 2021, the investment portfolio generated a small positive return of 0.1%. While the portfolio had been hit in 2021 by rising rates, the losses were somewhat mitigated by the strong returns in the majority of the risk assets, notably the bank loans, hedge funds and the private investment funds.

Conservative portfolio structure – quality

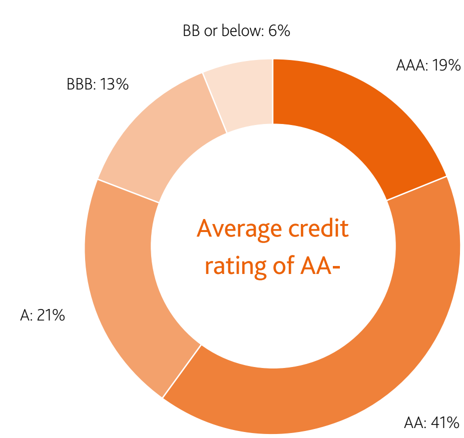
Asset allocation

Total investment portfolio and managed cash



Credit quality

Fixed maturities and managed cash



Other financial information

Hayley Johnston
Chief Executive Officer,
Lancashire Insurance Company Limited and Reinsurance Manager

John Cadman
Group General Counsel and Chief Executive Officer,
Lancashire Insurance Company (UK) Limited

John Spence
Chief Executive Officer,
Lancashire Syndicates Limited

Third-party capital management

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

	2022 $m	2021 $m
LCM underwriting fees	**3.1**	10.6
LCM profit commission	**0.9**	5.2
LSL fees & profit commission	**2.5**	2.4
Total other income	**6.5**	18.2
Share of loss of associate	**(6.5)**	(3.9)
Total third-party capital management income	**–**	14.3

The amount of Lancashire Capital Management profit commission recognised is driven by the timing of loss experience, settlement of claims, and collateral release, and therefore varies year on year. The share of loss of associate reflects Lancashire's equity interest in the Lancashire Capital Management managed vehicle.

Other operating expenses

Other operating expenses were $128.7 million in 2022 compared to $119.6 million in 2021. A growth in headcount has resulted in higher underlying employee remuneration costs compared to the prior year alongside an increase in audit fees, travel costs and fees and subscriptions. The weakening Sterling/U.S. Dollar exchange rate relative to the prior year partly offset these increases in the underlying cost base.

Capital

As at 31 December 2022, total capital available to Lancashire was approximately $1.7 billion, comprising shareholders' equity of $1.3 billion and $0.4 billion of long-term debt. Tangible capital was $1.5 billion. Leverage was 26.0% on total capital and 28.9% on total tangible capital. Total capital and total tangible capital as at 31 December 2021 were $1.9 billion and $1.7 billion respectively.

Share repurchases

During the year ended 31 December 2022, Lancashire repurchased 4,589,592 of its common shares (out of an overall, maximum Board-approved limit of 9,000,000 common shares, conducted via three separate share repurchase programs). These repurchases totalled $23.3 million and were made pursuant to and in accordance with the general authority granted by shareholders at Lancashire's Annual General Meeting held on 27 April 2022, and will be used to satisfy a number of future exercises of awards under the Company's Restricted Share Scheme.

Dividends

Lancashire announces that its Board of Directors has declared a final dividend of $0.10 (approximately £0.08) per common share, subject to a shareholder vote of approval at the AGM to be held on 26 April 2023, which will result in an aggregate payment of approximately $23.8 million. On the basis that the final dividend is approved by shareholders at the AGM, the dividend will be paid in Pounds Sterling on 2 June 2023 (the "Dividend Payment Date") to shareholders of record on 5 May 2023 (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 Group, for more details.