Financial review

Disciplined underwriting and maximising returns

Q&A

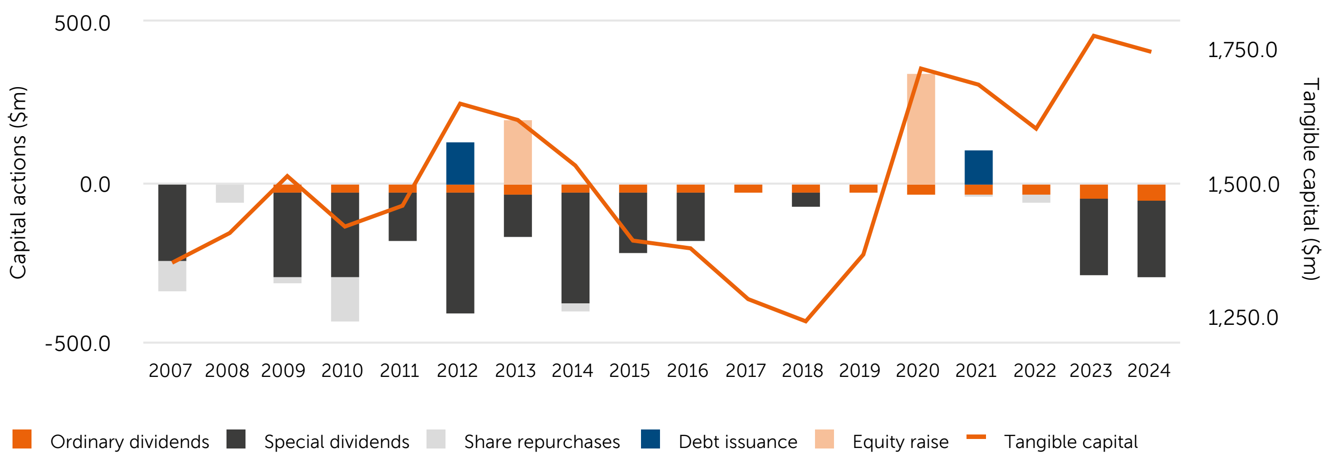
“Lancashire’s strong financial performance in 2024 clearly demonstrated the benefits of our growth and diversification strategy."

Natalie Kershaw
Group Chief Financial Officer

For the year ended 31 December	2024 $m	2023 $m	2022 $m
Highlights			
Gross premiums written	**2,149.6**	1,931.7	1,652.3
Insurance revenue	**1,765.1**	1,519.9	1,226.5
Insurance service result	**379.9**	382.1	141.6
Net investment return	**162.2**	160.5	(76.7)
Profit (loss) after tax	**321.3**	321.5	(15.5)
Dividends[1]	**354.2**	155.3	36.2
Net insurance ratio	**71.3%**	65.1%	83.4%
Combined ratio (discounted)	**80.0%**	74.9%	90.2%
Combined ratio (undiscounted)	**89.1%**	82.6%	98.7%
Total investment return	**5.0%**	5.7%	(3.5)%
Diluted book value per share	**$6.03**	$6.17	$5.48
Change in diluted book value per share	**23.4%**	24.7%	(1.2)%

1. Dividends are included in the financial statement year in which they were recorded.

Capital actions chart[1]



1. Dividends are included in the capital actions chart in the year to which they relate.

How would you sum up Lancashire's performance in 2024?

2024 has been another extremely strong year for Lancashire and we have delivered an excellent overall result. Our profit after tax of $321.3 million represents another exceptional year. We have maintained our emphasis on underwriting discipline and maximising risk adjusted returns through product diversification. The benefits of the strategic changes we have made to the business in the last few years are now evident. In particular, we continue to focus on return on capital, as measured by the change in diluted book value per share in 2024 of 23.4%.

How has Lancashire balanced its risk exposures and capital to generate returns for investors?

Managing our capital resources and our risk exposures is a core part of our purpose. We have a long track record of successfully doing this and that continued in 2024. As a specialist underwriting business, our goal is always to be good stewards of capital and to use our resources where we believe the best returns can be found. We always aim to generate sustainable returns for our investors by continuing to manage our risk exposures and capital resources as we look to the next phase of development for Lancashire.

Ultimately, flexible use of capital is in our DNA and our considered approach to balancing our capital requirements – always reflective of the underwriting environment – means we can grow the business when conditions are right and also reward our shareholders. Since inception Lancashire has returned more than $3.4 billion to shareholders and raised around $550 million of equity capital to grow at the optimal points in the cycle.

How has Lancashire considered capital returns for shareholders during 2024?

Our philosophy is not to hoard capital and to return it to shareholders when it is not required to support our underwriting. Those decisions are always made collaboratively across the business with ongoing cross-departmental discussions. The relatively small size of the Company, efficient structure and incentivisation plans make those conversations straightforward.

In March 2024, we announced a change to our regular final and interim ordinary dividend policy to increase regular returns to our shareholders by 50%.

In November, due to the strong operational performance, we also announced a special dividend of $0.75 per common share. For the full year, we paid out $354.2 million in dividends.

In an active industry loss environment, what has been Lancashire's focus?

2024 saw a number of significant loss events, both elemental and non-elemental. Aon estimates that insured market-wide losses for the year are likely to be in the region of $145 billion, exceeding the 2023 level of $125 billion.

The growth and diversification efforts we have successfully implemented mean that larger losses are much less impactful to our earnings. Over the past five years, we have worked hard to balance our underwriting portfolio and increase diversification across products. While we remain committed to underwriting catastrophe risk, these steps have been successful in making Lancashire more able to absorb volatility.

We are now better able to absorb large losses and return an underwriting profit, robust combined ratio and a strong RoE. Total catastrophe, weather and large losses, (undiscounted and net of reinstatement premiums), for the year were $214.1 million. Even with this quantum of losses our undiscounted combined ratio was a healthy 89.1%.

Lancashire has always had a conservative reserving philosophy. What drives this and do you see that changing?

Our prudence in reserving is also part of our DNA and won't change. This conservative approach has helped support the business over the long term and Lancashire has never had a year of reserve strengthening. Our robust reserve setting process is validated through external actuarial reviews twice a year and we will maintain this disciplined approach.

For 2024, the confidence level of our net insurance reserves was 86%, with a net risk adjustment of $256.8 million, or 14.7% of net insurance contract liabilities. Importantly, our confidence level remains within our preferred range of 80%-90%.

Additionally, favourable prior year loss development totalled $121.1 million, resulting from general IBNR releases due to a lack of reported claims and releases on natural catastrophe loss events across the 2022 and 2021 accident year. We also benefited from the release of expense provisions and reductions in outwards reinstatement provisions.

How has the investment portfolio performed during 2024 and how important is it to the business?

Our investment portfolio has grown substantially in recent years, resulting in a more meaningful contribution to Group RoE. During the year, the investment portfolio performed very well, generating a return of 5.0% or $162.2 million. These returns were driven primarily from investment income given the higher yields during the year on the growing portfolio.

Our portfolio remains relatively conservative with an overall credit rating of AA-. We will continue to maintain a short duration, high credit quality focus with some diversification to balance the overall risk-adjusted return.

What is Lancashire's capital position going into 2025?

Our diversification strategy over recent years has improved our capital efficiency. We hold a conservative capital position, such that we can withstand a significant catastrophe event and still retain our ratings and regulatory solvency position. We monitor capital and headroom against internal, rating agency and regulatory requirements.

As an underwriting business it is important that we hold sufficient capital so we can continue to write business immediately after a market-turning event. This ability to be flexible and deploy capital aligned to the market opportunity – and return it dependent on the cycle – has been very successful. At our heart we are an entrepreneurial company, and we are confident that we have the capital required to make the most of the opportunities we see in the market, including supporting our planned growth in the US.

In January 2025, we saw the devastating impact of the California wildfires, which have caused major catastrophe losses for the (re)insurance industry.

Given our strong earnings performance and capital generation in 2024, Lancashire remains extremely well capitalised to fund future opportunities.

In addition, the aggregate reinsurance cover the Company has in place to protect against the frequency of large catastrophe events should allow Lancashire to deliver an attractive return for shareholders in 2025.

Underwriting review

A resilient business

Q&A

"The core of Lancashire's strategy is that underwriting comes first. Every decision we make starts with this in mind. In this context, 2024 saw us reap the benefits of our labours and demonstrate the effectiveness of our underwriting strategy."

Paul Gregory
Group Chief Underwriting Officer

How has the Lancashire underwriting team performed in 2024?

Facilitated by market conditions, our aim in recent years has been to build a more resilient business.

We have done this by investing in people, developing our underwriting talent and broadening our underwriting bench. This has allowed us to grow our business when market conditions have been favourable and create an underwriting portfolio that is more likely to provide appropriate returns, and still respond to significant loss events that our industry is there to respond to.

In the context of a year with notable loss activity we have delivered an outstanding underwriting result. Insured loss activity is estimated at around $145 billion, which is significantly higher than 2023, and one of the most expensive years on record.

Despite this we have produced an insurance services result of $379.9 million with an undiscounted combined ratio of 89.1% (80.0% discounted). This underwriting profitability helped the Group produce an overall change in DBVS of 23.4%.

The profitability of our underwriting is stable year-on-year, despite far more substantial insured losses in 2024 than the year prior. This demonstrates how much more resilient our underwriting portfolio has become.

What has the loss environment been like during the year?

2024 was an active year for natural catastrophes around the world. There continued to be events from all types of natural peril that had tragic consequences for those people and communities affected, and created significant insured and economic loss.

The year started with an earthquake in Japan on New Year's Day and over the following 12 months we saw flooding in Brazil, wildfires, hailstorms and flooding in Canada, extreme flooding across Europe and the Middle East, typhoons and cyclones in Asia and major hurricane and severe convective storm activity in the US.

These events test our industry, but at the same time, demonstrate the value of our product, which helps communities, and their economies rebuild after devastating events.

It was not just natural catastrophes that produced loss events. We also continued to see man-made loss activity with significant incidents in the marine, energy, and aviation industries.

The geopolitical and economic climate also remains unstable with the situations in Israel and Gaza as well as Russia and Ukraine continuing.

All these events and tensions impact the product lines we underwrite. Some create direct losses to our portfolio, and others impact the risk associated with the products we underwrite, which brings additional underwriting considerations.

It is the backdrop of these loss events and constantly evolving risk environment that has helped maintain market discipline at the point where supply and demand started to rebalance.

Have you seen changes in rate during the year?

2024 was the seventh year in a row of rate momentum. As expected, the rate environment plateaued, however, we finished the year in positive territory with an RPI of 101%.

Given that for the vast majority of products the rating environment has moved to a healthy place over the past few years, it is of no surprise that carriers are willing to deploy more capacity.

Helpfully factors such as inflation and increased demand due to changing risk perceptions continue to increase the demand for most products, which has offset the increased supply.

We are believers in the market cycle and therefore understood and accepted that at some point rates would plateau. The encouraging dynamic of 2024 was that underwriting discipline continued, the rating environment remained robust, and terms and conditions were stable.

Given the healthy rating levels, we continued our strategy of growing at the right point of the cycle.

We increased our gross premiums written by 11.3% to $2,149.6 million, and insurance revenues by 16.1% to $1,765.1 million. This is the seventh consecutive year we have grown ahead of rate as we maximise the market opportunity.

We are more than 3.5 times the size of where we were at the bottom of the underwriting cycle in 2017, taking advantage of an improved rate environment and more than doubling our product offering.

We are far more capital efficient, far less reliant on producing a very low combined ratio to deliver an appropriate return on equity, and have many more options to manage the future underwriting cycle.

Segment	Gross premiums written $m 2024	2023	Variance	Insurance revenue $m 2024	2023	Variance	RPI 2024	2023
Reinsurance	**1,097.8**	967.5	130.3	**855.1**	714.9	140.2	**101%**	122%
Insurance	**1,051.8**	964.2	87.6	**910.0**	805.0	105.0	**101%**	110%
Total	**2,149.6**	1,931.7	217.9	**1,765.1**	1,519.9	245.2	**101%**	115%

How has the US business performed?

During 2024, we successfully started underwriting from our newly minted US office.

We have successfully transferred in-house underwriting talent to lead this business whilst, at the same time, recruiting new local talent to the underwriting team as we build out our product offering.

This adds to our long and established track record of developing and promoting our people, and being able to attract new underwriting talent to the business.

We are extremely pleased with our first nine months of underwriting in the US and are even more excited about future profitable growth opportunities in the years to come.

Has the portfolio changed during 2024?

Our portfolio remains very equally split between insurance (48.9% of gross premiums written) and reinsurance (51.1% of gross premiums written).

We will always be agnostic to the split, and our decisions are driven purely by market conditions and expected returns. For each segment of the portfolio there were varying dynamics.

How did the reinsurance segment perform in 2024?

Our reinsurance segment contains casualty reinsurance, property reinsurance and specialty reinsurance.

Given supportive market conditions, we have continued to grow our footprint and increased premiums in each sector. The reinsurance segment RPI was 101% and we have increased our premiums by 13.5% year-on-year.

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 over the year.

As anticipated, growth in the class was more measured during 2024 given that we had got our portfolio to a size we were happy with, and changes were more focused on portfolio refinement. Within the pure casualty class, there continues to be deterioration on older casualty years in the industry, coupled with increased commentary on newer years being less profitable than some expected.

We have no exposure to older years given our entry into the class in 2021. Given our prudent approach to reserving since we entered the class, we remain confident that there is profitable margin in the years we have underwritten, which will be realised over time.

The benefit of this continued focus on the adequacy of industry reserving for casualty is that it keeps pricing momentum in the market. We continue to see primary casualty insurance rate increases implemented by our cedants and, as a reinsurer, we get the benefit of this.

Property reinsurance comprises our catastrophe-exposed reinsurance classes as well as our excess of loss risk and other property treaty portfolios.

After the dislocation we saw in 2023, as expected, 2024 was far more stable. Rating across the portfolio was marginally positive, albeit as the year progressed the market continued to stabilise as increased demand was offset by increased supply. Importantly there was no softening of terms and conditions, and recently improved risk attachment points remained in place, adjusted for inflation.

Increased risk attachment points means that cedants must retain more risk before their reinsurance coverage is triggered. For reinsurers, this insulates the portfolio from the frequency of small-to mid-size losses.

The value of this can be seen in 2024, which saw many small-to mid-size loss events. Whilst these loss events did impact the reinsurance market, they were less impactful to profitability than would have been the case a few years ago. The product is still there to provide clients with balance sheet protection for the large loss events that they may face.

The Group's overall appetite for catastrophe risk was broadly stable year-on-year as we are satisfied with the overall balance of the group underwriting portfolio.

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 the sub-classes remained positive during 2024. This was an area of targeted growth for us due to the positive market conditions and our underweight position in this area. We were successful in building a footprint and will continue to do so for as long as market conditions allow.

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.

After seeing significant hardening in the aviation reinsurance market over the past few years 2024 was more stable albeit still positive.

How did the insurance segment perform in 2024?

Our insurance segment includes aviation, casualty, energy and marine, property and specialty insurance. Given favourable market conditions we have continued to grow our footprint and increased premiums in each sector. The insurance segment RPI was 101% and we have increased our premiums by 9.1% year-on-year.

Underwriting review *continued*

Aviation insurance market classes that we underwrite remained rate positive during the year, despite increasing competition in some of the product lines as the year progressed. Large loss events of recent years and increased reinsurance costs have helped keep rating levels broadly stable.

The aviation market continues to see frequent loss activity, sometimes with tragic human consequences.

We continue to be selective in the sub-classes of the aviation market that we underwrite, where we believe rating levels are more than adequate. In those sub-classes where we do not underwrite in a meaningful way, we will remain patient until market conditions improve to the level required.

At this point, we would happily broaden our appetite and we have the team with the expertise to do this.

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 that we support via consortium relationships with market leaders within Lloyd's. Market conditions remain broadly stable.

Energy and marine insurance provide products across the spectrum of the marine and energy sectors. We underwrite marine hull, marine war, marine liabilities, upstream, renewable, and downstream energy, power and utilities, and energy liability.

The rating environment has remained positive during the year and whilst each product is at a different point in the rating cycle, all saw modest rate increases.

The marine and energy classes are exposed to numerous risk factors and are inherently volatile classes of business in what are complex industries.

The risk in these sectors is constantly evolving. The challenges of inflation, volatile commodity prices and political unrest are just some of the underwriting considerations in these product lines. Whilst these classes can be extremely profitable, they require careful and considered underwriting and can have significant loss events.

Early in the year, we saw the Baltimore bridge disaster that led to the regrettable loss of life of six maintenance crew who were working on the bridge.

This is an example of the type of complex loss these classes can encounter, which often takes many years to resolve but, at the same time, demonstrates the purpose and value of insurance.

Property insurance comprises property direct and facultative insurance and construction insurance. Trading conditions have remained stable during the year, following many years of strong cumulative rate increases.

Given the robust rating adequacy within the property market, we have continued to grow our market share with growth coming across all platforms. Property insurance is one of our two product lines underwritten from our new US operation.

This office can access business that does not make its way to London giving us an additional distribution source in the world's largest property insurance market.

The new US operation has contributed to our growth in property and will continue to do so as it builds out.

Specialty insurance comprises our terrorism, political violence, and political and sovereign risks sub-classes. Given the continued global unrest, the terrorism and political violence classes have remained in positive rate territory during the year.

Despite the heightened risk environment that class remains very profitable, and little capacity has left the sector which tempers the upward rate trajectory somewhat.

As the conflicts around the world show little sign of resolution, we would anticipate underwriting discipline to remain in focus across the market.

The political and sovereign risk portfolio is non-renewable business and therefore premium levels are difficult to forecast, however, we have been successful in delivering stable year-on-year volumes. Market discipline has remained in this class, with adequate rating and underlying terms and conditions remaining.

How would you sum up the underwriting performance in 2024?

2024 has been a highly successful year for the Lancashire Underwriting team.

We have continued to grow in a strong market. We have successfully launched our US office, which will aid growth of the business in future years.

Most importantly we have delivered a very profitable result in a highly active loss environment, helping us demonstrate the durability we have been building over the past seven years.

Underwriting results

For the year ended 31 December	2024 Reinsurance $m	2024 Insurance $m	2024 Total $m	2023 Reinsurance $m	2023 Insurance $m	2023 Total $m
Gross premiums written	**1,097.8**	**1,051.8**	**2,149.6**	967.5	964.2	1,931.7
RPI	**101%**	**101%**	**101%**	122%	110%	115%
Insurance revenue	**855.1**	**910.0**	**1,765.1**	714.9	805.0	1,519.9
Insurance service expenses	**(420.0)**	**(766.1)**	**(1,186.1)**	(254.2)	(442.0)	(696.2)
Insurance service result before reinsurance contracts held	**435.1**	**143.9**	**579.0**	460.7	363.0	823.7
Allocation of reinsurance premium	**(168.2)**	**(271.2)**	**(439.4)**	(174.6)	(250.2)	(424.8)
Amounts recoverable from reinsurers	**(2.8)**	**243.1**	**240.3**	(78.2)	61.4	(16.8)
Net expense from reinsurance contracts held	**(171.0)**	**(28.1)**	**(199.1)**	(252.8)	(188.8)	(441.6)
Insurance service result	**264.1**	**115.8**	**379.9**	207.9	174.2	382.1
Net insurance ratio	**61.6%**	**81.9%**	**71.3%**	61.5%	68.6%	65.1%
Other operating expenses			**8.7%**			9.8%
Combined ratio (discounted)[1]			**80.0%**			74.9%
Combined ratio (undiscounted)[1]			**89.1%**			82.6%

1. The combined ratio (discounted and undiscounted) is the ratio, in per cent, of the sum of net insurance expense plus all other operating expenses to net insurance revenue.

Gross premiums written

Gross premiums written increased by $217.9 million, or 11.3% during 2024 compared to 2023. Excluding the impact of reinstatement premiums and multi-year contracts, underlying growth in gross premiums written was 11.6%. The Group's two principal segments, and the key market factors impacting them, are discussed below.

Reinsurance segment

Gross premiums written for 2024 increased by $130.3 million, or 13.5%, compared to 2023. New business within the property reinsurance and specialty reinsurance lines was the most significant driver of growth. The RPI for the reinsurance segment was largely flat for the year at 101%.

Insurance segment

Gross premiums written for 2024 increased by $87.6 million, or 9.1% compared to 2023. This increase was primarily driven by new business within the property class, including business written through both our Lancashire US and Lancashire Australia distribution channels for the property direct and facultative line of business.

Insurance revenue

Insurance revenue increased by $245.2 million, or 16.1%, for 2024 compared to 2023. Gross premiums earned, which is the key driver of insurance revenue, as a percentage of gross premiums written was 95.1% for 2024 compared to 89.2% in 2023. Insurance revenue has increased at a faster rate than gross premiums written, which reflects the benefit of gross premiums earned from the significant increase in business in recent years.

Allocation of reinsurance premiums

Allocation of reinsurance premiums increased by $14.6 million, or 3.4%, during 2024 compared to 2023. The allocation of reinsurance premiums as a percentage of insurance revenue for the Group was 24.9%, a decrease from 27.9% in the prior year, reflecting the Group's increased risk retention given the positive market environment.

Net claims

During 2024, the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events totalling $214.1 million. Catastrophe and weather losses were $122.7 million with hurricane Milton the most significant, together with the combined impact of hurricane Helene, hurricane Debby, storm Boris and the Calgary hailstorms. During 2024, the Group also experienced net losses (undiscounted, including reinstatement premiums) from large risk events totalling $91.4 million. The MV Dali Baltimore bridge collision loss, which occurred in the first quarter, was the most significant. None of these large risk losses were individually material for the Group.

In comparison, during 2023 the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events totalling $106.1 million.

Favourable prior accident year loss development, including the undiscounted net movement in loss reserves, reinstatement premiums and expense provisions, was $121.1 million during 2024. This was primarily due to attritional loss experience in respect of the 2023 accident year, together with catastrophe event reserve releases on the 2022 and 2021 accident years.

In comparison, favourable prior accident year development during 2023 of $78.8 million was primarily the result of favourable attritional loss experience and reserve releases on the 2022 accident year.

The prior accident year loss development for both 2024 and 2023 also benefited from the net release of expense provisions and reductions in outwards reinstatement premiums. This reduction was slightly more pronounced in 2024.

Net discounting benefit

The table below shows the total net impact of discounting by financial statement line item.

For the year ended 31 December	2024 $m	2023 $m
Initial discount included in insurance service result	**120.3**	84.7
Unwind of discount	**(68.6)**	(55.8)
Impact of change in assumptions	**14.7**	(10.8)
Finance (expense) income	**(53.9)**	(66.6)
Total net discounting income	**66.4**	18.1

The total impact of discounting for 2024 was a net benefit of $66.4 million, compared to a net benefit of $18.1 million in 2023. The higher net initial discount in 2024 compared to 2023 is primarily due to the underlying growth of the Group's insurance portfolio and an active loss environment in 2024, which in turn has resulted in an increased quantum of initial loss reserves being established. The sustained high discount rate environment over the last few years has contributed to an increased net expense from the unwind of discount relative to the prior year.

The majority of the Group's net insurance contract liabilities are denominated in US dollars, and this has driven a positive impact from the change in discount assumptions, primarily due to the increase in the US dollar three-year and five-year discount rates during the year.

In 2023, discount rates across all the Group's major currencies were at a relatively high level throughout the year, with a small decrease in the fourth quarter. This drove the relatively high initial discount and low change in assumption impact.

Investment results

"The primary objective for our investment portfolio is capital preservation and liquidity. We position our portfolio to limit downside risk in the event of market shocks and this is more important than ever in today's volatile markets."

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 downside risk in the event of market shocks. Those objectives remain unchanged and are more important than ever in today's volatile markets. The year started with elevated yields and an inverted yield curve. By the end of 2024, the shape of the yield curve became ever so slightly upward-sloping again, with the Federal Reserve lowering rates at the front end by 100 basis points and the long end of the curve increasing in rates. With strong fundamentals continuing in the US and the expectation of a normalised yield curve, we did increase duration slightly to 2.0 years.

As we head into 2025, we will re-assess this, given the expected uncertainly around the Trump administration and potential inflationary pressures from potential tax cuts and US tariffs, in addition to geopolitical risk which was heightened in 2024. Given the expected volatility we will continue to maintain a short, high credit quality portfolio with increased portfolio diversification to balance the overall risk-adjusted return.

Investment performance

Net investment income, excluding realised and unrealised gains and losses, was $144.8 million in 2024, an increase of 33.5% compared to 2023. Total investment return, including net investment income, net realised gains and losses and net change in unrealised gains and losses, was $162.2 million in 2024 compared to $160.5 million in 2023.

The investment portfolio generated a total investment return of 5.0% during 2024. The returns were driven primarily from investment income given the higher yields throughout most of the year. In addition to positive returns from the fixed income portfolio, the risk assets, notably the bank loans and the private credit funds, contributed positively to the overall investment return.

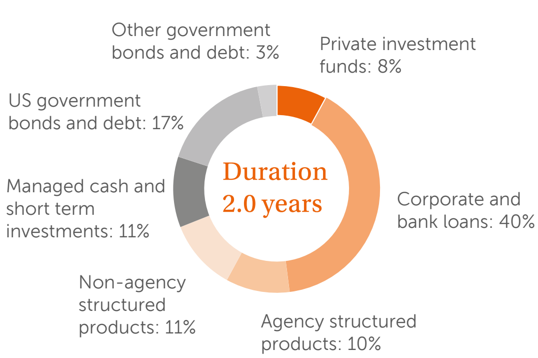
In 2023, the investment portfolio generated a positive return of 5.7%. The returns were driven primarily from elevated interest rates and the tighter credit spreads, in addition to positive return contributions from risk assets, resulting in positive returns in all asset classes.

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

Conservative portfolio structure – quality

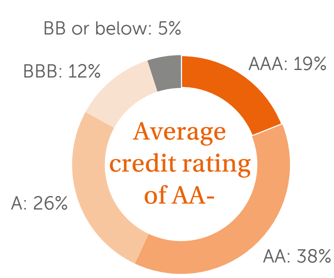
Asset allocation

Total investment portfolio and managed cash



Credit quality

Fixed maturities and managed cash



Other financial information

Other operating expenses

For the year ended 31 December	2024 $m	2023 $m
Operating expenses – fixed	**184.8**	147.9
Operating expenses – variable	**36.4**	41.7
Total operating expenses	**221.2**	189.6
Directly attributable expenses allocated to insurance service expenses	**(105.3)**	(82.2)
Other operating expenses	**115.9**	107.4

The most significant driver of the increase in operating expenses for 2024, compared to 2023, was an increase in fixed costs of $36.9 million or 24.9%. This increase is primarily in relation to employment expenses given the continued growth in headcount for the Group. The growth of the business also drove an increase in IT, building and operational processing costs.

In 2024, $105.3 million of operating expenses were considered directly attributable to the fulfilment of insurance contracts issued and have therefore been re-allocated to insurance service expenses and form part of the insurance service result. This compares to $82.2 million for 2023, and is reflective of the increase within the Group's overall fixed operating expense base.

California wildfires

The Group estimates its aggregate net ultimate losses relating to the wildfires in California, which occurred in January 2025, to be in the range of $145 million to $165 million. The estimate falls within the Group's modelled loss ranges for this type of catastrophe event. This estimate is undiscounted, after anticipated recoveries from Lancashire's outwards reinsurance programme and the impact of outwards and inwards reinstatement premiums.

Given our strong earnings performance and capital generation in 2024 Lancashire remains extremely well capitalised to achieve its strategic ambitions. In addition, the aggregate reinsurance cover the Group has in place to protect against the frequency of large catastrophe events should allow the Group to deliver an attractive return for shareholders in 2025.

The preliminary estimate has been derived from a combination of market data and assumptions, a limited number of provisional loss advices, limited client loss data and modelled loss projections. As additional information emerges, the Group's actual ultimate loss may vary from the preliminary estimate.

Capital

As at 31 December 2024, total capital available to Lancashire was approximately $1.9 billion, comprising shareholders' equity of $1.5 billion and $0.4 billion of long-term debt. Tangible capital was approximately $1.7 billion. Leverage was 23.0% on total capital and 25.6% on tangible capital. Total capital and total tangible capital as at 31 December 2023 were $2.0 billion and $1.8 billion respectively.

Dividends

On 5 March 2025, Lancashire's Board of Directors declared a final ordinary dividend of $0.15 (approximately £0.12) per common share, subject to a shareholder vote of approval at the AGM to be held on 30 April 2025, which will result in an aggregate payment of approximately $36.0 million. The dividend will be paid in Pounds Sterling on 13 June 2025 (the "Dividend Payment Date") to shareholders of record on 16 May 2025 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date.

Lancashire's Board of Directors has declared a special dividend of $0.25 per common share (approximately £0.20 per common share at the current exchange rate), which will result in an aggregate payment of approximately $60.0 million. The dividend will be paid in Pounds Sterling on 11 April 2025 (the "Dividend Payment Date") to shareholders of record on 14 March 2025 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date.