

Business review

Underwriting results

For the year ended 31 December	2025			2024		
	Reinsurance \$m	Insurance \$m	Total \$m	Reinsurance \$m	Insurance \$m	Total \$m
Gross premiums written	1,187.2	1,072.1	2,259.3	1,097.8	1,051.8	2,149.6
RPI	97%	95%	96%	101%	101%	101%
Insurance revenue	904.4	956.0	1,860.4	855.1	910.0	1,765.1
Insurance service expenses	(511.9)	(939.3)	(1,451.2)	(420.0)	(766.1)	(1,186.1)
Insurance service result before reinsurance contracts held	392.5	16.7	409.2	435.1	143.9	579.0
Allocation of reinsurance premium	(163.7)	(259.8)	(423.5)	(168.2)	(271.2)	(439.4)
Amounts recoverable from reinsurers	63.6	331.8	395.4	(2.8)	243.1	240.3
Net (expense) income from reinsurance contracts held	(100.1)	72.0	(28.1)	(171.0)	(28.1)	(199.1)
Insurance service result	292.4	88.7	381.1	264.1	115.8	379.9
Net insurance ratio	60.5%	87.3%	73.5%	61.6%	81.9%	71.3%
Other operating expenses			10.2%			8.7%
Combined ratio (discounted) ¹			83.7%			80.0%
Combined ratio (undiscounted) ¹			93.1%			89.1%

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 \$109.7 million, or 5.1%, during 2025 compared to 2024. Excluding the impact of reinstatement premiums, underlying growth in gross premiums written was 3.3%, in line with the low single digit guidance we have previously given.

In the reinsurance segment, the rating environment softened marginally with a reinsurance segment RPI of 97%. In the context of rating adequacy remaining very healthy, we took the opportunity to grow and build out our relationships and franchise value with core clients. Premiums across the reinsurance segment grew 8.1% year-on-year, with each pillar contributing to growth.

In the insurance segment, market conditions softened slightly for the first year since 2017, however, given seven years of rate increases, the majority of product lines remain very well priced with embedded underwriting margin. Given favourable rate adequacy we continued to selectively grow our footprint and increased premiums year-on-year. The insurance segment RPI was 95% and we have increased our premiums by 1.9% year-on-year.

Insurance revenue

Insurance revenue increased by \$95.3 million, or 5.4%, for 2025 compared to 2024. Gross premiums earned, the key driver of insurance revenue, as a percentage of gross premiums written was 97.5% for 2025 compared to 95.1% for 2024. The increased percentage reflects premium earnings from prior underwriting years where the business saw substantial growth.

Allocation of reinsurance premiums

Allocation of reinsurance premiums decreased by \$15.9 million, or 3.6%, during 2025 compared to 2024. The allocation of reinsurance premiums as a percentage of insurance revenue for the Group was 22.8%, compared to 24.9% in the prior period, reflecting more efficient reinsurance purchasing as the Group seeks to achieve efficiencies and to benefit from its increasingly diversified underwriting portfolio.

Business review *continued*

Net loss environment

During 2025, the Group experienced net losses (undiscounted, excluding reinstatement premiums) from catastrophe, weather and large loss events totalling \$277.0 million. Catastrophe and weather losses were \$184.7 million. The net loss impact of the California wildfires of \$163.4 million, which is within the original range disclosed, represents the majority of this figure. The Group also experienced net losses (undiscounted, excluding reinstatement premiums) from large risk events totalling \$92.3 million. None of the large risk event losses were individually material for the Group.

In comparison, during 2024, the Group experienced net losses (undiscounted, excluding reinstatement premiums) from catastrophe, weather and large loss events totalling \$215.2 million.

Favourable prior accident year loss development for the undiscounted net movement in loss reserves was \$122.8 million during 2025. This was primarily due to general IBNR, catastrophe and large loss reserve releases on the 2024 and 2023 accident years and a further strengthening in reserves of \$32.9 million relating to direct and indirect losses from the Ukraine conflict.

In comparison, the favourable prior accident year undiscounted net movement in loss reserves during 2024 was \$93.3 million.

This continues our track record of favourable reserve releases and the Group remains conservatively reserved at an 85% confidence interval.

Net discounting benefit

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

For the year ended 31 December	2025 \$m	2024 \$m
Initial discount included in insurance service result	135.4	120.3
Unwind of discount	(77.5)	(68.6)
Impact of change in assumptions	(25.4)	14.7
Finance (expense) income	(102.9)	(53.9)
Total net discounting income	32.5	66.4

The total impact of discounting for 2025 was a net benefit of \$32.5 million, compared to a net benefit of \$66.4 million for 2024. The higher net initial discount in 2025 compared to 2024 is primarily due to the continued growth in the Group's underwriting portfolio and the impact of catastrophe and large losses events contributing to a higher quantum of initial loss reserves being established.

The discount rates for US dollar and pounds sterling have decreased in 2025. This has driven an adverse impact from the change in discount rate assumptions. The unwind of discount has increased and reflects the growth in the discount provision over recent years in what has been a relatively high discount rate environment.

In 2024, the discount rates increased across all major currencies creating a positive impact from the change in discount rate assumptions and a higher overall net benefit from discounting.

Business review *continued*

Other financial information

Other operating expenses

For the year ended 31 December	2025 \$m	2024 \$m
Operating expenses – fixed	217.8	184.8
Operating expenses – variable	47.7	36.4
Total operating expenses	265.5	221.2
Directly attributable expenses allocated to insurance service expenses	(119.3)	(105.3)
Other operating expenses	146.2	115.9

The most significant driver of the increase in operating expenses for 2025, compared to 2024, was an increase in fixed and variable employment expenses. Our increased headcount, and the underlying growth in the underwriting portfolio, drove increases in IT, operational processing and office costs, as expected. In 2025, operating expenses also included some one-off project-related consultancy fees and an impairment charge recognised on internally generated intangible assets.

In 2025, \$119.3 million of operating expenses were considered directly attributable to the fulfillment 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 \$105.3 million for 2024, and is reflective of the increase within the Group's operating expense base.

Capital

As at 31 December 2025, total capital available to Lancashire was approximately \$2.0 billion, comprising shareholders' equity of \$1.5 billion and \$0.5 billion of long-term debt. Tangible capital was approximately \$1.7 billion. Leverage was 22.9% on total capital and 26.3% on tangible capital. Total capital and total tangible capital as at 31 December 2024 were \$1.9 billion and \$1.7 billion, respectively.

Dividends

On 4 March 2026, 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 29 April 2026, which will result in an aggregate payment of approximately \$36.0 million. The dividend will be paid in pounds sterling on 12 June 2026 (the "Dividend Payment Date") to shareholders of record on 15 May 2026 (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 \$0.50 per common share (approximately £0.37 per common share at the current exchange rate), which will result in an aggregate payment of approximately \$121.0 million. The dividend will be paid in pounds sterling on 17 April 2026 (the "Dividend Payment Date") to shareholders of record on 20 March 2026 (the "Record Date") using the £ / \$ spot market exchange rate at 12 noon London time on the Record Date.

Business review *continued*

Investment results

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.

During 2025, the US yield curve gradually steepened, as long-term yields climbed and the front end was lowered with the Federal Reserve's 75bps (basis points) rate cuts in the second half of the year. 2025 continued to have strong carry, in all fixed income asset classes, and with a steeper yield curve, our fixed income managers were able to 'roll down the curve' which was beneficial. In addition, investment-grade corporate spreads continued to tighten, which benefited our portfolio.



Denise O'Donoghue
Group Chief Investment Officer

Private credit again contributed positively to the overall portfolio, generating excess return in the surplus portfolio. As we head into 2026, the fixed income portfolio maintains a strong market yield of 4.4%, which is a positive starting point going into the new year.

However, there remain plenty of risks; including geopolitical tensions, inflation risk, tariffs and Supreme Court rulings. We expect few US federal reserve rate cuts and a generally consistent US yield curve shape. 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

Total investment return, including net investment income, net realised gains and losses and net change in unrealised gains and losses, was \$218.0 million for 2025 compared to \$162.2 million for 2024. Net investment income, excluding realised and unrealised gains and losses, was \$164.7 million in 2025, an increase of 13.7% compared to 2024.

The investment portfolio generated a total investment return of 7.0% during 2025. The returns were driven by investment income, benefiting from higher yields combined with rising prices due to falling Treasury rates and a modest tightening of investment-grade credit spreads. In addition, the non-US dollar portfolios and cash, held for hedging purposes, benefitted from a weakening US dollar which added 50bps or \$15.8 million of investment return. The private investment funds also contributed strong returns during the year.

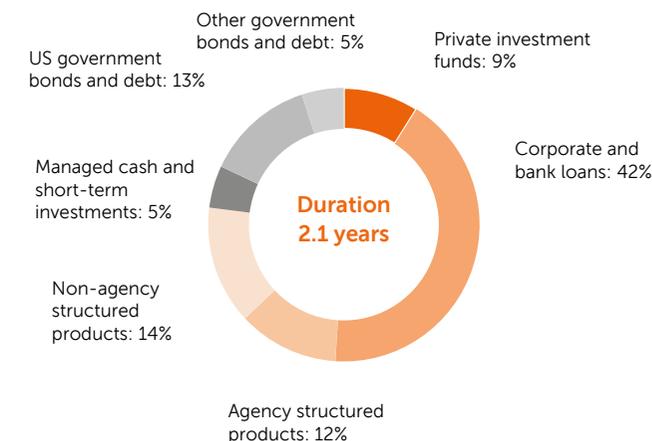
For 2024, the investment portfolio generated a positive return of 5.0%. The returns were driven primarily from investment income given the higher yields throughout most of the year. In addition to positive returns from the fixed income portfolio, the risk assets, notably the bank loans and the private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

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

Conservative portfolio structure – quality

Asset allocation

Total investment portfolio and managed cash



Credit quality

Fixed maturities and managed cash

