

Group Chief Underwriting Officer's review

Rising to the challenge

Q&A



Paul Gregory
Group Chief Underwriting Officer

How would you assess the Lancashire underwriting team's performance in 2025?

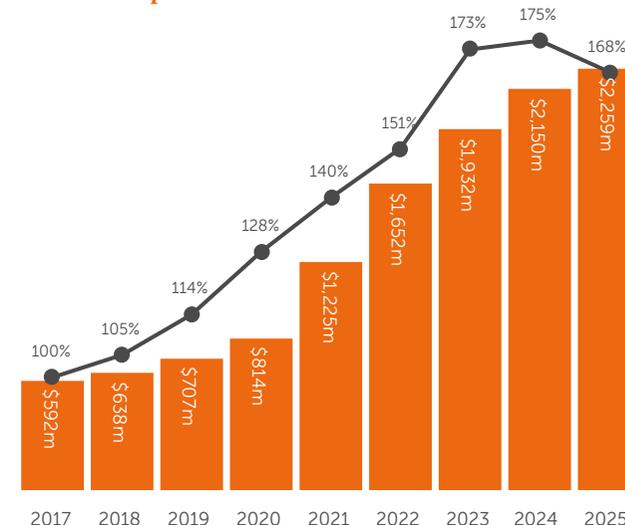
2025 is a proof point year. Our strategy since the (re)insurance market first started to harden a number of years ago was to build a more diversified underwriting portfolio. Delivery on this strategy means that we can absorb the large losses that our customers buy our products to protect themselves against and still deliver profitable underwriting results. It also gives us more levers to manage our business when the inevitable soft market appears, and continue to produce adequate and sustainable returns through the cycle. We have done this by expanding our product offering considerably, predominantly in capital efficient classes, and investing heavily in underwriting talent.

2025 saw both large losses and a softening rate environment. We started the year with a very significant loss event with the devastating Californian wildfires whilst also experiencing some rate softening for the first time since 2017. It has been the first true test of our strategy and all the hard work that has been put in over the past few years to build the underwriting platform we have today.

Pleasingly, we have come through these challenges and delivered a profitable underwriting return, with an undiscounted combined ratio of 93.1%, which provides an insurance service result of \$381.1 million. This underwriting profit has contributed to another year of exceptional returns with a positive change in DBVS of 20.9%.

We have also continued to grow our business. Whilst rates have marginally softened, the vast majority of product lines have healthy rate adequacy given the compounded rate increases over the past seven years.

Gross premiums written and cumulative RPI



Rates remain close to peak levels, as demonstrated by the 2025 RPI of 96%. We always want to grow our underwriting footprint in this environment. Insurance revenue grew 5.4% to \$1,860.4 million with gross premiums written increasing 5.1% to \$2,259.3 million. For the eighth successive year we have achieved our aim of growing premium ahead of rate whilst conditions remain favourable.

2025 has delivered yet another year of premium and revenue growth alongside a healthy underwriting profit, delivering strong returns for our shareholders whilst continuing to strengthen our underwriting talent pool. The underwriting team should be very proud of their efforts and what has been achieved in the year.

Segment	Gross premiums written \$m			Insurance revenue \$m			RPI	
	2025	2024	Variance	2025	2024	Variance	2025	2024
Reinsurance	1,187.2	1,097.8	89.4	904.4	855.1	49.3	97%	101%
Insurance	1,072.1	1,051.8	20.3	956.0	910.0	46.0	95%	101%
Total	2,259.3	2,149.6	109.7	1,860.4	1,765.1	95.3	96%	101%

Group Chief Underwriting Officer's review *continued*

What have been the challenges for the Lancashire underwriting team during 2025?

The two principal challenges we faced during the year were a more competitive trading environment and a number of large loss events.

Whilst rates have remained very healthy, they did soften for the first time in eight years. Following a number of strong years of profitability for the industry, retained earnings have produced more capital deployed, which is very simply increased supply. Meanwhile, demand for many of our products continued to increase, albeit outpaced by the levels of capital supply in most areas, leading to rates beginning to soften. Inevitably, growing premiums in a more competitive market is more challenging than when the rates are increasing and demand outstrips supply.

Despite this more competitive environment, we have been able to continue to build out areas of strategic importance during 2025. We signalled we would grow our specialty reinsurance offering in aviation, energy and marine as well as continuing the build out of Lancashire US. We were successful in both these objectives. Our specialty reinsurance portfolio has grown meaningfully year-on-year. Lancashire US has also now expanded to three insurance product lines, property, energy liability and general casualty, and will remain an area of growth in the coming years as we continue to develop existing products and add new products to our suite of offerings.

Having a broader and more diversified underwriting portfolio provides us with more options for growth and, more importantly, sustainable returns through the cycle. Not all product lines experience the same market conditions, and they move at different speeds. Some product lines were still seeing rate increases during 2025.

With a broader product suite, we strengthen our relevance with clients and, during 2025, we were able to grow our positions on a number of core clients by offering a broader range of products. See page 6.

Being more relevant to core clients will help us better navigate the market cycle and produce more stable and sustainable returns.

The second challenge was an active 2025 loss environment for both natural catastrophes and large man-made risk events.

The year couldn't have started in a more challenging way from a loss perspective. In the early weeks of January, California experienced the most devastating and costly wildfires in its history. Sadly, this led to loss of life and significant property damage creating both economic and insured losses. Industry estimates place the insured loss at around \$40 billion which is, by a large margin, the largest loss event of 2025. This is exactly the type of loss that our products are designed to respond to and why our clients buy (re)insurance protection. It is also the type of loss that prior to the portfolio diversification would have made underwriting profitability for the year very unlikely. However, as has been demonstrated, the portfolio is far more robust and can withstand losses such as this and still deliver strong returns.

The California wildfires were not the only natural catastrophe loss events of the year. There were a number of severe convective storms in the US, category 5 hurricane Melissa had a devastating impact on Jamaica, a severe earthquake in Myanmar that was a terrible humanitarian tragedy with around 4,500 fatalities, and a number of cyclones impacting South East Asian countries such as Thailand, Vietnam, Indonesia, the Philippines and China. All of these events had devastating human consequences and caused major economic disruption but, given relatively low insured values, were not significant loss events to the industry. Overall, 2025 will be remembered as a year when insured losses from natural catastrophes exceeded \$100 billion despite a very benign US hurricane season.

Alongside these well publicised natural catastrophe events were a number of large man-made losses. These were primarily within the aviation and energy industries.

In the aviation sector there were a number of high-profile loss events such as the American Airlines and Air India tragedies.

The energy sector witnessed a high number of mid-sized loss events particularly in the downstream energy class across different territories and asset types. Given the nature of these complex risks it is not uncommon for there to be periods of higher loss frequency, and the benefit of a diversified underwriting portfolio is that we can absorb this volatility whilst continuing to deliver healthy underwriting returns.

What has changed in the underwriting portfolio in 2025?

Our portfolio remains evenly split between insurance (47.5% of gross premiums written) and reinsurance (52.5% of gross premiums written). There is very little change versus last year.

Our decisions on portfolio make up are driven purely by market conditions rather than any pre-determined split. Due to market conditions being relatively stable across product lines, there has been very little change in our portfolio mix.

In a changing market how did you approach managing the reinsurance and insurance segments in 2025 and how did they perform?

Our **reinsurance segment** contains three core pillars; casualty reinsurance, property reinsurance and specialty reinsurance.

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. Premium across the reinsurance segment grew 8.1% year-on-year with each pillar contributing to growth.

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

After the pricing and structure dislocation we saw in recent years, 2025 was a year when we started to see the very first signs of softening. However, this was measured, coming from a very strong position in terms of pricing adequacy. Whilst we still saw increased demand it was far less steep than in prior years as inflationary trends stabilised. Increased supply from existing and new entrants was more than enough to absorb this additional demand.

Group Chief Underwriting Officer's review *continued*

Importantly discipline remained on risk attachment points which meant that the catastrophe reinsurance product remained what it should be, a balance sheet protector, not a protection of quarterly earnings. This helps the reinsurance industry avoid smaller loss events but remain there for large loss events. The California wildfires are a good example of this, where many cedants recovered on reinsurance programmes designed to cater for exactly those types of catastrophic events.

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's underwriting portfolio. There was a small amount of organic premium growth with core clients through the year, this increased exposure being offset with broader reinsurance protection to maintain risk levels broadly flat 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 following the trend of recent years.

There were opportunities to grow with core clients, which is where we were able to deliver modest growth in this portfolio. Within the US casualty area, there continues to be deterioration on older casualty years in the industry, alongside continued discussion of more recent underwriting years being less profitable than some had expected and accounted for.

We have no exposure to older years given our entry into the class midway through 2021. Our prudent approach to reserving since the outset puts us in a strong position, and we remain confident that there is profitable margin in the years we have underwritten, which will be realised over time and help maintain stable and sustainable underwriting returns through the cycle.

The benefit of this continued focus on the adequacy of industry reserving for casualty is that it keeps discipline 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.

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 these sub-classes varied during the year as each sector has its own unique dynamics. Overall, we grew premiums within specialty reinsurance year-on-year however not in every sub-class.

We had the stated aim to grow our footprint in aviation, marine and energy and were able to do this. Loss events in the aviation sector, both in 2025 and prior years, meant that aviation reinsurance was one of the few sub-classes that was positive from a rating perspective. These improved market conditions gave us the opportunity to expand our portfolio, and we grew premiums in line with our strategy. The rating environment for marine and energy reinsurance was slightly more competitive, but rates remained healthy, and we were able to grow our position with core clients as well as onboarding new clients and further enhancing our franchise value in the specialty reinsurance sector.

The property retrocession sub-class is closely aligned to the dynamics of the property reinsurance market and, as a result, this sub-class also saw rate softening. The year-on-year rate change for property retrocession, however, was more pronounced and the market environment more competitive. Accordingly, retrocession experienced the steepest year-on-year rate change of any of our sub-classes. Due to this, we took the decision to reduce our risk levels and shrunk our portfolio accordingly.

Our **insurance segment** includes aviation, casualty, energy and marine, property and specialty insurance.

Much like within reinsurance, insurance 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 have continued to 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.

Despite major loss activity in the **aviation** industry, and in contrast to the aviation reinsurance sub-class, parts of the aviation insurance market, primarily the war exposed sub-classes, did soften during the year. Other sub-classes of aviation remained stable and some small elements such as space were positive but overall, rating in the aviation insurance class as a whole weakened. Aviation was our only class within the insurance segment that we shrunk during 2025. This was primarily a result of highly selective underwriting within our war-exposed sub-classes, given the combination of rating environment and heightened risk levels due to ongoing conflict across the globe.

We will continue to be selective in the sub-classes of the aviation market that we underwrite. We are happy to grow where we believe rating levels to be adequate for this risk but equally happy to retract if we do not. 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 but have the team and platforms ready to maximise any future opportunity.

Casualty insurance is a small segment of the business and comprises our accident and health insurance sub-class, a small amount of professional lines insurance that we support via consortium relationships with market leaders within Lloyd's, and our new general casualty product underwritten at Lancashire US. Market conditions remain broadly stable with healthy rate adequacy. There were a few niche opportunities to grow existing relationship as well as build out our casualty insurance franchise with the new offering at Lancashire US. This all contributed to year-on-year growth for casualty insurance.

Energy and marine insurance provides products across the marine and energy industries. We underwrite marine hull, marine war, marine liabilities, upstream, renewables, and downstream energy, power and utilities, and energy liability.

Group Chief Underwriting Officer's review *continued*

The rating environment has marginally softened for all sub-classes other than the casualty exposed sub-classes of energy and marine liability that still had rating momentum and positive RPIs. Rating adequacy for most of the sub-classes remains healthy and we achieved modest growth across marine and energy, notably within energy liability given the continued build out of the offering from Lancashire US.

The risks in the marine and energy industries are 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. This was demonstrated in 2025 with a number of large loss events in the downstream energy sector. Having a broad marine and energy offering not only gives us relevance with clients and brokers but provides a more robust portfolio to absorb loss volatility within one specific sub-class.

Property insurance comprises property direct and facultative insurance and construction insurance. Trading conditions over the past few years have been exceptional so it was no surprise that 2025 has been more competitive given the outstanding underwriting results of prior years. Despite rate pressure, rating adequacy held and the book grew year-on-year.

Property insurance is one of our three product lines underwritten from Lancashire US and was a founding class of business for this office. Despite more competitive market conditions, we continued to grow property insurance premiums in Lancashire US which helped overall growth in 2025.

Our construction portfolio remained broadly stable year-on-year despite the market conditions, given the relationships and franchise we have built in that sub-class since we entered in 2021.

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 marginally positive from a rate perspective in 2025.

Despite the heightened risk environment due to the various global conflicts, the class remains profitable. A more volatile world does positively influence demand for the product, which has helped us grow the specialty insurance class year-on-year with premium growth comfortably ahead of rate increases.

Underwriting discipline in this class remains paramount, especially in the turbulent and unpredictable world that we live in.

The political and sovereign risk portfolio is generally non-renewable business and therefore premiums are difficult to forecast, however, we have been successful in producing strong premium growth in 2025 with a number of new opportunities and expanded relationships with existing partners. Market discipline has remained in this class, with adequate rating levels and underlying terms and conditions remaining healthy and profitable.

Where does 2025 rank in the 20 years of Lancashire's underwriting history?

2025 is right up there in terms of underwriting performance.

When you assess underwriting performance, you should always look at the context of the loss environment and also the trading conditions.

We had our second-largest natural catastrophe loss in our 20-year history within the first month of the year, combined with the first year of rate softening since 2017 with more intense competition for business.

We have built a portfolio that can absorb large loss volatility and still produce strong underwriting returns. An insurance service result of \$381.1 million is excellent in the context of the loss events in 2025.

We have also built underwriting platforms and a team of highly talented underwriters that will allow us to manage more competitive market environments as we move through the inevitable (re)insurance cycle. 2025 has been a real demonstration of this as we continued to grow our premiums ahead of rate and further strengthened our underwriting franchise.



2025 has delivered yet another year of premium and revenue growth alongside a healthy underwriting profit, delivering strong returns for our shareholders whilst continuing to strengthen our underwriting talent pool."