LANCASHIRE HOLDINGS LIMITED

CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE, ADJUSTED FOR DIVIDENDS, OF (1.4)% IN Q4 2018 AND 2.4% IN 2018
COMBINED RATIO OF 107.4% IN Q4 2018 AND 92.2% IN 2018
FINAL ORDINARY DIVIDEND OF $0.10 PER COMMON SHARE
FULLY CONVERTED BOOK VALUE PER SHARE OF $5.26 AS AT 31 DECEMBER 2018

14 February 2019
Hamilton, Bermuda

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its results for the fourth quarter of 2018 and the year ended 31 December 2018.

Financial highlights

	31 December 2018	31 December 2017
Fully converted book value per share	**$5.26**	**$5.48**
Return on equity[1] – Q4	**(1.4)%**	**(0.9)%**
Return on equity[1]– YTD	**2.4 %**	**(5.9)%**
Return on tangible equity[2] – Q4	**(1.5)%**	**(1.1)%**
Return on tangible equity[2] – YTD	**3.0 %**	**(6.8)%**
Operating return on average equity – Q4	**(1.2)%**	**(0.3)%**
Operating return on average equity – YTD	**3.5 %**	**(7.3)%**
Dividends per common share for the financial year[3]	**$0.35**	**$0.15**

[1] Return on equity is defined as the change in fully converted book value per share, adjusted for dividends.
[2] Return on tangible equity excludes goodwill and other intangible assets.
[3] See "Dividends" below for Record Date and Dividend Payment Date.

	Three months ended		Twelve months ended	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Highlights ($m)				
Gross premiums written	130.8	67.4	638.5	591.6
Net premiums written	97.4	52.1	417.7	398.0
(Loss) profit before tax	(16.0)	(3.2)	33.6	(72.9)
(Loss) profit after tax[1]	(14.1)	(5.4)	37.5	(71.1)
Comprehensive (loss) income[1]	(16.4)	(9.1)	24.7	(66.2)
Net operating (loss) profit[1]	(13.9)	(3.1)	39.8	(86.0)
Per share data				
Diluted (loss) earnings per share	($0.07)	($0.03)	$0.19	($0.36)
Diluted (loss) earnings per share - operating	($0.07)	($0.03)	$0.20	($0.43)
Financial ratios				
Total investment return (including internal currency hedging)	(0.1)%	0.4%	0.8%	2.5%
Net loss ratio	60.0%	75.5%	40.0%	78.4%
Combined ratio	107.4%	119.5%	92.2%	124.9%
Accident year loss ratio	95.1%	85.4%	70.0%	94.2%

[1] These amounts are attributable to Lancashire and exclude non-controlling interests.

Alex Maloney, Group Chief Executive Officer, commented:

"The fourth quarter of 2018 once again witnessed higher levels of loss activity than average, with the occurrence of hurricane Michael in October and a further series of catastrophic wildfires in California causing a tragic loss of life. When considered with the other major loss events during the year, 2018 ranks amongst the four largest loss years of the last couple of decades. Following 2017, this is the second year in succession of well above average global insured catastrophe losses. Against this backdrop, the Group has generated a positive RoE for the full year of 2.4%. Overall, I am pleased at the resilience of our portfolio and our reinsurance programme, given the loss environment.

Looking ahead, I am encouraged with our new business momentum. For the full year our underlying premium growth was about 20%, which is early evidence of the benefits of our organic growth strategy and our particular focus on opportunities in certain new specialty lines which complement the Group's traditional portfolio. Whilst the trading environment remains challenging, there are now some signs of an improved rating environment in many of our specialty lines, which account for over half our business. Encouragingly, the pricing trends remain positive across most of our business lines.

I am also pleased that, as the specific underlying losses have developed, the ultimate loss estimates which we established in 2017 in respect of hurricanes Harvey, Irma and Maria have reduced over the year.

We pride ourselves not only on our underwriting expertise, which is key to the delivery of our strategy, but also on the dedication and professionalism of our people throughout the business. I would like to thank everyone across our Group for their contribution to what has been a positive result in another challenging year. We are well positioned to develop the opportunities which lie ahead."

Elaine Whelan, Group Chief Financial Officer, commented:

"The fourth quarter of 2018 was impacted by both further catastrophe activity and significant volatility in the investment markets. Our combined ratio was 107.4% and our investment return was (0.1)%. That resulted in an RoE for the quarter of negative 1.4%, although we remained profitable for the year with an RoE of 2.4%. Despite the losses incurred this year we have produced an underwriting profit with a combined ratio of 92.2%. Our investment portfolio structure also ensured our loss for the quarter was minimised and we produced a respectable return for the year of 0.8%.

We expect to see improved rates across many of our lines of business, and growth through new business where we have recently added new teams. We expect to put most of our capital to work, but we will continue to hold some capital for opportunities that may arise. In line with our stated dividend policy we are declaring our standard final ordinary dividend of $0.10 per share."

Renewal Price Index for major classes

The Renewal Price Index ("RPI") is an internal methodology that management uses to track trends in premium rates on a portfolio of insurance and reinsurance contracts. The RPI is calculated on a per contract basis and reflects our assessment of relative changes in price, terms, conditions and limits on like for like renewals only, and is weighted by premium volume (see "Note Regarding RPI Methodology" at the end of this announcement for further guidance). The RPI does not include new business, to offer a consistent basis for analysis. The following RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in 2017, with our Lloyd's segment shown separately in order to aid comparability:

RPI Lancashire (excluding Lloyd's segment)

Class	YTD 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Aviation (AV52)	99 %	100 %	100 %	100 %	96 %
Gulf of Mexico energy*	101 %	–	–	101 %	110 %
Energy offshore worldwide	103 %	102 %	103 %	103 %	103 %
Marine	98 %	101 %	100 %	97 %	97 %
Property retrocession and reinsurance	107 %	102 %	100 %	103 %	111 %
Terrorism	99 %	99 %	99 %	99 %	100 %
Lancashire (excluding Lloyd's segment)[1]	**103%**	**100%**	**105%**	**101%**	**105%**

* There was no renewing Gulf of Mexico energy business written in the third and fourth quarters of 2018.
(1) The table above summarises the RPI figures for the main business classes, with the total incorporating all business classes.

RPI Lloyd's segment

Class	YTD 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Aviation	104 %	107 %	105 %	105 %	102 %
Energy	103 %	101 %	104 %	103 %	102 %
Marine	105 %	114 %	104 %	104 %	101 %
Property retrocession and reinsurance	108 %	100 %	102 %	107 %	108 %
Terrorism	100 %	103 %	99 %	99 %	99 %
Lloyd's segment[1]	**106%**	**106%**	**106%**	**107%**	**106%**

(1) The table above summarises the RPI figures for the main business classes, with the total incorporating all business classes.

Underwriting results

Gross premiums written

	Q4				YTD			
	2018 $m	**2017 $m**	**Change $m**	**Change %**	**2018 $m**	**2017 $m**	**Change $m**	**Change %**
Property	38.1	21.0	17.1	81.4	214.6	198.0	16.6	8.4
Energy	14.9	5.0	9.9	198.0	103.0	101.8	1.2	1.2
Marine	5.8	9.2	(3.4)	(37.0)	31.1	67.6	(36.5)	(54.0)
Aviation	17.9	4.0	13.9	347.5	33.0	16.9	16.1	95.3
Lloyd's	54.1	28.2	25.9	91.8	256.8	207.3	49.5	23.9
Total	**130.8**	**67.4**	**63.4**	**94.1**	**638.5**	**591.6**	**46.9**	**7.9**

Gross premiums written increased by 94.1% in the fourth quarter of 2018 compared to the same period in 2017. In 2018, gross premiums written increased by 7.9% compared to 2017. The Group's five principal segments, and the key market factors impacting them, are discussed below.

Property gross premiums written increased by 81.4% for the fourth quarter of 2018 compared to the same period in 2017 and increased by 8.4% in 2018 compared to 2017. The increase for the quarter was primarily driven by new business written in the political risk class, where strong deal flow was only partially offset by a reduction due to multi-year deals that were not yet due to renew. Business flow in the political risk class is generally less predictable than other classes due to the specific nature of each deal. In addition to that new business, the property catastrophe and property retrocession classes experienced slightly higher levels of reinstatement premium compared to the same period in the prior year. For the year, the property segment experienced growth from new business and rate increases across most classes. However, that growth was significantly offset by reductions due to multi-year contracts not yet due to renew in the political risk and property catastrophe classes. The third quarter of 2017 also included $7.0 million of reinstatement premiums in connection with hurricanes Harvey, Irma and Maria.

Energy gross premiums written increased by 198.0% for the fourth quarter of 2018 compared to the same period in 2017 and increased by 1.2% in 2018 compared to 2017. The fourth quarter is not typically a major renewal period for the energy segment. The increase for the quarter was mostly due to adjustments that were made to prior underwriting year risk-attaching business in the same period in the prior year, with exposure reductions in the worldwide offshore book due primarily to some construction projects that were delayed or cancelled projects. There was also some more new business written in the onshore energy class in the fourth quarter of 2018. These increases also drove the increase for the year, but that was almost entirely offset by multi-year contracts written in the Gulf of Mexico and offshore energy classes in 2017 that were not yet due to renew, plus the restructuring of an existing Gulf of Mexico multi-year deal.

Marine gross premiums written decreased by 37.0% for the fourth quarter of 2018 compared to the same period in 2017 and decreased by 54.0% in 2018 compared to 2017. The decreases for the quarter and the year were due to a reduction in exposure on prior underwriting year risk-attaching business in the other marine class in addition to less pro-rata business written compared to the prior periods. While the reduction in the fourth quarter was somewhat offset by the timing of non-annual contract renewals in the marine hull book, the reduction for the year was further compounded by the timing of non-annual contract renewals.

Aviation gross premiums written increased by 347.5% for the fourth quarter of 2018 compared to the same period in 2017 and increased by 95.3% in 2018 compared to 2017. The increases for the quarter and the year were mainly due to new business in the aviation deductible class due to the addition of a new underwriting team and the resulting new business introduced. There was also increased exposure on prior underwriting year risk-attaching business for the quarter and on a full year basis.

In the Lloyd's segment gross premiums written increased by 91.8% for the fourth quarter of 2018 compared to the same period in 2017 and increased by 23.9% in 2018 compared to 2017. The increases for the quarter and the year were mainly due to new business in the aviation and energy classes due to the addition of new underwriting teams and the resulting new business introduced. There was also an increase in the property direct and facultative and marine classes, primarily due to improved rates, new business and negative adjustments made to prior underwriting year risk-attaching business in the same period in the prior year. The increase for the year was partially offset by reduced reinstatement premiums in the property reinsurance class.

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Ceded reinsurance premiums increased by $18.1 million, or 118.3%, for the fourth quarter of 2018 compared to the same period in 2017 and increased by $27.2 million, or 14.0%, in 2018 compared to 2017. The increased spend for the quarter was primarily driven by additional cover purchased in respect of the new lines of business added plus higher reinstatement premiums. These increases were offset partially by the timing of renewals. The increase for the year was due to a combination of additional cover purchased and rate increases, partially offset by the timing of some renewals.

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Net premiums earned as a proportion of net premiums written was 109.3% in the fourth quarter of 2018 compared to 179.5% for the same period in 2017 and 99.0% in 2018 compared to 107.5% in 2017. The earnings ratio for the fourth quarter of 2017 was unusually high due to the impact of exposure reductions on prior underwriting year risk-attaching business in the worldwide offshore book. The fourth quarter of 2018 included a higher proportion of multi-year property political risk business compared to the same period in the prior year, deferring more earnings to future periods. The lower earnings ratio for 2018 compared to 2017 was also impacted by the timing of gross premiums written in the year, with a higher proportion being written in the fourth quarter of 2018 compared to 2017.

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The Group's net loss ratio for the fourth quarter of 2018 was 60.0% compared to 75.5% for the same period in 2017 and 40.0% for 2018 compared to 78.4% in 2017. The accident year loss ratio for the fourth quarter of 2018, including the impact of foreign exchange revaluations, was 95.1% compared to 85.4% for the same period in 2017 and 70.0% for 2018 compared to 94.2% in 2017. The fourth quarter of 2018 was impacted by hurricane Michael and the California wildfires. Our net losses recorded for these events, excluding the impact of inwards and outwards reinstatement premiums and our share of losses from Kinesis, were $48.8 million. Our net losses recorded for the fourth quarter of 2017 in relation to the California wildfires, excluding the impact of inwards and outwards reinstatement premiums and our share of losses from Kinesis, were $34.5 million.

For 2018, our net losses incurred also included $56.1 million, excluding the impact of inwards and outwards reinstatement premiums and our share of losses from Kinesis, in relation to losses within our marine portfolio plus natural catastrophe events, including hurricane Florence and typhoons Jebi, Mangkhut and Trami. In the prior year, the total estimated net loss, excluding the impact of inwards and outwards reinstatement premiums and our share of losses from Kinesis, for the 2017 catastrophe losses from hurricanes Harvey, Irma and Maria, the two earthquakes in Mexico plus the California wildfires, was $181.8 million as at 31 December 2017 compared to $164.7 million as at 31 December 2018.

While reserves have been recorded, uncertainty exists on the eventual ultimate losses in relation to the hurricanes, typhoons, earthquakes and wildfires as loss information after these types of events can take some time to obtain. The Group's reserve estimates for these natural catastrophe events were 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, perhaps materially, from the current reported reserves. The final settlement of all these claims is likely to take place over a considerable period of time.

There were no other significant net losses in either year.

Excluding the impact of foreign exchange evaluations, the following table shows the impact of the current accident year events noted above on the Group's loss ratio:

	Q4		YTD	
	Losses	**Loss ratio**	**Losses**	**Loss ratio**
	$m	**%**	**$m**	**%**
Reported loss ratio at 31 December 2018	63.9	60.0%	165.4	40.0%
Absent natural catastrophe events	16.5	15.8%	78.6	19.2%
Absent large marine losses	63.7	59.9%	147.3	34.7%
Absent these combined events	16.3	15.6%	60.5	14.4%

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

As reported in the Group's results for the fourth quarter of 2017, excluding the impact of foreign exchange evaluations, the following table shows the impact of prior year catastrophe events on the Group's loss ratio:

	Q4		YTD	
	Losses	**Loss ratio**	**Losses**	**Loss ratio**
	$m	**%**	**$m**	**%**
Reported loss ratio at 31 December 2017	70.6	75.5%	335.4	78.4%
Absent hurricane Harvey	73.9	79.5%	287.6	67.7%
Absent hurricane Irma	74.3	79.1%	281.6	66.1%
Absent hurricane Maria	68.8	75.9%	300.0	70.5%
Absent Mexico earthquakes	71.9	76.9%	325.1	76.0%
Absent California wildfires	36.1	38.8%	300.9	70.4%
Absent all catastrophe events	42.6	47.3%	153.6	36.6%

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

Prior year favourable development for the fourth quarter of 2018 was $39.9 million, compared to $7.4 million for the fourth quarter of 2017, and $126.9 million for 2018 compared to $65.1 million for 2017. The favourable development in all periods was primarily due to general IBNR releases across most lines of business due to a lack of reported claims. The first and fourth quarters of 2018 also included reductions on some prior accident year property and energy reserves. In 2017, the Group experienced some adverse development on prior accident year property and energy claims.

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

	Q4		YTD	
	2018	**2017**	**2018**	**2017**
	$m	**$m**	**$m**	**$m**
Property	9.5	(3.3)	46.5	14.4
Energy	18.7	5.0	55.0	21.1
Marine	4.7	0.6	12.1	15.2
Aviation	0.2	0.6	1.4	3.0
Lloyd's	6.8	4.5	11.9	11.4
Total	**39.9**	**7.4**	**126.9**	**65.1**

Note: Positive numbers denote favourable development.

Excluding the impact of foreign exchange revaluations, previous accident years' ultimate losses developed as follows during 2018 and 2017:

	Year ended 31 December 2018	Year ended 31 December 2017
	$m	$m
2008 accident year and prior	3.1	0.1
2009 accident year	23.9	0.1
2010 accident year	1.6	1.8
2011 accident year	4.7	8.8
2012 accident year	8.8	5.0
2013 accident year	3.5	3.5
2014 accident year	3.4	9.2
2015 accident year	6.6	20.3
2016 accident year	33.3	16.3
2017 accident year	38.0	–
Total	**126.9**	**65.1**

Note: Positive numbers denote favourable development.

The ratio of IBNR to total net loss reserves was 39.3% at 31 December 2018 compared to 44.8% at 31 December 2017.

Investments

Net investment income, excluding realised and unrealised gains and losses, was $9.9 million for the fourth quarter of 2018, an increase of 26.9% from the fourth quarter of 2017. Net investment income was $34.7 million for 2018, an increase of 13.8% compared to 2017. 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 $1.8 million for the fourth quarter of 2018 compared to a gain of $7.3 million for the fourth quarter of 2017 and a gain of $12.5 million for 2018 compared to a gain of $45.7 million for 2017.

The investment portfolio lost 0.1% during the fourth quarter of 2018 due to significant widening of credit spreads plus losses on the Group's equities, hedge funds, bank loans and principal protected notes as the markets declined considerably during the quarter. The losses were mitigated by coupon income and gains on the fixed maturity portfolios as a result of the reduction in treasury yields. During the fourth quarter of 2017 the portfolio returned 0.4%. While a modest increase in treasury yields, offset by the narrowing of credit spreads plus coupon income, drove flat returns in the standard fixed maturity portfolios in the fourth quarter of 2017, the portfolio benefited from strong returns from the hedge fund, bank loan and equity portfolios.

The investment portfolio returned 0.8% in 2018 driven by positive returns on the Group's standard fixed maturity portfolios as coupon returns more than offset the increase in treasury yields and widening of credit spreads that took place in 2018. Returns on the fixed maturity mandates outweighed the small losses on the equities, hedge funds and bank loans during the year. Despite the increase in treasury yields in 2017, the investment portfolio produced a return of 2.5% due to the narrowing of credit spreads, coupon income and strong returns in the Group's equities, hedge funds, bank loans and principal protected notes.

The corporate bond allocation represented 29.9% of managed invested assets at 31 December 2018 compared to 28.2% at 31 December 2017.

The managed portfolio was as follows:

	As at 31 December 2018	As at 31 December 2017
Fixed maturity securities	85.4 %	80.1 %
Hedge funds	8.5 %	8.4 %
Cash and cash equivalents	4.8 %	10.2 %
Equity securities	1.3 %	1.3 %
Total	**100.0%**	**100.0%**

Key investment portfolio statistics were:

	As at 31 December 2018	As at 31 December 2017
Duration	1.5 years	1.7 years
Credit quality	A+	AA-
Book yield	2.7%	2.0%
Market yield	3.1%	2.1%

Lancashire Third Party Capital Management

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

	Q4		YTD	
	2018 $m	2017 $m	2018 $m	2017 $m
Kinesis underwriting fees	1.9	2.2	6.6	5.8
Kinesis profit commission	–	–	–	5.9
Lloyd's fees & profit commission	4.5	4.0	5.8	5.5
Total other income	**6.4**	**6.2**	**12.4**	**17.2**
Share of (loss) profit of associate	(7.0)	2.3	(7.1)	(9.4)
Total net third party capital managed income	**(0.6)**	**8.5**	**5.3**	**7.8**

The Kinesis profit commission is driven by the timing of loss experience, settlement of claims and collateral release and therefore varies from quarter to quarter. Following the significant catastrophe activity during the second half of 2017, and resulting loss experience, there was no recognition in 2018 of any profit commission for the 2017 underwriting cycles. The higher Kinesis underwriting fees in 2018 reflect the higher level of premiums under management compared to 2017. The share of (loss) profit of associate reflects Lancashire's 10% equity interest in the Kinesis vehicle. The loss during the fourth quarter of 2018 was entirely driven by the catastrophe activity during the quarter. The Lloyd's fees and profit commission are driven by the relative profitability of the underwriting years impacting each period.

Other operating expenses

Other operating expenses consist of the following items:

	Q4		YTD	
	2018	**2017**	**2018**	**2017**
	$m	**$m**	**$m**	**$m**
Employee remuneration costs	7.1	9.2	49.0	40.2
Other operating expenses	10.3	11.4	40.2	43.4
Total	**17.4**	**20.6**	**89.2**	**83.6**

Employee remuneration costs for the fourth quarter of 2018 were $2.1 million lower than the corresponding quarter of 2017 and $8.8 million higher for 2018 compared to 2017. The lower remuneration charge for the fourth quarter reflects a reduction in variable compensation due to the loss activity in the quarter. The increase for 2018 was primarily due to increased headcount following the recruitment of new underwriters and underwriting teams and an increase in the variable compensation element of employee remuneration costs compared to 2017, given the relative performance.

Other operating expenses for the fourth quarter and 2018 were $1.1 million and $3.2 million lower than the respective periods in 2017. The reductions for the quarter and for the year were primarily due to lower consulting fees incurred in the Lloyd's segment.

Equity based compensation

The equity based compensation expense was $2.1 million in the fourth quarter of 2018 compared to a credit of $0.3 million in the same period of 2017 and $7.9 million for 2018 compared to a credit of $0.4 million in 2017. The equity based compensation charge was driven by anticipated vesting levels of active awards based on current performance expectations. Lower equity based compensation charges were recorded in 2017 due to incorporating the third and fourth quarter losses into the performance estimates combined with the lapsing of awards of former Cathedral employees on departure from the Group.

Capital

As at 31 December 2018, total capital available to Lancashire was $1.391 billion, comprising shareholders' equity of $1.067 billion and $324.3 million of long-term debt. Tangible capital was $1.238 billion. Leverage was 23.3% on total capital and 26.2% on total tangible capital. Total capital and total tangible capital as at 31 December 2017 were $1.433 billion and $1.279 billion respectively.

The Group will continue to review the appropriate level and composition of its capital with the intention of managing capital to enhance risk-adjusted returns on equity.

Dividends

The Lancashire Board declared the following dividends during 2018:

- A final dividend relating to 2017 of $0.10 per common share;
- An interim dividend of $0.05 per common share; and
- A special dividend of $0.20 per common share.

Lancashire announces that its Board of Directors has declared a final dividend for 2018 of $0.10 per common share (approximately (£0.08) per common share at the current exchange rate), which will result in an aggregate payment of approximately $20.1 million. The dividend will be paid in Pounds Sterling on 27 March 2019 (the "Dividend Payment Date") to shareholders of record on 22 February 2019 (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 Asset Services, for more details at: https://www.linkassetservices.com/shareholders-and-investors/shareholder-services-uk.

Group supervision

During 2018, the Group reviewed the location of its group supervision with a view to better alignment with its strategic priorities. With effect from 1 January 2019 Lancashire Holdings Limited has become Group supervised by the Bermuda Monetary Authority, and tax resident in Bermuda. There is no change for the Group's UK subsidiaries, Lancashire Insurance Company (UK) Limited and Cathedral Underwriting Limited, who remain regulated by the Prudential Regulation Authority and the Financial Conduct Authority. Additionally, Cathedral is also regulated by Lloyd's.

Financial Information

The Audited Consolidated Financial Statements for the year ended 31 December 2018 and the 2018 fourth quarter Financial Supplement are published on Lancashire's website at www.lancashiregroup.com.

The Annual Report and Accounts are expected to be posted to shareholders on 11 March 2019 and will also be made available on Lancashire's website.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 1:00pm UK time / 9:00am Bermuda time / 8:00am EST on Thursday 14 February 2019. The conference call will be hosted by Lancashire management.

Participant Access:
Dial in 5-10 minutes prior to the start time using the number / confirmation code below:

United Kingdom - Toll free / Freephone:	0800 279 6619
United Kingdom - Local:	0844 481 9752
United States - Toll free / Freephone:	1 877 870 9135
United States - Local:	+1 646 741 3167
Canada - Toll free / Freephone:	+1 866 925 0818
Canada - Local:	+1 646 741 3167
Confirmation Code:	**2799373**

The call can also be accessed via webcast, please go to our website at:
https://www.lancashiregroup.com/en/investors.html or https://edge.media-server.com/m6/p/e4gvgp5d to register and access.

A webcast replay facility will be available for 12 months and accessible at:
https://www.lancashiregroup.com/en/investors/results-reports-and-presentations.html.

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About Lancashire

Lancashire, through its UK and Bermuda-based operating subsidiaries, is a provider of global specialty insurance and reinsurance products. The Group companies carry the following ratings:

	Financial Strength Rating(1)	Financial Strength Outlook(1)	Long Term Issuer Rating(2)
A.M. Best	A (Excellent)	Stable	bbb+
S&P Global Ratings	A-	Stable	BBB
Moody's	A3	Stable	Baa2

(1) Financial Strength Rating and Financial Strength Outlook apply to Lancashire Insurance Company Limited and Lancashire Insurance Company (UK) Limited.
(2) Long Term Issuer Rating applies to Lancashire Holdings Limited.

Cathedral benefits from Lloyd's ratings: A.M. Best: A (Excellent); S&P Global Ratings: A+ (Strong); and Fitch: AA- (Very Strong).

Lancashire has capital of approximately $1.4 billion and its common shares trade on the premium segment of the Main Market of the London Stock Exchange under the ticker symbol LRE. Lancashire has its head office and registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

For more information, please visit Lancashire's website at www.lancashiregroup.com.

The Bermuda Monetary Authority ("BMA") is the Group Supervisor of the Lancashire Group with effect from 1 January 2019.

Lancashire Insurance Company Limited is regulated by the BMA, with its registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

Lancashire Insurance Company (UK) Limited is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA, with its registered office at Level 29, 20 Fenchurch Street, London EC3M 3BY, United Kingdom.

Cathedral Underwriting Limited is authorised by the PRA and regulated by the FCA and the PRA. It is also authorised and regulated by Lloyd's, with its registered office at Level 29, 20 Fenchurch Street, London EC3M 3BY, United Kingdom.

Kinesis Capital Management Limited is regulated by the BMA, with its registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

This release contains information, which may be of a price sensitive nature that Lancashire is making public in a manner consistent with the EU Market Abuse Regulation and other regulatory obligations. The information was submitted for publication, through the agency of the contact persons set out above, at 07:00 GMT on 14 February 2019.

Alternative Performance Measures

As is customary in the insurance industry, the Group also utilises certain non-GAAP measures ("**Alternative Performance Measures**" or "**APMs**") in order to evaluate, monitor and manage the business and to aid users' understanding of the Group. In compliance with the Guidelines on APMs of the European Securities and Markets Authority, we give information on APMs in the table below. This information has not been audited.

Management believes that the APMs included in this release and accompanying supplementary materials are important for understanding the Group's overall results of operations and may be helpful to investors and other interested parties who may benefit from having a consistent basis for comparison with other companies within the industry. However, these measures may not be comparable to similarly labeled measures used by companies inside or outside the insurance industry. In addition, the information contained herein should not be viewed as superior to, or a substitute for, the measures determined in accordance with the accounting principles used by the Group for its audited consolidated financial statements or in accordance with GAAP.

The following APMs included in this release and accompanying supplementary materials have not been prepared in accordance with the accounting principles used by the Group for its audited and / or interim consolidated financial statements. Below is an explanation of the definition of these APMs as well as information regarding their relevance:

APM	**Definition**	**Relevance**
Net loss ratio	Ratio, in per cent, of net insurance losses to net premiums earned.	This ratio gives an indication of the amount of claims expected to be paid out per $1.00 of net premium earned in the financial year.
Net acquisition cost ratio	Ratio, in per cent, of net insurance acquisition expenses to net premiums earned.	This ratio gives an indication of the amount expected to be paid out to insurance brokers and other insurance intermediaries per $1.00 of net premium earned in the financial year
Net expense ratio	Ratio, in per cent, of other operating expenses, excluding restricted stock expenses, to net premiums earned.	This ratio gives an indication of the amount of operating expenses expected to be paid out per $1.00 of net premium earned in the financial year.
Accident year loss ratio	The accident year loss ratio is calculated using the accident year ultimate liability re-valued at the current balance sheet date, divided by net premiums earned.	This ratio shows the amount of claims expected to be paid out per $1.00 of net premium earned in an accident year.

Combined ratio	Ratio, in per cent, of the sum of net insurance losses, net acquisition expenses and other operating expenses to net premiums earned.	The Group aims to price its business to ensure that the combined ratio across the cycle is significantly less than 100 per cent.
Fully converted book value per share (“**FCBVS**”) attributable to the Group	Calculated based on the value of the total shareholders' equity attributable to the Group and dilutive restricted stock units as calculated under the treasury method, divided by, the sum of all shares and dilutive restricted stock units, assuming all are exercised.	Shows the Group's net asset value on a diluted per share basis for comparison to the market value per share.
Return on equity (“**RoE**”) (RoE is also sometimes referred to as the change in FCBVS adjusted for dividends)	The internal rate of return of the change in FCBVS in the period, plus dividends accrued. Tangible RoE attributable to the Group excludes intangible assets from capital.	The Group's aim is to maximise risk adjusted returns for its shareholders across the cycle.
Operating return on average equity	Calculated as the net operating income (loss), divided by the average equity over the period, adjusted for dividends declared. Net operating income (loss) excludes; realised gains and losses net of impairments, foreign exchange and tax.	This metric gives an indication of the average percentage return generated by the Group's core business.
Total investment return	Total investment return measures investment income and net realised and unrealised gains and losses produced by the Group’s managed investment portfolio.	The Group's primary investment objectives are to preserve capital and provide adequate liquidity to support the Group's payment of claims and other obligations. Within this framework the Group aims for a degree of investment portfolio return.

NOTE REGARDING RPI METHODOLOGY

LANCASHIRE'S RENEWAL PRICE INDEX ("RPI") IS AN INTERNAL METHODOLOGY THAT ITS MANAGEMENT USES TO TRACK TRENDS IN PREMIUM RATES OF A PORTFOLIO OF INSURANCE AND REINSURANCE CONTRACTS. THE RPI WRITTEN BY THE LANCASHIRE COMPANIES IN THE RESPECTIVE SEGMENTS IS CALCULATED ON A PER CONTRACT BASIS AND REFLECTS LANCASHIRE'S ASSESSMENT OF RELATIVE CHANGES IN PRICE, TERMS, CONDITIONS AND LIMITS AND IS WEIGHTED BY PREMIUM VOLUME. THE CALCULATION INVOLVES A DEGREE OF JUDGEMENT IN RELATION TO COMPARABILITY OF CONTRACTS AND THE ASSESSMENT NOTED ABOVE. TO ENHANCE THE RPI METHODOLOGY, MANAGEMENT OF LANCASHIRE MAY REVISE THE METHODOLOGY AND ASSUMPTIONS UNDERLYING THE RPI, SO THE TRENDS IN PREMIUM RATES REFLECTED IN THE RPI MAY NOT BE COMPARABLE OVER TIME. CONSIDERATION IS ONLY GIVEN TO RENEWALS OF A COMPARABLE NATURE SO IT DOES NOT REFLECT EVERY CONTRACT IN LANCASHIRE'S PORTFOLIO. THE FUTURE PROFITABILITY OF THE PORTFOLIO OF CONTRACTS WITHIN THE RPI IS DEPENDENT UPON MANY FACTORS BESIDES THE TRENDS IN PREMIUM RATES.

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELLED LOSS SCENARIOS) MADE IN THIS RELEASE OR OTHERWISE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING, WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS "BELIEVES", "ANTICIPATES", "PLANS", "PROJECTS", "FORECASTS", "GUIDANCE", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "CAN", "LIKELY", "WILL", "SEEKS", "SHOULD", OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. ALL SUCH STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDING, WITHOUT LIMITATION, THE GROUP'S FINANCIAL POSITION, TAX RESIDENCY, LIQUIDITY, RESULTS OF OPERATIONS, PROSPECTS, GROWTH, CAPITAL MANAGEMENT PLANS AND EFFICIENCIES, ABILITY TO CREATE VALUE, DIVIDEND POLICY, OPERATIONAL FLEXIBILITY, COMPOSITION OF MANAGEMENT, BUSINESS STRATEGY, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS (INCLUDING DEVELOPMENT PLANS AND OBJECTIVES RELATING TO THE GROUP'S INSURANCE BUSINESS) ARE FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE GROUP TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS.

THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: THE ACTUAL DEVELOPMENT OF LOSSES AND EXPENSES IMPACTING ESTIMATES FOR HURRICANE MICHAEL AND THE WILDFIRES WHICH IMPACTED PARTS OF CALIFORNIA DURING THE FOURTH QUARTER OF 2018, HURRICANE FLORENCE, THE TYPHOONS AND MARINE LOSSES THAT OCCURRED IN THE THIRD QUARTER OF 2018, HURRICANES HARVEY, IRMA AND MARIA AND THE EARTHQUAKES IN MEXICO THAT OCCURRED IN THE THIRD QUARTER OF 2017 AND THE WILDFIRES WHICH IMPACTED PARTS OF CALIFORNIA DURING THE FOURTH QUARTER OF 2017; THE IMPACT OF COMPLEX AND UNIQUE CAUSATION AND COVERAGE ISSUES ASSOCIATED WITH ATTRIBUTION OF LOSSES TO WIND OR FLOOD DAMAGE OR OTHER PERILS SUCH AS FIRE OR BUSINESS INTERRUPTION RELATING TO SUCH EVENTS; POTENTIAL UNCERTAINTIES RELATING TO REINSURANCE RECOVERIES, REINSTATEMENT PREMIUMS AND OTHER FACTORS INHERENT IN LOSS ESTIMATION; THE GROUP'S ABILITY TO INTEGRATE ITS BUSINESSES AND PERSONNEL; THE SUCCESSFUL RETENTION AND MOTIVATION OF THE GROUP'S KEY MANAGEMENT; THE INCREASED REGULATORY BURDEN FACING THE GROUP; THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT THE GROUP WRITES OR MAY WRITE; THE GROUP'S ABILITY TO IMPLEMENT SUCCESSFULLY ITS BUSINESS STRATEGY DURING 'SOFT' AS WELL AS 'HARD' MARKETS; THE PREMIUM RATES WHICH MAY BE AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN THE GROUP'S TARGETED BUSINESS LINES; THE POSSIBLE LOW FREQUENCY OF LARGE EVENTS; POTENTIALLY UNUSUAL LOSS FREQUENCY; THE IMPACT THAT THE GROUP'S FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS MAY HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES OR DIVIDENDS; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN THE GROUP'S UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; INCREASED COMPETITION FROM EXISTING ALTERNATIVE CAPITAL PROVIDERS, INSURANCE LINKED FUNDS AND COLLATERALISED SPECIAL PURPOSE INSURERS AND THE RELATED DEMAND AND SUPPLY DYNAMICS AS CONTRACTS COME UP FOR RENEWAL; THE EFFECTIVENESS OF THE GROUP'S LOSS LIMITATION METHODS; THE POTENTIAL LOSS OF KEY PERSONNEL; A DECLINE IN THE GROUP'S OPERATING SUBSIDIARIES' RATING WITH A.M. BEST, S&P GLOBAL RATINGS, MOODY'S OR OTHER RATING AGENCIES; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; CYCLICAL DOWNTURNS OF THE INDUSTRY; THE IMPACT OF A DETERIORATING CREDIT ENVIRONMENT FOR ISSUERS OF FIXED MATURITY INVESTMENTS; THE IMPACT OF SWINGS IN MARKET INTEREST RATES, CURRENCY EXCHANGE RATES AND SECURITIES PRICES; CHANGES BY CENTRAL BANKS REGARDING THE LEVEL OF INTEREST RATES; THE IMPACT OF INFLATION OR DEFLATION IN RELEVANT ECONOMIES IN WHICH THE GROUP OPERATES; THE EFFECT, TIMING AND OTHER UNCERTAINTIES SURROUNDING FUTURE BUSINESS COMBINATIONS WITHIN THE INSURANCE AND REINSURANCE INDUSTRIES; THE IMPACT OF TERRORIST ACTIVITY IN THE COUNTRIES IN WHICH THE GROUP WRITES RISKS; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITIES IN THE GROUP'S INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE THE GROUP CONDUCTS BUSINESS; LANCASHIRE OR ANY OF THE GROUP'S BERMUDIAN SUBSIDIARIES BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR IN THE UNITED KINGDOM; THE IMPACT OF THE CHANGE IN TAX RESIDENCE ON STAKEHOLDERS OF THE COMPANY; AND THE IMPACT OF "BREXIT" (FOLLOWING THE UK'S NOTIFICATION TO THE EUROPEAN COUNCIL UNDER ARTICLE 50 OF THE TREATY ON EUROPEAN UNION ON 29 MARCH 2017) AND FUTURE NEGOTIATIONS REGARDING THE UK'S RELATIONSHIP WITH THE EU ON THE GROUP'S BUSINESS, REGULATORY RELATIONSHIPS, UNDERWRITING PLATFORMS OR THE INDUSTRY GENERALLY.

ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE GROUP OR INDIVIDUALS ACTING ON BEHALF OF THE GROUP ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THIS NOTE. PROSPECTIVE INVESTORS SHOULD SPECIFICALLY CONSIDER THE FACTORS IDENTIFIED IN THIS RELEASE WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.

Consolidated statement of comprehensive (loss) income

	Q4 2018 $m	Q4 2017 $m	YTD 2018 $m	YTD 2017 $m
Gross premiums written	130.8	67.4	638.5	591.6
Outwards reinsurance premiums	(33.4)	(15.3)	(220.8)	(193.6)
Net premiums written	**97.4**	**52.1**	**417.7**	**398.0**
Change in unearned premiums	32.9	69.5	(19.7)	22.6
Change in unearned premiums on premiums ceded	(23.8)	(28.1)	15.5	7.3
Net premiums earned	**106.5**	**93.5**	**413.5**	**427.9**
Net investment income	9.9	7.8	34.7	30.5
Net other investment (losses) income	(6.7)	2.7	(4.2)	1.2
Net realised (losses) gains and impairments	(2.8)	0.5	(5.1)	9.1
Share of (loss) profit of associate	(7.0)	2.3	(7.1)	(9.4)
Other income	6.4	6.2	12.4	17.2
Net foreign exchange gains (losses)	0.4	(0.8)	(1.6)	2.3
Total net revenue	**106.7**	**112.2**	**442.6**	**478.8**
Insurance losses and loss adjustment expenses	139.1	124.2	307.4	538.0
Insurance losses and loss adjustment expenses recoverable	(75.2)	(53.6)	(142.0)	(202.6)
Net insurance acquisition expenses	33.1	20.6	126.4	115.6
Equity based compensation	2.1	(0.3)	7.9	(0.4)
Other operating expenses	17.4	20.6	89.2	83.6
Total expenses	**116.5**	**111.5**	**388.9**	**534.2**
Results of operating activities	**(9.8)**	**0.7**	**53.7**	**(55.4)**
Financing costs	6.2	3.9	20.1	17.5
(Loss) profit before tax	**(16.0)**	**(3.2)**	**33.6**	**(72.9)**
Tax credit (charge)	1.9	(2.1)	4.0	2.3
(Loss) profit after tax	**(14.1)**	**(5.3)**	**37.6**	**(70.6)**
Non-controlling interests	—	(0.1)	(0.1)	(0.5)
(Loss) profit after tax attributable to Lancashire	**(14.1)**	**(5.4)**	**37.5**	**(71.1)**
Net change in unrealised gains/losses on investments	(2.2)	(3.7)	(12.9)	4.9
Tax (charge) credit on net change in unrealised gains/losses on investments	(0.1)	–	0.1	–
Other comprehensive (loss) income	**(2.3)**	**(3.7)**	**(12.8)**	**4.9**
Total comprehensive (loss) income attributable to Lancashire	**(16.4)**	**(9.1)**	**24.7**	**(66.2)**
Net loss ratio	60.0 %	75.5 %	40.0%	78.4 %
Net acquisition cost ratio	31.1 %	22.0 %	30.6%	27.0 %
Administrative expense ratio	16.3 %	22.0 %	21.6%	19.5 %
Combined ratio	107.4 %	119.5 %	92.2%	124.9 %
Basic (loss) earnings per share	$ (0.07)	$ (0.03)	$ 0.19	$ (0.36)
Diluted (loss) earnings per share	$ (0.07)	$ (0.03)	$ 0.19	$ (0.36)
Change in fully converted book value per share	(1.4)%	(0.9)%	2.4%	(5.9)%

Consolidated balance sheet

	As at 31 December 2018 $m	As at 31 December 2017 $m
Assets		
Cash and cash equivalents	154.6	256.5
Accrued interest receivable	6.8	6.1
Investments	1,659.0	1,654.6
Inwards premiums receivable from insureds and cedants	318.1	297.9
Reinsurance assets		
- Unearned premiums on premiums ceded	56.7	41.2
- Reinsurance recoveries	322.9	284.1
- Other receivables	9.8	20.7
Other receivables	35.3	42.4
Investment in associate	67.1	59.4
Property, plant and equipment	1.4	2.6
Deferred acquisition costs	74.2	76.7
Intangible assets	153.8	153.8
Total assets	**2,859.7**	**2,896.0**
Liabilities		
Insurance contracts		
- Losses and loss adjustment expenses	915.0	933.5
- Unearned premiums	370.6	350.9
- Other payables	36.0	40.7
Amounts payable to reinsurers	81.3	65.5
Deferred acquisition costs ceded	7.1	2.5
Other payables	45.4	48.0
Corporation tax payable	0.9	2.8
Deferred tax liability	11.2	16.5
Interest rate swap	0.4	2.0
Long-term debt	324.3	326.3
Total liabilities	**1,792.2**	**1,788.7**
Shareholders' equity		
Share capital	101.0	100.7
Own shares	(9.4)	(12.1)
Other reserves	869.0	866.2
Accumulated other comprehensive loss	(14.3)	(1.5)
Retained earnings	120.9	153.6
Total shareholders' equity attributable to equity shareholders of Lancashire	**1,067.2**	**1,106.9**
Non-controlling interest	0.3	0.4
Total shareholders' equity	**1,067.5**	**1,107.3**
Total liabilities and shareholders' equity	**2,859.7**	**2,896.0**
Basic book value per share	$5.31	$5.53
Fully converted book value per share	$5.26	$5.48

Consolidated statements of cash flows

	YTD 2018 $m	YTD 2017 $m
Cash flows used in operating activities		
Profit (loss) before tax	33.6	(72.9)
Tax (paid) refunded	(3.3)	1.3
Depreciation	1.4	1.8
Interest expense on long-term debt	18.1	16.4
Interest and dividend income	(36.6)	(37.1)
Net amortisation of fixed maturity securities	(0.6)	2.8
Equity based compensation	7.9	(0.4)
Foreign exchange (gains) losses	(4.3)	9.4
Share of loss (profit) of associate	7.1	9.4
Net other investment losses (income)	3.9	(1.2)
Net realised losses (gains) and impairments	5.1	(9.1)
Net unrealised gains on interest rate swaps	(1.6)	(1.7)
Changes in operational assets and liabilities		
- Insurance and reinsurance contracts	(51.5)	52.0
- Other assets and liabilities	18.3	(9.4)
Net cash flows used in operating activities	**(2.5)**	**(38.7)**
Cash flows (used in) from investing activities		
Interest and dividends received	35.9	37.6
Purchase of property, plant and equipment	(0.2)	(0.6)
Investment in associate	(14.8)	(19.1)
Purchase of investments	(1,143.1)	(1,196.1)
Proceeds on sale of investments	1,115.8	1,209.5
Net cash flows (used in) from investing activities	**(6.4)**	**31.3**
Cash flows used in financing activities		
Interest paid	(18.0)	(16.3)
Dividends paid	(70.2)	(29.9)
Dividends paid to minority interest holders	–	(0.6)
Distributions by trust	(2.6)	(3.9)
Purchase of shares from non-controlling interest	(0.3)	—
Net cash flows used in financing activities	**(91.1)**	**(50.7)**
Net decrease in cash and cash equivalents	**(100.0)**	**(58.1)**
Cash and cash equivalents at the beginning of year	256.5	308.8
Effect of exchange rate fluctuations on cash and cash equivalents	(1.9)	5.8
Cash and cash equivalents at end of period	**154.6**	**256.5**