LANCASHIRE HOLDINGS LIMITED

28 July 2021
Hamilton, Bermuda

Lancashire Holdings Limited ("Lancashire" or "the Group") announces its results for the six months ended 30 June 2021.

Highlights:

- **Gross premiums written increased by 40.7% year on year to $697.2 million, with a positive renewal price index of 111%.**
- **Excellent underwriting performance, with a combined ratio of 80.7% (or 65.7% excluding Winter Storm Uri).**
- **Further hiring of new teams, continuing to build out Lancashire's book of business.**
- **Successful long-term debt refinancing in the first half of 2021.**
- **Interim dividend of $0.05 per common share, in line with our dividend policy.**

	Six months ended	
	30 June 2021	**30 June 2020**
Financial highlights ($m)		
Gross premiums written	697.2	495.5
Net premiums written	427.9	282.5
Underwriting profit	127.1	39.4
Profit (loss) before tax	54.1	(23.0)
Comprehensive income (loss)[1]	33.6	(14.7)
Change in FCBVS[2,3]	2.4%	7.2%
Financial ratios		
Total investment return	0.3%	1.3%
Net loss ratio	38.4%	57.4%
Combined ratio	80.7%	106.9%
Per share data		
Fully converted book value per share	$6.33	$6.16
Dividends per common share for the financial year	$0.05	$0.05
Diluted earnings (loss) per share	$0.19	$(0.13)

[1] These amounts are attributable to Lancashire and exclude non-controlling interests.
[2] Defined as the change in fully converted book value per share, adjusted for dividends. See the section headed "Alternative Performance Measures" below.
[3] The change in FCBVS excluding the impact of the capital raise in June 2020 as at 30 June 2020 would have been (1.0%).

Alex Maloney, Group Chief Executive Officer, commented:

"I am particularly pleased with the Group's strong premium growth of 40.7% in the first half of the year. It has always been our strategy to write more business and deploy more of our capital when market conditions dictate, and these results amply demonstrate our persistent focus on delivering on our strategic aims. The Group achieved a growth in FCBVS of 2.4% for the half year, absent the one off debt redemption costs, the growth in FCBVS would have been 3.5%. The rating environment continues to be favourable for most of the products we sell, giving rise to a renewal price index of 111% and considerable organic growth. Importantly, we are starting to reap the benefit of the cumulative rate increases we have achieved over the past three years on our profitability. This is illustrated by our combined ratio of 80.7% for the half year.

My thanks go to our colleagues, who during this last year have demonstrated their ability to work flexibly at home and in the office. We are currently able to operate a flexible working model, with many of our people having returned to a "COVID secure" office environment in both London and Bermuda.

Looking ahead, we expect the rating environment to remain positive. In addition, the new teams that we have recently hired are expected to contribute to the Group's growth in the future. Our continued commitment to underwriting discipline will be central to our success."

Natalie Kershaw, Group Chief Financial Officer, commented:

"For the first half of 2021, we were very pleased to generate an underwriting profit of $127.1 million despite the impact of Winter Storm Uri in the first quarter of 2021. We did not incur any other significant losses and had positive reserve releases of $53.6 million in the period. Furthermore, the Group's loss reserves for COVID-19 remain stable.

Our overall profits were impacted by one-off costs of $18.7 million due to the successful Tier 2 debt issuance and related refinancing in the period, which has improved the capital efficiency of our balance sheet. The investment portfolio remains relatively conservative, with a significant weighting to fixed income assets. As a result, our investment returns, including unrealised gains and losses, were negatively impacted by the yield curve steepening in the first quarter of the year, resulting in a total investment return of 0.3% for the first six months of 2021.

We started the year in a strong capital position following the successful $340 million equity raise in 2020. This, together with our recent debt refinancing, has enabled us to grow our premium base substantially. Given premium pricing is still improving across the majority of our book, we would expect to retain any profits from 2021, over and above the payment of an ordinary dividend, to fund further growth.

In line with our stated ordinary dividend policy, on 27 July 2021 the Board declared an ordinary interim dividend of $0.05 per share."

Underwriting results

	Six months ended 30 June				
Gross premiums written	**2021**	**2020**	**Change**	**Change**	**RPI**
	$m	**$m**	**$m**	**%**	**%**
Property and casualty reinsurance	377.0	217.9	159.1	73.0	111
Property and casualty insurance	106.5	82.2	24.3	29.6	107
Aviation	58.4	50.2	8.2	16.3	113
Energy	107.6	91.7	15.9	17.3	112
Marine	47.7	53.5	(5.8)	(10.8)	110
Total	**697.2**	**495.5**	**201.7**	**40.7**	**111**

As disclosed in our Q1 2021 trading statement on 29 April 2021, the Group's operating segments for the purposes of segmental reporting have been revised in the current year. The prior period comparatives have been represented in conformity with the current year view.

Gross premiums written increased by 40.7% in the first six months of 2021 compared to the same period in 2020, with the most significant growth in dollar terms occurring in the property and casualty reinsurance segment. The increase in this segment was primarily driven by new business and rate increases in the property catastrophe and property retrocession classes of business as we were able to grow into the hardening market at overall RPIs of 111%. New underwriting teams in the specialty reinsurance and accident and health classes of business have also contributed to the growth in the first half of 2021 and the Group has added casualty reinsurance to its underwriting portfolio during this period.

The increase in the property and casualty insurance segment was primarily due to growth in the property direct and facultative class of business as we continued to build out our book at RPIs of 108%. We also saw opportunities to write new business in the political risk class which benefited from increasing transactions globally and opportunities in new territories.

Although the first half of the year is not a major renewal period for aviation, this segment saw the highest overall RPI for the first six months of 2021 at 113%. We also added some new business in the aviation hull and liability class during this period.

The increase in the energy segment was primarily driven by new business in the downstream and liability classes, where the market was more dislocated. We have also written more business in the power market as pricing continues to improve. These increases were somewhat offset by a reduction in premium in the upstream class of business where rate adequacy was more challenging and where we had benefited from some positive exposure increases in the corresponding period of 2020.

Marine represented the only segment that experienced a reduction in premium in the first six months of 2021 compared to the same period in 2020. Although we did write some new marine business across most classes, this was offset by timing differences in the marine liability and marine hull classes where a number of policies written in 2020 on a multi-year or non-annual basis were not yet up for renewal, plus some non-renewals where terms were unsatisfactory.

Outwards reinsurance premiums

Ceded reinsurance premiums increased by $56.3 million, or 26.4%, in the first six months of 2021 compared to the same period in 2020, although the percentage of premiums ceded as a proportion of premiums written decreased as we retained more risk in the improving market. The increase in spend was primarily due to the additional outwards reinsurance cover purchased for the new lines of business entered into and the overall growth in gross premiums written during the first half of 2021. The increase was also driven by a combination of rate increases, additional limits purchased and the timing of renewals.

Net insurance losses

The Group's net loss ratio for the first six months of 2021 was 38.4% compared to 57.4% for the same period in 2020. The accident year loss ratio for the first six months of 2021, including the impact of foreign exchange revaluations, was 56.3% compared to 55.4% for the same period in 2020.

Our net losses recorded in the first half of 2021 for Winter Storm Uri, including the impact of reinsurance and inwards and outwards reinstatement premiums, were $44.8 million and within the previously guided range. In the first half of 2020, our net losses from the COVID-19 pandemic, including the impact of reinsurance and inwards and outwards reinstatement premiums were $41.6 million. The Group's COVID-19 related losses remained stable in the first half of 2021.

Excluding the impact of foreign exchange revaluations, the table below shows the impact of Winter Storm Uri on the Group's net loss ratio for the first six months of 2021:

	Net Losses	**Net Loss ratio**
	$m	**%**
Reported at 30 June 2021	121.1	38.4%
Absent Winter Storm Uri	69.9	22.6%

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

Excluding the impact of foreign exchange revaluations, the table below shows the impact of COVID-19 related losses on the Group's net loss ratio for the first six months of 2020:

	Net Losses	Net Loss ratio
	$m	%
Reported at 30 June 2020	132.4	57.4%
Absent COVID-19	93.4	40.0%

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

Prior year favourable development for the first six months of 2021 was $53.6 million, compared to $5.1 million of unfavourable development for the same period in 2020. The favourable development in the first six months of 2021 was primarily due to general IBNR releases across most lines of business due to a lack of reported claims. The Group also experienced favourable development from reserve releases on the 2017 and prior accident years.

The unfavourable development during the first six months of 2020 was primarily driven by a number of late reported losses from the 2019 accident year, reserve deterioration on a couple of marine claims in the 2017 and 2019 accident years, in addition to adverse development on the 2010 New Zealand earthquake in the property and casualty reinsurance segment.

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

Six months ended	2021	2020
	$m	$m
Property and casualty reinsurance	6.7	(9.6)
Property and casualty insurance	17.6	5.9
Aviation	9.4	1.5
Energy	17.8	11.6
Marine	2.1	(14.5)
Total	**53.6**	**(5.1)**

Note: Positive numbers denote favourable development.

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

Six months ended	2021	2020
	$m	$m
2016 accident year and prior	16.7	(4.8)
2017 accident year	12.9	(5.2)
2018 accident year	(1.6)	14.8
2019 accident year	1.8	(9.9)
2020 accident year	23.8	–
Total	**53.6**	**(5.1)**

Note: Positive numbers denote favourable development.

Investments

Net investment income, excluding realised and unrealised gains and losses, was $14.7 million for the first six months of 2021, a decrease of 1.3% from the same period in 2020. 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 gain of $7.4 million for the first six months of 2021 compared to a gain of $22.0 million for the first six months of 2020.

The Group's investment portfolio, including unrealised gains and losses, returned 0.3% for the first six months of 2021. The fixed maturity portfolios had negative returns during the first quarter as the yield curve steepened between the two-year and thirty-year part of the yield curve. These losses were largely reversed in the second quarter due to a flattening of the yield curve and narrowing of credit spreads. This resulted in year-to-date fixed maturity portfolio returns that were flat to slightly negative. Positive returns from other investments, including the hedge funds and principal protected notes, allowed the overall investment portfolio to generate the slightly positive return year-to-date.

The Group's investment portfolio, including unrealised gains and losses, returned 1.3% for the first six months of 2020 where returns were driven by significant volatility as a result of the COVID-19 pandemic. Fixed maturities recouped all of the losses from the first quarter of 2020, with hedge funds, bank loans and private investment funds showing small losses on a year-to-date basis.

The managed portfolio was as follows:

	As at 30 June 2021	As at 31 December 2020	As at 30 June 2020
Fixed maturity securities	77.7%	82.8%	81.0%
Cash and cash equivalents	12.1%	8.5%	11.8%
Hedge funds	4.5%	4.0%	4.5%
Private investment funds	4.3%	4.7%	2.7%
Index linked securities	1.3%	–	–
Other investments	0.1%	–	–
Total	**100.0%**	**100.0%**	**100.0%**

Key investment portfolio statistics for our fixed maturities and managed cash were:

	As at 30 June 2021	As at 31 December 2020	As at 30 June 2020
Duration	1.8 years	2.0 years	1.9 years
Credit quality	A+	A+	AA-
Book yield	1.3%	1.7%	1.8%
Market yield	0.8%	0.7%	1.1%

Third Party Capital Management

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

Six months ended	2021 $m	2020 $m
Lancashire Capital Management underwriting fees	2.4	2.7
Lancashire Capital Management profit commission	3.6	–
Lancashire Syndicates' fees and profit commission	1.0	0.8
Total other income	**7.0**	**3.5**
Share of profit of associate	0.3	1.1
Total net third party capital management income	**7.3**	**4.6**

The amount of LCM profit commission recognised is driven by the timing of loss experience, settlement of claims and collateral release and therefore varies year on year. During the first six months of 2021 the Group recognised $3.6 million of profit commission from the 2019 underwriting cycle. The share of profit of associate reflects Lancashire's equity interest in the LCM managed vehicle.

Other operating expenses

Other operating expenses were $66.1 million in the first six months of 2021 compared to $55.1 million in the first six months of 2020. A growth in headcount has resulted in higher employee remuneration costs compared to the prior year. There has also been an increase in expenditure on project consultancy costs. The strengthening of the Sterling/U.S. Dollar exchange rate relative to the prior year also contributed to an overall increase in other operating expenses.

Capital

As at 30 June 2021, total capital available to Lancashire was approximately $2.0 billion, comprising shareholders' equity of $1.6 billion and $0.4 billion of long-term debt. Tangible capital was $1.8 billion. Leverage was 22.3% on total capital and 24.2% on total tangible capital. Total capital and total tangible capital as at 30 June 2020 were $1.8 billion and $1.7 billion respectively.

Long-term debt

In the first six months of 2021, the Group issued $450.0 million in aggregate principal amount of 5.625% fixed-rate reset junior subordinated notes due 2041. The long-term debt was issued in two tranches forming part of the same series of notes, with $400.0 million issued on 18 March 2021 and $50.0 million issued on 31 March 2021. The fixed-rate interest is payable semi annually.

The majority of the net proceeds from the long-term debt issuance were used by the Group to redeem its then-existing senior and subordinated indebtedness, with the balance being used for general corporate purposes. Included in financing costs of $30.7 million for the first six months of 2021 were $18.7 million of one-off costs associated with the refinancing of the long-term debt.

The new long-term debt was approved as "Tier 2 Ancillary Capital" by the Bermuda Monetary Authority and has further improved the Group's coverage ratio of available statutory capital and surplus over the BMA's enhanced capital requirement.

Dividends

Lancashire's Board of Directors declared on 27 July 2021 an interim dividend of $0.05 (approximately £0.04) per common share, which will result in an aggregate payment of approximately $12.2 million. The dividend will be paid in Pounds Sterling on 3 September 2021 (the "Dividend Payment Date") to shareholders of record on 6 August 2021 (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.

Financial Information

The Unaudited Condensed Interim Consolidated Financial Statements for the six months ended 30 June 2021 are published on Lancashire's website at www.lancashiregroup.com.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 2:00pm UK time / 10:00am Bermuda time / 9:00am EDT on Wednesday 28 July 2021. 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: 08003589473
United Kingdom Toll: +44 3333000804
United States Toll-Free: +1 855 85 70686
United States Toll: +1 6319131422
PIN code: 54650441#

URL for additional international dial in numbers: https://event.sharefile.com/d-s84220495bb4b47b2abfff950788bcd35

The call can also be accessed via webcast, for registration and access: https://onlinexperiences.com/Launch/QReg/ShowUUID=FBBFF553-6B93-4DA3-9904-5D7605554BD3

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

For further information, please contact:

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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 (unchanged from 2020):

	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.

Lancashire Syndicates Limited 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 $2.0 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.

The Bermuda Monetary Authority ("BMA") is the Group Supervisor of the Lancashire Group.

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

This release contains information, which may be of a price sensitive nature, that Lancashire is making public in a manner consistent with the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended, and other regulatory obligations. The information was submitted for publication, through the agency of the contact persons set out above, at 07:00 BST on 28 July 2021.

Alternative Performance Measures (APMs)

As is customary in the insurance industry, the Group also utilises certain non-GAAP measures in order to evaluate, monitor and manage the business and to aid users' understanding of the Group. Management believes that the APMs included in the Financial Statements 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 labelled 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.

In compliance with the Guidelines on APMs of the European Securities and Markets Authority, as applied by the FCA, information on APMs which the Group uses is described below. This information has not been audited.

All amounts, excluding share data, ratios, percentages or where otherwise stated, are in millions of U.S. dollars.

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.

	30 June 2021	**30 June 2020**
Net insurance losses	**121.1**	132.4
Divided by net premiums earned	**315.3**	230.8
Net loss ratio	**38.4%**	57.4%

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.

	30 June 2021	**30 June 2020**
Net acquisition expense	**67.1**	59.0
Divided by net premiums earned	**315.3**	230.8
Net acquisition cost ratio	**21.3%**	25.6%

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.

	30 June 2021	**30 June 2020**
Other operating expenses	**66.1**	55.1
Divided by net premiums earned	**315.3**	230.8
Net expense ratio	**21.0%**	23.9%

Combined ratio (KPI): 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 less than 100%.

	30 June 2021	**30 June 2020**
Net loss ratio	**38.4%**	57.4%
Net acquisition cost ratio	**21.3%**	25.6%
Net expense ratio	**21.0%**	23.9%
Combined Ratio	**80.7%**	106.9%

Accident year loss ratio: The accident year loss ratio is calculated using the accident year ultimate liability revalued 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.

	30 June 2021	**30 June 2020**
Net insurance losses current accident year	**175.2**	128.3
Net premiums earned current accident year*	**311.0**	231.6
Accident year loss ratio	**56.3%**	55.4%

*For the accident year loss ratio, net premiums earned excludes inwards and outwards reinstatement premium from prior accident years.

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 net asset value on a diluted per share basis for comparison to the market value per share.

	30 June 2021	30 June 2020
Shareholders' equity attributable to the Group	**1,553,600,727.**	1,506,073,852
Common voting shares outstanding*	**242,754,618**	241,756,207
Shares relating to dilutive restricted stock	**2,859,880**	2,868,612
Fully converted book value denominator	**245,614,498**	244,624,819
Fully converted book value per share	**$ 6.33**	$ 6.16

*Common voting shares outstanding comprise issued share capital less amounts held in trust.

Change in FCBVS (KPI): The internal rate of return of the change in FCBVS in the period plus accrued dividends. Sometimes referred to as ROE. The Group's aim is to maximise risk-adjusted returns for shareholders across the cycle through a purposeful and sustainable business culture.

	30 June 2021	30 June 2020
Opening FCBVS	**$ (6.28)**	$ (5.84)
Q1 dividend per share	**$ —**	$ —
Q2 dividend per share	**$ 0.10**	$ 0.10
Closing FCBVS	**$ 6.33**	$ 6.16
Change in FCBVS*	**2.4%**	7.2%

*Calculated using the internal rate of return.

Total investment return (KPI): Total investment return in percentage terms, is calculated by dividing the total investment return excluding foreign exchange by the investment portfolio net asset value, including managed cash on a daily basis. These daily returns are then annualized through geometric linking of daily returns. The return can be approximated by dividing the total investment return excluding foreign exchange by the average portfolio net asset value, including managed cash. 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 we aim for a degree of investment portfolio return.

	30 June 2021	30 June 2020
Total investment return	**7.4**	22.0
Average invested assets*	**2,139.3**	1,818.3
Approximate total investment return	**0.3%**	1.2%
Reported total investment return	**0.3%**	1.3%

*calculated as the average between the opening and closing investments and our externally managed cash.

Gross premiums written under management (KPI): The gross premiums written under management equals the total of the Group's consolidated gross premiums written plus the external names portion of the gross premiums written in LSL Syndicate 2010 plus the gross premiums written in LCM. The Group aims to operate nimbly through the cycle. We will grow in existing and new classes where favourable and improving market conditions exist, whilst monitoring and managing our risk exposures and not seek top-line growth for the sake of it in markets where we do not believe the right opportunities exist.

	30 June 2021	30 June 2020
Gross premiums written by the group	**697.2**	495.5
LSL Syndicate 2010 - external Names portion of gross premiums written (unconsolidated)	**90.8**	81.5
LCM gross premiums written (unconsolidated)	**124.5**	119.4
Total gross premiums written under management	**912.5**	696.4

NOTE REGARDING RPI METHODOLOGY

THE RENEWAL PRICE INDEX ("RPI") IS AN INTERNAL METHODOLOGY THAT MANAGEMENT USES TO TRACK TRENDS IN PREMIUM RATES OF A PORTFOLIO OF INSURANCE AND REINSURANCE CONTRACTS. THE RPI WRITTEN IN THE RESPECTIVE SEGMENTS IS CALCULATED ON A PER CONTRACT BASIS AND REFLECTS MANAGEMENT'S ASSESSMENT OF RELATIVE CHANGES IN PRICE, TERMS, CONDITIONS AND LIMITS AND IS WEIGHTED BY PREMIUM VOLUME. THE RPI DOES NOT INCLUDE NEW BUSINESS, TO OFFER A CONSISTENT BASIS FOR ANALYSIS. THE CALCULATION INVOLVES A DEGREE OF JUDGEMENT IN RELATION TO COMPARABILITY OF CONTRACTS AND THE ASSESSMENT NOTED ABOVE. TO ENHANCE THE RPI METHODOLOGY, MANAGEMENT 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 THE PORTFOLIO OF CONTRACTS. 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", "AIMS", "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 FINANCIAL POSITION OF THE COMPANY AND ITS SUBSIDIARIES (THE "GROUP"), THE GROUP'S 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 CLAIMS WHICH ARISE AS A RESULT OF THE COVID-19 PANDEMIC WHICH IS AN ONGOING EVENT AS AT THE DATE OF THIS RELEASE, WINTER STORM URI WHICH OCCURRED DURING THE FIRST QUARTER OF 2021, HURRICANES LAURA AND SALLY, MIDWEST DERECHO STORM AND THE WILDFIRES IN CALIFORNIA WHICH OCCURRED DURING THE THIRD QUARTER OF 2020, TYPHOON HAGIBIS WHICH OCCURRED IN THE FOURTH QUARTER OF 2019, HURRICANE DORIAN AND TYPHOON FAXAI WHICH OCCURRED IN THE THIRD QUARTER OF 2019, THE CALIFORNIAN WILDFIRES AND HURRICANE MICHAEL WHICH OCCURRED IN THE FOURTH QUARTER OF 2018, HURRICANE FLORENCE AND THE TYPHOONS THAT OCCURRED IN THE THIRD QUARTER OF 2018; 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 ESTIMATIONS; 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' RATINGS 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 AND THE TIMING AND EXTENT OF ANY SUCH CHANGES; 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 HOLDINGS LIMITED 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; THE IMPACT OF THE EXPIRATION OF THE TRANSITION PERIOD ON 31 DECEMBER 2020 FOLLOWING THE UK'S WITHDRAWAL FROM THE EUROPEAN UNION ON THE GROUP'S BUSINESS, REGULATORY RELATIONSHIPS, UNDERWRITING PLATFORMS OR THE INDUSTRY GENERALLY; THE FOCUS AND SCRUTINY ON ESG-RELATED MATTERS REGARDING THE INSURANCE INDUSTRY FROM KEY STAKEHOLDERS OF THE GROUP; AND ANY ADVERSE ASSET, CREDIT, FINANCING OR DEBT CAPITAL MARKET CONDITIONS GENERALLY, WHICH MAY AFFECT THE ABILITY OF THE GROUP TO MANAGE ITS LIQUIDITY.

ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE HOLDINGS LIMITED 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.

NOTE REGARDING COVID-19 LOSS:

OUR COVID-19 LOSS PRIMARILY RELATES TO EXPOSURES WITHIN OUR PROPERTY AND CASUALTY REINSURANCE AND INSURANCE SEGMENTS. GIVEN THE ONGOING NATURE OF THE COVID-19 PANDEMIC AND THE UNCERTAIN IMPACT ON THE INSURANCE INDUSTRY, THE GROUP'S ACTUAL ULTIMATE LOSS MAY VARY, PERHAPS MATERIALLY, FROM THE CURRENT ESTIMATE. THE FINAL SETTLEMENT OF ALL OF THESE CLAIMS IS LIKELY TO TAKE PLACE OVER A CONSIDERABLE PERIOD OF TIME. LANCASHIRE DOES NOT WRITE THE FOLLOWING LINES OF BUSINESS: TRAVEL INSURANCE; TRADE CREDIT; AND LONG-TERM LIFE AND PRIOR TO THE COVID-19 PANDEMIC DID NOT WRITE DIRECTORS' AND OFFICERS' LIABILITY OR MEDICAL MALPRACTICE. THE GROUP UNDERWRITES A SMALL NUMBER OF EVENT CANCELLATION CONTRACTS AND HAS MINIMAL EXPOSURE THROUGH MORTGAGE, ACCIDENT AND HEALTH BUSINESS.

Consolidated statement of comprehensive income (loss)

For the six months ended 30 June 2021

	Six months 2021 $m	Six months 2020 $m
Gross premiums written	697.2	495.5
Outwards reinsurance premiums	(269.3)	(213.0)
Net premiums written	**427.9**	**282.5**
Change in unearned premiums	(210.6)	(129.3)
Change in unearned premiums on premiums ceded	98.0	77.6
Net premiums earned	**315.3**	**230.8**
Net investment income	14.7	14.9
Net other investment income	1.5	(15.5)
Net realised gains (losses) and impairments	5.7	10.6
Share of profit of associate	0.3	1.1
Other income	7.0	3.5
Net foreign exchange gains (losses)	1.6	(3.9)
Total net revenue	**346.1**	**241.5**
Insurance losses and loss adjustment expenses	136.2	159.2
Insurance losses and loss adjustment expenses recoverable	(15.1)	(26.8)
Net insurance acquisition expenses	67.1	59.0
Equity based compensation	7.0	7.0
Other operating expenses	66.1	55.1
Total expenses	**261.3**	**253.5**
Results of operating activities	**84.8**	**(12.0)**
Financing costs	30.7	11.0
Profit (loss) before tax	**54.1**	**(23.0)**
Tax charge	(6.2)	(3.0)
Profit (loss) after tax	**47.9**	**(26.0)**
Non-controlling interests	(0.2)	–
Profit (loss) after tax attributable to Lancashire	**47.7**	**(26.0)**
Net change in unrealised gains/losses on investments	(14.5)	12.0
Tax credit (charge) on net change in unrealised gains/losses on investments	0.4	(0.7)
Other comprehensive (loss) income	**(14.1)**	**11.3**
Total comprehensive income (loss) attributable to Lancashire	**33.6**	**(14.7)**
Net loss ratio	38.4%	57.4%
Net acquisition cost ratio	21.3%	25.6%
Administrative expense ratio	21.0%	23.9%
Combined ratio	**80.7%**	**106.9%**

Consolidated balance sheet

As at 30 June 2021

	As at 30 June 2021 $m	As at 30 June 2020 $m	As at 31 December 2020 $m
Assets			
Cash and cash equivalents	563.4	496.5	432.4
Accrued interest receivable	7.2	7.3	8.0
Investments	1,977.9	1,689.6	1,856.0
Inwards premiums receivable from insureds and cedants	550.7	459.1	371.9
Reinsurance assets			
- Unearned premiums on premiums ceded	195.4	167.1	97.4
- Reinsurance recoveries	281.6	323.1	338.7
- Other receivables	22.3	27.6	31.1
Other receivables	21.0	33.3	27.3
Investment in associate	89.0	81.5	127.2
Property, plant and equipment	1.1	0.9	0.7
Right-of-use asset	14.8	16.8	16.1
Deferred acquisition costs	117.8	96.8	89.0
Intangible assets	154.5	154.5	154.5
Total assets	**3,996.7**	**3,554.1**	**3,550.3**
Liabilities			
Insurance contracts			
- Losses and loss adjustment expenses	978.0	888.6	952.8
- Unearned premiums	668.5	535.7	457.9
- Other payables	20.7	26.4	22.5
Amounts payable to reinsurers	214.6	179.6	151.7
Deferred acquisition costs ceded	19.9	17.2	19.6
Other payables	58.7	42.0	46.1
Corporation tax payable	2.4	1.6	1.5
Deferred tax liability	14.9	12.2	10.9
Interest rate swap	–	1.3	–
Lease liability	19.8	19.6	20.9
Long-term debt	445.5	323.7	327.5
Total liabilities	**2,443.0**	**2,047.9**	**2,011.4**
Shareholders' equity			
Share capital	122.0	121.3	122.0
Own shares	(12.1)	(6.7)	(21.2)
Other reserves	1,218.3	1,202.3	1,221.6
Accumulated other comprehensive income	19.5	24.8	33.6
Retained earnings	205.9	164.4	182.5
Total shareholders' equity attributable to equity shareholders of Lancashire	**1,553.6**	**1,506.1**	**1,538.5**
Non-controlling interest	0.1	0.1	0.4
Total shareholders' equity	**1,553.7**	**1,506.2**	**1,538.9**
Total liabilities and shareholders' equity	**3,996.7**	**3,554.1**	**3,550.3**

Consolidated statement of cash flows
For the six months ended 30 June 2021

	Six months 2021 $m	Six months 2020 $m
Cash flows from (used in) operating activities		
Profit (loss) before tax	54.1	(23.0)
Tax paid	(1.6)	(1.2)
Depreciation	1.6	1.7
Interest expense on long-term debt	12.6	8.2
Interest expense on finance leases	0.6	0.6
Interest and dividend income	(18.7)	(17.9)
Net amortisation of fixed maturity securities	3.6	1.6
Redemption cost on senior and subordinated loan notes	12.8	–
Other financing cost	3.4	–
Equity based compensation	7.0	7.0
Foreign exchange (gains) losses	(0.5)	0.1
Share of profit of associate	(0.3)	(1.1)
Net other investment income	(1.9)	15.0
Net realised (gains) losses and impairments	(5.7)	(10.6)
Net unrealised losses on interest rate swaps	–	0.2
Changes in operational assets and liabilities		
- Insurance and reinsurance contracts	57.3	(10.1)
- Other assets and liabilities	15.8	14.3
Net cash flows from (used in) operating activities	**140.1**	**(15.2)**
Cash flows used in investing activities		
Interest and dividends received	23.1	19.0
Purchase of property, plant and equipment	(0.7)	–
Investment in associate	38.5	27.9
Purchase of investments	(808.0)	(619.3)
Proceeds on sale of investments	672.3	458.4
Net cash flows used in investing activities	**(74.8)**	**(114.0)**
Cash flows from financing activities		
Interest paid	(7.6)	(8.3)
Other financing cost	(3.4)	–
Lease liabilities paid	(2.1)	(1.8)
Proceeds from issuance of common shares	–	340.3
Proceeds from issue of long-term debt	445.4	–
Redemption of long-term debt	(339.6)	–
Dividends paid	(24.3)	(20.2)
Dividends paid to minority interest holders	(0.5)	(0.5)
Distributions by trust	(1.0)	(0.7)
Net cash flows from financing activities	**66.9**	**308.8**
Net increase in cash and cash equivalents	**132.2**	**179.6**
Cash and cash equivalents at the beginning of year	432.4	320.4
Effect of exchange rate fluctuations on cash and cash equivalents	(1.2)	(3.5)
Cash and cash equivalents at end of period	**563.4**	**496.5**