

LANCASHIRE HOLDINGS LIMITED

2 May 2019
Hamilton, Bermuda

Lancashire Holdings Limited (“Lancashire” or “the Group”) today announces its trading statement for the three months ended 31 March 2019.

Q1 2019 overview

- Market trends in relation to the Group's business remain unchanged since the Group's fourth quarter 2018 reporting
- Gross premiums written increased by 0.6% year on year to \$217.2 million
- Rate increases remained consistent with full year 2018 trends, with a Group RPI (Renewal Price Index) of 103% for the quarter
- The claims environment was relatively benign, with no new major net losses in the quarter
- Total investment return of 1.8% in the quarter

	Q1	
	2019	2018
Gross premiums written	\$217.2m	\$215.8m
Group RPI	103%	105%
Total investment return	1.8%	(0.1%)

Alex Maloney, Group Chief Executive Officer, commented:

“Our performance for the first quarter of 2019 has been encouraging, with rate and business momentum. Underwriting margins remain in line with our expectations. There is evidence that the insurance and reinsurance markets in which we operate are now going through a period of transition. The heavy global insured losses sustained by the markets over the last 24 months have demonstrated that premium levels in many classes had fallen too low. However, we are now beginning to see early signs of greater market discipline.

Lancashire prides itself on its ability to manage the challenges of the insurance cycle through a combination of careful risk selection, planning and nimble capital management, all key pillars of our strategy. The Group has demonstrated its ability to respond flexibly to market conditions and take advantage of opportunities as they present themselves. In particular, we have been able to strengthen our presence and premium income in our specialty lines. Whilst pricing in our property reinsurance classes remains subdued outside of loss impacted territories, we believe that we have the expertise to develop profitable opportunities across our platforms and portfolios in this period of transition.”

Business update

Gross premiums written

	Q1				
	2019	2018	Change	Change	RPI
	\$m	\$m	\$m	%	%
Property	81.2	79.9	1.3	1.6	100
Energy	22.6	30.4	(7.8)	(25.7)	104
Marine	20.6	14.9	5.7	38.3	116
Aviation	5.9	4.0	1.9	47.5	100
Lloyd's	86.9	86.6	0.3	0.3	104
Total	217.2	215.8	1.4	0.6	103

Gross premiums written increased by 0.6% in the first quarter of 2019 compared to the same period in 2018, with growth in the property, marine and aviation portfolios slightly offset by reductions in the energy book.

Property trends were in line with expectations in the first quarter of 2019. As reported in the Group's full year 2018 results, the 1 January 2019 property catastrophe renewals experienced flat to low-single digit rate reductions in some loss free territories, such as Europe, whilst loss impacted territories and accounts experienced rate increases. As a result, we expect property catastrophe rates to remain flat across the portfolio. The Group's terrorism and political risk business also saw broadly flat renewals. New business across several of our property lines of business was largely offset by the impact of multi-year contracts that were not yet due to renew.

Compared to the prior year, the energy segment experienced a lower level of exposure-related premium increases arising on prior underwriting year risk-attaching business in the worldwide offshore energy and construction energy classes. Rate momentum remained consistent with 2018, with the offshore energy book experiencing mid-single digit rate rises and the onshore energy book experiencing low-double digit rate rises.

The increase in the marine segment was driven primarily by multi-year contracts renewing in the marine hull and marine P&I classes. The rate momentum in Lancashire's marine book was strong, benefiting from the renewal of certain loss-affected contracts in the first quarter of 2019.

The first quarter is not a major renewal period for aviation. The growth in the first quarter of 2019 was primarily due to exposure increases on prior underwriting year risk-attaching business in the aviation deductible class. The Group experienced some upward rating pressure on the small amount of business that was written in the quarter, and we expect rates to remain positive as we move through the year.

In the Lloyd's segment, gross premiums written remained stable year on year. Rate increases and new business growth in the energy, marine and aviation deductible classes in the first quarter of 2019 were almost entirely offset by reduced premiums in the property reinsurance and property direct and facultative classes. The decision was taken to reposition part of the property portfolio to participate on higher layers and not to renew certain contracts due to unattractive rates.

Claims environment

The claims environment during the first quarter of 2019 was relatively benign, with no new major net losses.

The Group's total ultimate loss estimates net of reinsurance and the impact of inwards and outwards reinstatement premiums for the 2018 and 2017 major catastrophe events remained stable in the aggregate during the quarter.

Investments

The managed investment portfolio was as follows:

	31 March 2019	31 March 2018
Fixed maturity securities	81.5 %	81.3 %
Hedge funds	8.9 %	8.4 %
Cash and cash equivalents	8.2 %	9.1 %
Equity securities	1.4 %	1.2 %
Total	100.0%	100.0%

The Group's investment portfolio returned 1.8% during the first quarter of 2019. Strong equity markets, together with a decrease in treasury yields and a narrowing of credit spreads, drove positive performance across all asset classes, particularly the Group's bank loan, equity and hedge fund portfolios.

Analyst and Investor Conference Call

There will be an analyst and investor conference call on the trading statement at 1:00pm UK time / 9:00am Bermuda time / 8:00am EDT on 2 May 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:	08003589473
United Kingdom - Local:	+44 3333000804
United States - Toll free:	+1 855 85 70686
United States - Local:	+1 6319131422
PIN Code	18516305#

URL for additional international dial in numbers:

https://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf

The call can also be accessed via webcast, for registration and access:

<https://event.on24.com/wcc/r/1980034/A19789C885BB021078923EEB78316A24>

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.

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.

The Bermuda Monetary Authority 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 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 BST on 2 May 2019.

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 LANCASHIRE INSURANCE COMPANY LIMITED AND LANCASHIRE INSURANCE COMPANY (UK) LIMITED ("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 ALTERNATIVE PERFORMANCE MEASURES:

THE GROUP USES ALTERNATIVE PERFORMANCE MEASURES TO HELP EXPLAIN BUSINESS PERFORMANCE AND FINANCIAL POSITION. THESE MEASURES HAVE BEEN CALCULATED CONSISTENTLY WITH THOSE AS DISCLOSED IN THE GROUP'S ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018.

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELLED LOSS SCENARIOS) MADE IN THIS TRADING STATEMENT 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. 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. FOR A DESCRIPTION OF SOME OF THESE FACTORS, SEE THE GROUP'S ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018.

ALL FORWARD-LOOKING STATEMENTS IN THIS TRADING STATEMENT OR OTHERWISE 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 TRADING STATEMENT WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.