

LANCASHIRE HOLDINGS LIMITED

5 November 2020
Hamilton, Bermuda

Lancashire Holdings Limited (“Lancashire” or “the Group”) today announces its trading statement for the nine months ended 30 September 2020.

Trading statement highlights

- Gross premiums written increased by 14% year on year to \$658.7 million
- Group RPI (Renewal Price Index) of 112% for the first nine months of 2020
- Catastrophe losses in the range of \$65.0 - \$75.0 million in the third quarter
- Specialty single risk losses in the quarter were \$30 million above our attritional guidance
- No change to the previously announced COVID-19 loss estimate of approximately \$42.0 million
- Year to date total net investment return, including unrealised gains and losses, of 2.4%

Alex Maloney, Group Chief Executive Officer, commented:

“In what has been a uniquely challenging year to date, I am pleased with the resilience demonstrated by our people, our business model and our operations. Having successfully worked from home throughout the lockdown earlier in the year, we were able during the quarter to move to a flexible mixed office and homeworking model across our two offices. However, as a result of the recent UK Government announcement our UK team has again largely reverted to homeworking and our Bermuda office remains open. In any event, we continue to operate in a seamless manner and interact with our brokers and clients, while continuing to prioritise the safety and well-being of our people and external partners.

We continue to see strengthening premium rate increases across the majority of our business portfolio, with RPIs of 117% for the quarter and 112% for the year to 30 September. In addition, with certain competitors continuing to retrench, we have seen strong new business flows. Looking to the future, I am encouraged by the opportunity these trends provide for meaningful and disciplined growth. Rates continue to harden. The capital which we raised in June remains at our disposal to take full advantage of the opportunities that we believe lie ahead in 2021.

Since we reported in July, the insurance industry has experienced a mix of both natural catastrophe losses, which are always a threat to communities and livelihoods during wind season, and an unusually frequent run of non-natural catastrophe risk losses. These losses come on top of the COVID-19 pandemic, which has been a stress to individuals, societies and economies and a material loss event for the (re)insurance industry. Within this difficult context, I am pleased to report that the Group’s COVID-19 loss estimate of approximately \$42.0 million (net of reinsurance and reinstatement premiums) has remained unchanged since we reported in July.

As insurers, we expect to support our clients and to pay covered losses when they occur, and the sequence of both natural catastrophe and risk loss events during the year so far has impacted our, and the industry’s, profitability for the year to date. I would expect this to put further impetus on the industry to charge an adequate and sustainable price per unit of risk. Pricing, particularly in capital intensive lines of business, has increased significantly and I expect rates and terms of coverage to improve throughout 2021 in most of our core business lines.

Against this backdrop, our strategy and ability to operate effectively through the cycle, alongside the recent capital we have raised, leaves us well positioned and I am optimistic about the strategic opportunity available to Lancashire.”

Business update

Gross premiums written

	Nine months ended				
	30 September	30 September	Change	Change	RPI
	2020	2019			
	\$m	\$m	\$m	%	%
Property	384.3	347.7	36.6	10.5	108
Energy	118.0	103.7	14.3	13.8	111
Marine	75.3	62.0	13.3	21.5	116
Aviation	81.1	64.6	16.5	25.5	122
Total	658.7	578.0	80.7	14.0	112

Gross premiums written increased by 14.0% in the first nine months of 2020 compared to the same period in 2019. This is a reflection of increases in both premium rates and new business volumes.

Within the property segment, the RPI was 108% for the nine month period ending 30 September 2020 and an encouraging 111% for the third quarter. As well as these rating trends in renewal business, we have seen an increase in new business flows, in particular within the property catastrophe and property direct and facultative classes. Whilst some market indiscipline remains, it tends to be more isolated and contract specific than earlier in the year. These positive trends were marginally offset by the property political risk and property terrorism classes, a good portion of which are, by their nature, non-renewing.

The energy segment saw good growth, in particular from the power and downstream energy classes where both rate increases and new business led to the premiums almost doubling relative to the same period in 2019. Upstream energy remained broadly stable, as modest rate increases were offset by small reductions in exposures.

With a retraction of market capacity in the marine classes of business, we continue to see more new business at prices that meet our return criteria. In the nine months ended 30 September 2020, we have seen new business in the marine cargo, marine hull and total loss and the marine builders' risk classes of business. The marine segment also benefited from multi-year policies renewing in the marine hull and total loss class.

Aviation gross premiums written increased due to both new business and rate improvement across all sub-classes of the portfolio.

Claims environment

In the third quarter of 2020, Lancashire experienced an active loss environment across both its catastrophe and specialty business lines. These loss events reflect the nature of the insurance products offered by the Group's trading subsidiaries as part of their usual business and are well within the Group's risk tolerances.

In what has been an above-average year in terms of North Atlantic hurricane frequency, the Group has had exposure to a number of recent natural catastrophe events, including hurricanes Laura and Sally, Midwest derecho storm and the wildfires in California. Our ultimate loss estimate, net of reinsurance and reinstatement premiums, from these natural catastrophe events, is expected to be in the range of \$65.0 million to \$75.0 million for the quarter ended 30 September 2020. This is approximately equivalent to our ten-year average annual loss exposure to such events.

In addition, the Group suffered an accumulation of single risk losses as a result of exposures to a number of recent loss events across the Group's specialty business lines, impacting all of our segments. The frequency of these occurrences was unusually high for a single quarter, albeit risk losses are characteristically unpredictable in terms of timing. Our ultimate loss estimate, net of reinsurance and reinstatement premiums, from these risk loss events is approximately \$30.0 million for the quarter ended 30 September 2020 above our usual attritional guidance.

As at 30 September 2020, the Group's COVID-19 ultimate loss estimate, net of reinsurance and reinstatement premiums, amounted to approximately \$42.0 million, which has remained unchanged from half year 2020.

Prior year favourable development for the year to date and quarter was \$11.2 million and \$16.3 million respectively, compared to \$42.6 million and \$26.7 million for the equivalent periods in the prior year.

Investments

	30 September 2020	30 September 2019
Duration	2.0 years	1.7 years
Credit quality	AA-	A+
Book yield	1.7%	2.6%
Market yield	0.9%	2.3%
Managed investments (\$m)	\$1,982.0	\$1,709.4

The Group's investment portfolio total return was 2.4% during the first nine months of 2020 driven by the significant decline in treasury yields and the narrowing of credit spreads during the second and third quarters given the reduction in the Federal Funds Rate and the extensive fiscal stimulus from the U.S. Government. On a year to date basis, the majority of the Group's assets have positive returns, with only a few asset classes having small negative year to date returns.

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 EST on Thursday 5 November 2020. 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:	+443333000804
United States - Toll free:	+1 855 85 70686
United States - Local:	+1 6319131422
PIN Code	33250114#

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://onlinexperiences.com/Launch/QReg/ShowUUID=DFBA4CBD-93CF-46BA-A8FD-E012B57F910F>

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.

Lancashire has capital of approximately \$1.8 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 GMT on 5 November 2020.

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 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 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 2019.

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELLED LOSS SCENARIOS AND ESTIMATES) 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 2019 AND THE GROUP'S 2020 HALF-YEAR RESULTS, PUBLISHED ON 29 JULY 2020. IN ADDITION TO THOSE FACTORS CONTAINED IN THE GROUP'S ANNUAL REPORT AND ACCOUNTS AND THE GROUP'S HALF-YEAR RESULTS, ANY FORWARD-LOOKING STATEMENTS CONTAINED IN THIS TRADING STATEMENT MAY BE AFFECTED BY THE IMPACT OF THE COVID-19 PANDEMIC ON THE GROUP'S CLIENTS, THE SECURITIES IN OUR INVESTMENT PORTFOLIO AND ON GLOBAL FINANCIAL MARKETS GENERALLY AS WELL AS ANY GOVERNMENTAL OR REGULATORY CHANGES INCLUDING POLICY COVERAGE ISSUES ARISING THEREFROM.

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.

NOTE REGARDING NATURAL CATASTROPHE LOSSES:

IT SHOULD BE NOTED THAT THE GROUP HAS NATURAL CATASTROPHE LOSS EXPOSURE TO HURRICANE, STORM AND WILDFIRE RISKS ACROSS ALL SEGMENTS. THE PRELIMINARY ESTIMATES FOR THE NATURAL CATASTROPHE AND LOSS EVENTS NOTED ABOVE HAVE BEEN 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 FROM THE PRELIMINARY ESTIMATES ANNOUNCED. THE FINAL SETTLEMENT OF ALL CLAIMS FROM NATURAL CATASTROPHE LOSSES IS LIKELY TO TAKE PLACE OVER A CONSIDERABLE PERIOD OF TIME.