

LANCASHIRE HOLDINGS LIMITED

3 November 2022
Hamilton, Bermuda

Lancashire Holdings Limited (“Lancashire” or “the Group”) today announces its trading statement for the nine months ended 30 September 2022.

Trading statement key points

- Gross premiums written increased by 34.3% year-on-year to \$1.3 billion.
- Group Renewal Price Index (RPI) of 107%.
- Net loss estimates from hurricane Ian in the range of \$160-\$190 million.
- Total net investment return of negative 5.0%, primarily driven by unrealised losses.
- Strong balance sheet and robust capital position.

Alex Maloney, Group Chief Executive Officer, commented:

“During the quarter we witnessed a number of catastrophe events and we extend our sympathies to the many people impacted. Insurers play a vital role in offering protection to vulnerable communities and we are reminded of both the potential destructive power of nature and the value of the risk solutions we offer. Our current estimate of the net impact of hurricane Ian, excluding inwards and outwards reinstatement premiums and Lancashire Capital Management, is within the range of \$160 million to \$190 million. This is within our expectations for an event of this type.

During 2022, Lancashire has continued to grow and diversify its underwriting portfolio and deliver on its underwriting strategy. This has been fuelled by solid rate increases and strong market conditions which has given us additional resilience.

Gross premiums written increased by 34.3% year-on-year to \$1.3 billion.

We expect the broader positive conditions to continue into 2023 and our strategy is to take advantage of attractive market opportunities. We believe we could see significant increases in rates and improving terms and conditions due to recent events and the fact that capacity had already been tightened in the wider market.

Clearly the macro-economic outlook is increasingly uncertain with significant increases in interest rates, higher inflation, and broader dislocation in global markets and we expect this volatility to continue. Lancashire reported a total net investment return of negative 5%, primarily driven by unrealised losses. Future earnings in our portfolio should be bolstered by the higher interest rate environment, which we should benefit from relatively quickly given the short duration of our portfolio.

We believe we are well-placed to manage inflationary pressures and have competence in dealing with previous inflationary and deflationary changes within a number of our product lines. Inflation will also present further opportunities for us as clients seek to purchase additional cover.

Even allowing for the impact of hurricane Ian, and unrealised investment losses, our capital position remains strong and we will drive forward with our growth strategy and capitalise on the strong rate environment through our diversified product portfolio.

As always, my thanks go to all our colleagues for their hard work and to our brokers, clients and shareholders for their support.”

Business update

Gross premiums written

	Nine months ended				
	30 September 2022	30 September 2021	Change	Change	RPI
	\$m	\$m	\$m	%	%
Property and casualty reinsurance	739.3	503.4	235.9	46.9	108
Property and casualty insurance	217.8	158.4	59.4	37.5	106
Aviation	93.9	92.1	1.8	2.0	111
Energy	156.0	145.2	10.8	7.4	103
Marine	93.1	68.6	24.5	35.7	105
Total	1,300.1	967.7	332.4	34.3	107

The increase in gross premiums written of 34.3% for the first nine months of 2022, compared to the same period in 2021, was primarily due to growth in the property and casualty reinsurance segment. This was mainly due to new business in the casualty reinsurance and financial lines classes of business as well as the continued strong RPI for this segment of 108%, which is driven by the continued hardening in property reinsurance classes.

In the property and casualty insurance segment the new property construction class of business has contributed meaningfully to the premium growth alongside the continued build-out of the property direct and facultative book of business.

The gross premium written in the aviation segment remained comparable to the prior year, albeit the major renewal period for this segment is in the fourth quarter.

Most of our energy classes of business grew through the addition of new underwriting teams and product expansion across underwriting platforms to take advantage of the improving market conditions.

The premium increase in the marine segment was primarily driven by new business in the marine cargo and marine liability classes as well as additional premiums recognised due to exposure increases on prior years' contracts in the marine cargo class.

Loss environment

Our estimated ultimate net losses incurred in relation to hurricane Ian, excluding the impact of reinstatement premiums and Lancashire Capital Management, are in the range of \$160 million to \$190 million. Loss information after these types of catastrophe events can take some time to emerge. As additional information emerges, the Group's actual ultimate net losses may vary, perhaps materially, from current estimates. See 'Note Regarding Forward-Looking Statements' below.

Investments

	30 September 2022	30 September 2021
Duration	1.7 years	1.9 years
Credit quality	AA-	A+
Book yield	2.3%	1.3%
Market yield	4.6%	0.8%
Managed investments (\$m)	\$2,291.9	\$2,267.8

The investment portfolio delivered a negative return of 5.0% year-to-date. The majority of the losses are unrealised, resulting from further significant interest rate hikes by the U.S. Federal Reserve.

Further intention to purchase own shares

During the nine months ended 30 September 2022, Lancashire repurchased 4,589,592 of its common shares (out of a combined maximum Board-approved limit for share repurchases of 6,000,000 common shares). These repurchases were made pursuant to and in accordance with the general authority granted by shareholders at Lancashire's Annual General Meeting held on 27 April 2022.

Pursuant to and in accordance with that same general authority, Lancashire intends to purchase up to a further 3,000,000 of its common shares of \$0.50 each. All repurchased shares will be used to satisfy future exercises of awards under Lancashire's Restricted Share Scheme. A further announcement in accordance with Listing Rule 12.4 will be made in due course.

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 EDT on Thursday 3 November 2022. The conference call will be hosted by Lancashire management and a presentation will be made available on the Group's website prior to the call.

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	52088920#

URL for additional international dial in numbers:

https://events-ftp.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=CB9829B9-858E-40F6-96C8-4AA4950AEE36>

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's 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 UK 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 3 November 2022.

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 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 2021.

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", "AIMS", "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 2021 AND OUR UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022. IN ADDITION TO THOSE FACTORS CONTAINED IN THE GROUP'S PRIOR RELEASES, ANY FORWARD-LOOKING STATEMENTS CONTAINED IN THIS RELEASE MAY BE AFFECTED BY: THE ACTUAL DEVELOPMENT OF LOSSES AND EXPENSES IMPACTING ESTIMATES FOR CLAIMS WHICH ARISE AS A

RESULT OF HURRICANE IAN (WHICH OCCURRED LATE IN THE THIRD QUARTER), THE IMPACT OF THE ONGOING CONFLICT IN UKRAINE, INCLUDING ANY ESCALATION OR EXPANSION THEREOF, ON THE GROUP'S CLIENTS, RESERVES, THE CONTINUED UNCERTAINTY OF THE SITUATION IN RUSSIA, INCLUDING ISSUES RELATING THE IMPACT OF SANCTIONS; THE IMPACT OF COMPLEX AND UNIQUE CAUSATION AND COVERAGE ISSUES ASSOCIATED WITH ATTRIBUTION OF LOSSES RELATING TO SUCH EVENTS; POTENTIAL UNCERTAINTIES RELATING TO REINSURANCE RECOVERIES, REINSTATEMENT PREMIUMS AND OTHER FACTORS INHERENT IN LOSS RANGE ESTIMATIONS; THE PRELIMINARY NATURE OF LOSS ESTIMATES BASED ON CURRENTLY AVAILABLE INFORMATION DERIVED FROM MODELS, CLIENTS AND BROKERS; THE SECURITIES IN OUR INVESTMENT PORTFOLIO AND GLOBAL FINANCIAL MARKETS GENERALLY, AS WELL AS ANY GOVERNMENTAL OR REGULATORY CHANGES, ARISING THEREFROM; AND A CONTINUATION IN FINANCIAL MARKET VOLATILITY AND OTHER ADVERSE MARKET CONDITIONS GENERALLY. ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE 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 RELEASE AND THE GROUP'S PRIOR RELEASES NOTED ABOVE WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.