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HOLDINGS LIMITED

Underwriting comes first

Effectively balance risk and return

Operate nimbly through the cycle

Investor Presentation
Q1 2014

May 2014
www.lancashiregroup.com

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Lancashire Group

An established and successful market leader

Lancashire is a provider of global specialty insurance and reinsurance products operating in Bermuda and London with rated, collateralised and Lloyd's balance sheets. Lancashire focuses on short-tail, mostly direct, specialty insurance risks under five general categories: property, energy, marine, aviation and Lloyd's.

- Fully converted book value per share plus accumulated dividends has grown at a compounded annual rate of 19.2% since inception in December 2005
- Total shareholder return of 438.8%[(1)] since inception, compared with 77.2%[(1)] for S&P 500, 126.8%[(1)] for FTSE 250 and 111.0%[(1)] for FTSE 350 Insurance Index
- Returned 193.0%(2) of original share capital raised at inception or 90.5%(2) of cumulative comprehensive income
- $325.6m of capital returned in 2013, $42.1m special and final dividend declared 12 February 2014
- Q1 2014 combined ratio of 66.4%[(3)]
- Q1 2014 growth in fully converted book value per share, adjusted for dividends, of 3.9%
- Lancashire Capital Management division Kinesis commenced and now has approximately $300 million of limit bound from market capital raise and special draw
- Lancashire completed the acquisition of Cathedral in November 2013

[(1)] Shareholder return from 12 December 2005 through 28 April 2014. LRE and FTSE returns in USD terms.
[(2)] This includes the dividends of $63.2 million that were paid in April 2014.
[(3)] Including G&A.

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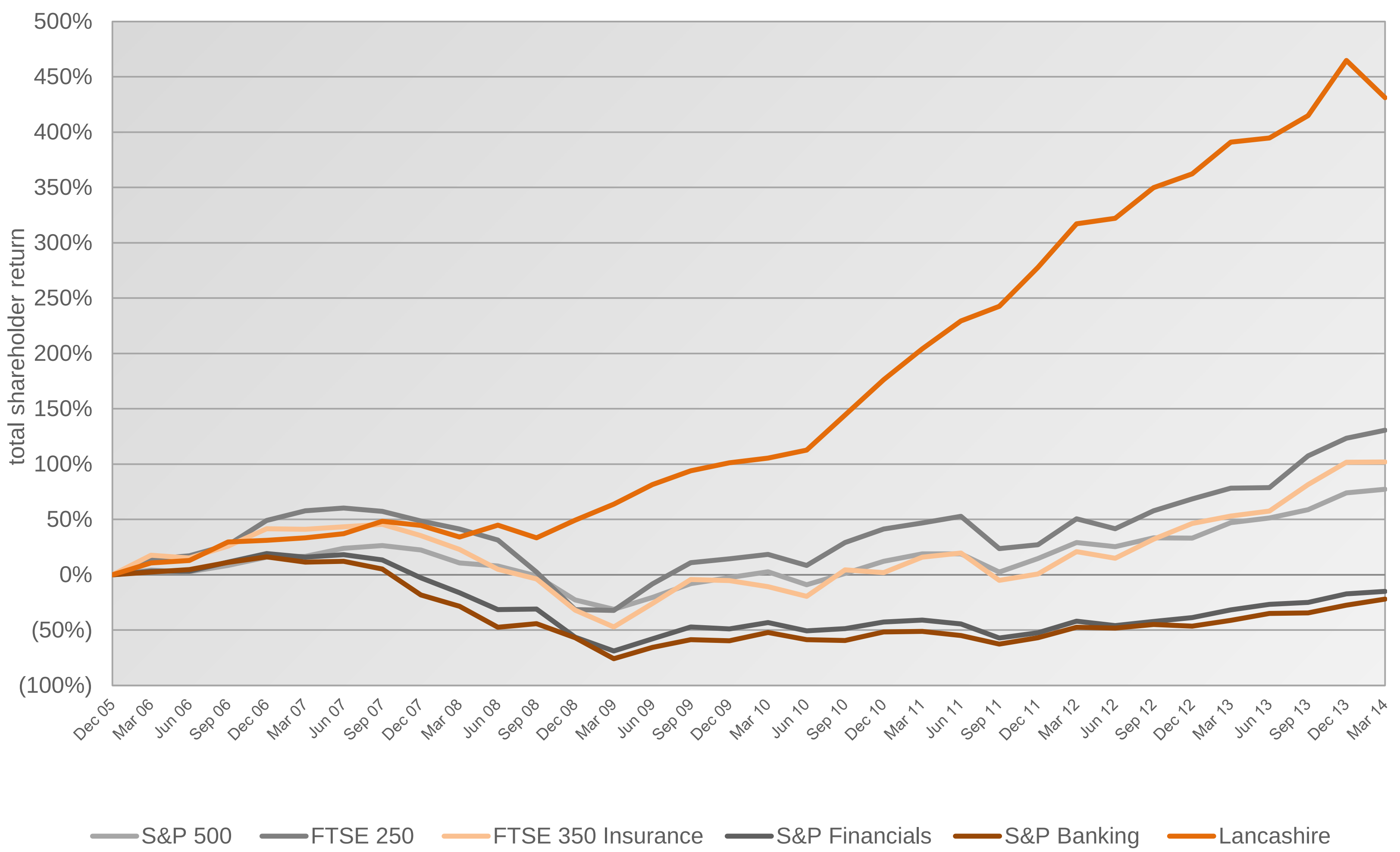
Our goal: to provide an attractive risk-adjusted total return to shareholders over the long-term

Lancashire total shareholder return vs. major index returns



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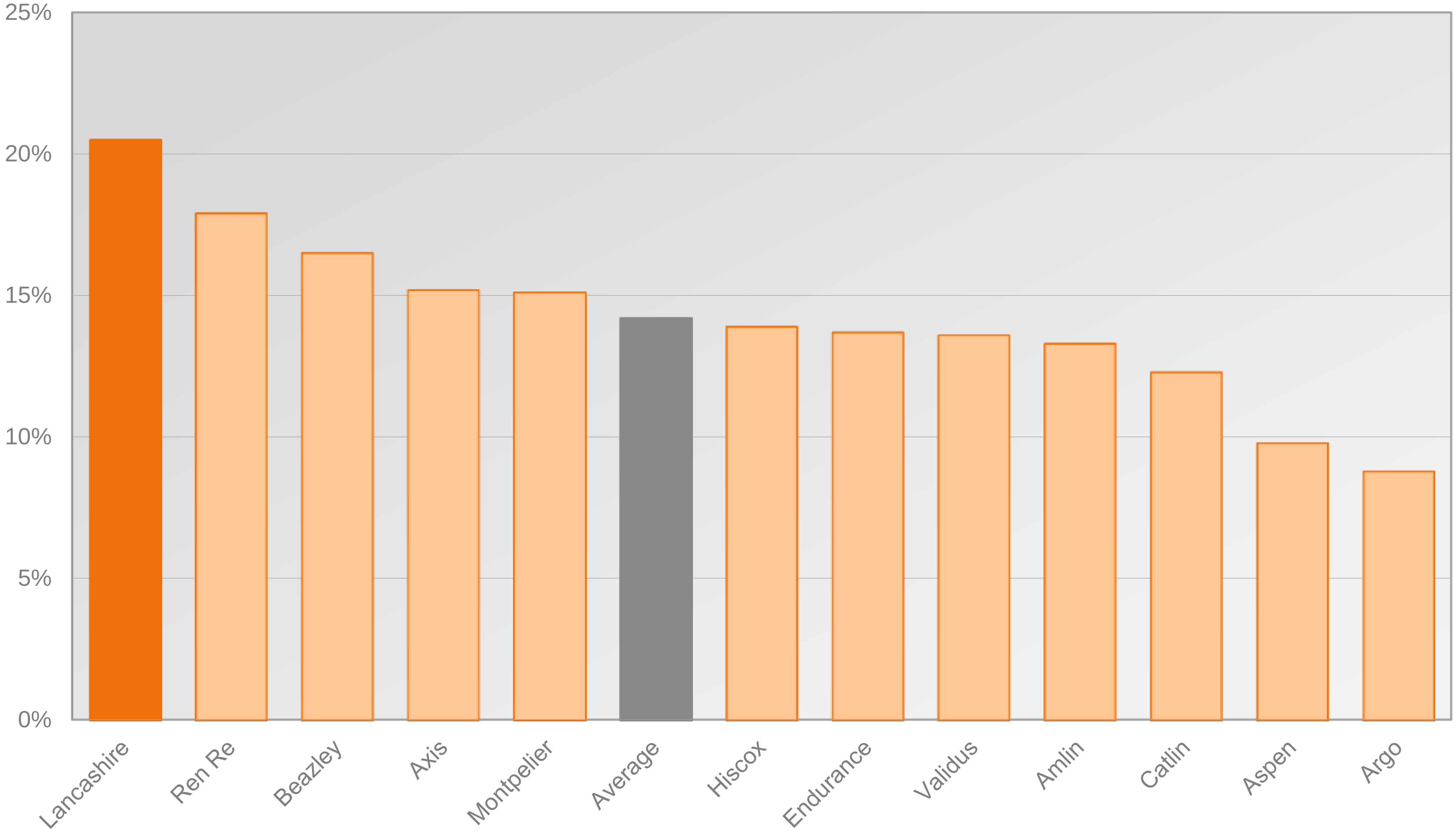
Consistency: long-term performance vs peers [1]

5 year compound annual RoE [2]



[1] Peer group as defined by the Board, and used for variable compensation calculations.

[2] Compound annual returns for Lancashire and sector are from 1 January 2009 through 31 December 2013. RoE calculated as the internal rate of return of the change in FCBVS in the period plus dividends accrued. For Amlin, Beazley, Catlin, Hiscox and Ren Re basic book value per share is used as FCBVS is not reported by these companies. Source: Company reports.

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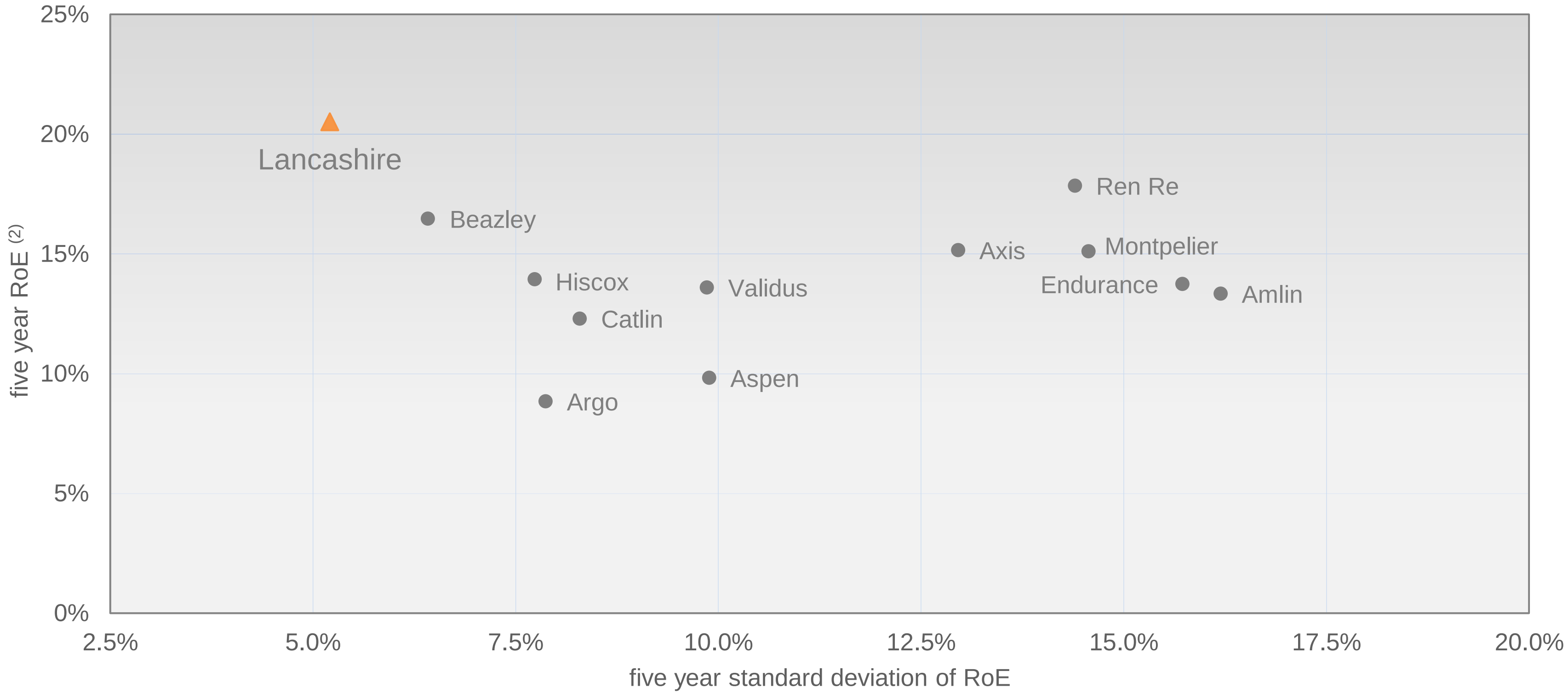
Consistency: total value creation (TVC)

five year standard deviation[1] in TVC

- Lancashire has one of the best performances and yet the lowest volatility versus peers
- Evidence of adherence to business plan and strong risk management



(1) Standard deviation is a measure of variability around the mean.

(2) Compound annual returns for Lancashire and sector are from 1 January 2009 through 31 December 2013. RoE calculated as the internal rate of return of the change in FCBVS in the period plus dividends accrued. For Amlin, Beazley, Catlin, Hiscox and Ren Re, basic book value per share is used as FCBVS is not reported by these companies. Source: Company reports.

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Consistency: Strongly diversified base of underwriting profit

Underwriting income by line of business

- Lancashire has a broad base of profitable underwriting lines, with strong weightings to low attrition classes

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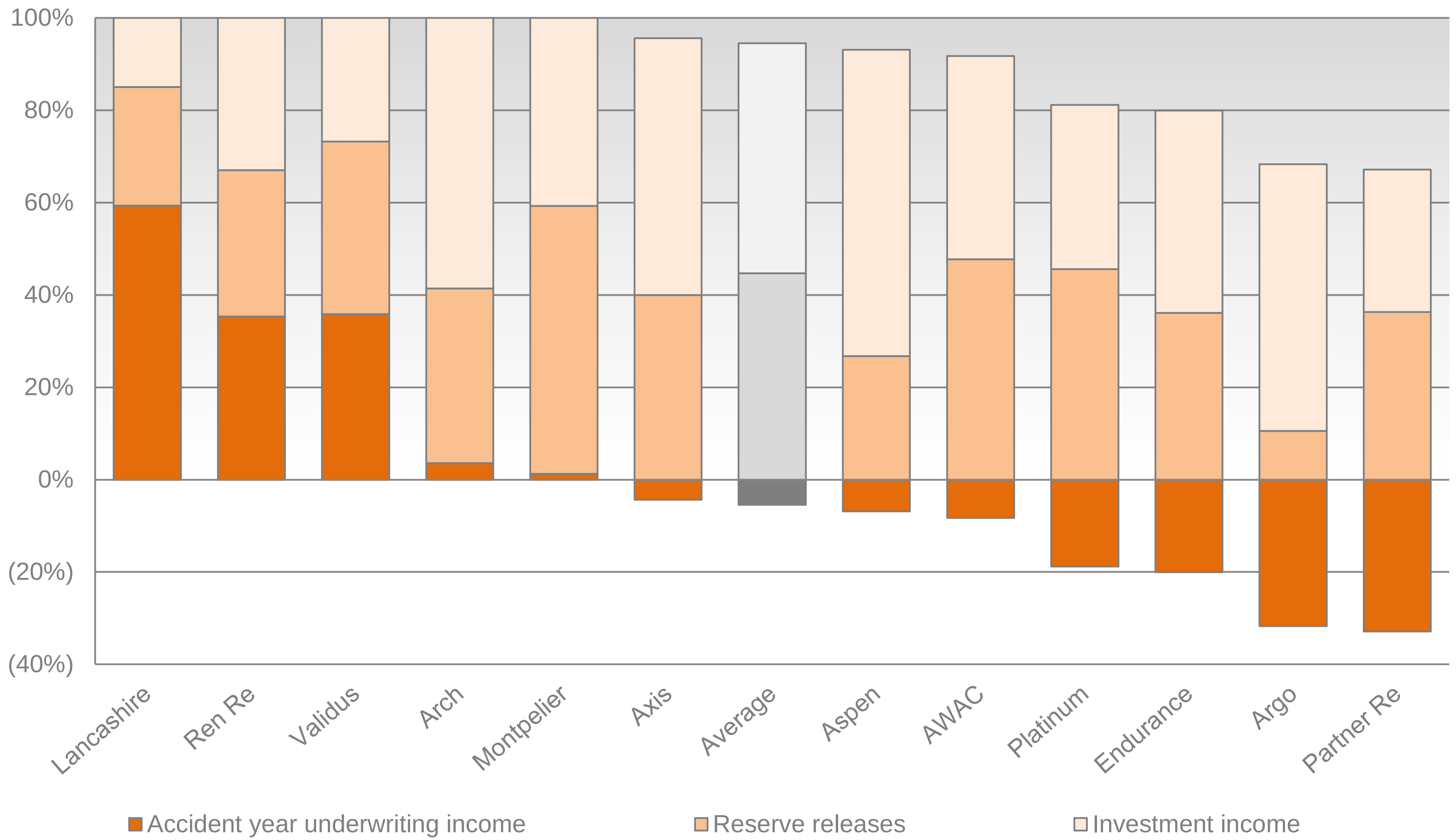
Consistency: performance to date - exceptional underwriting performance and conservative investment approach

Five year average split of investment & underwriting profit 2009 - 2013

- Lancashire focuses on underwriting as the core of profitability



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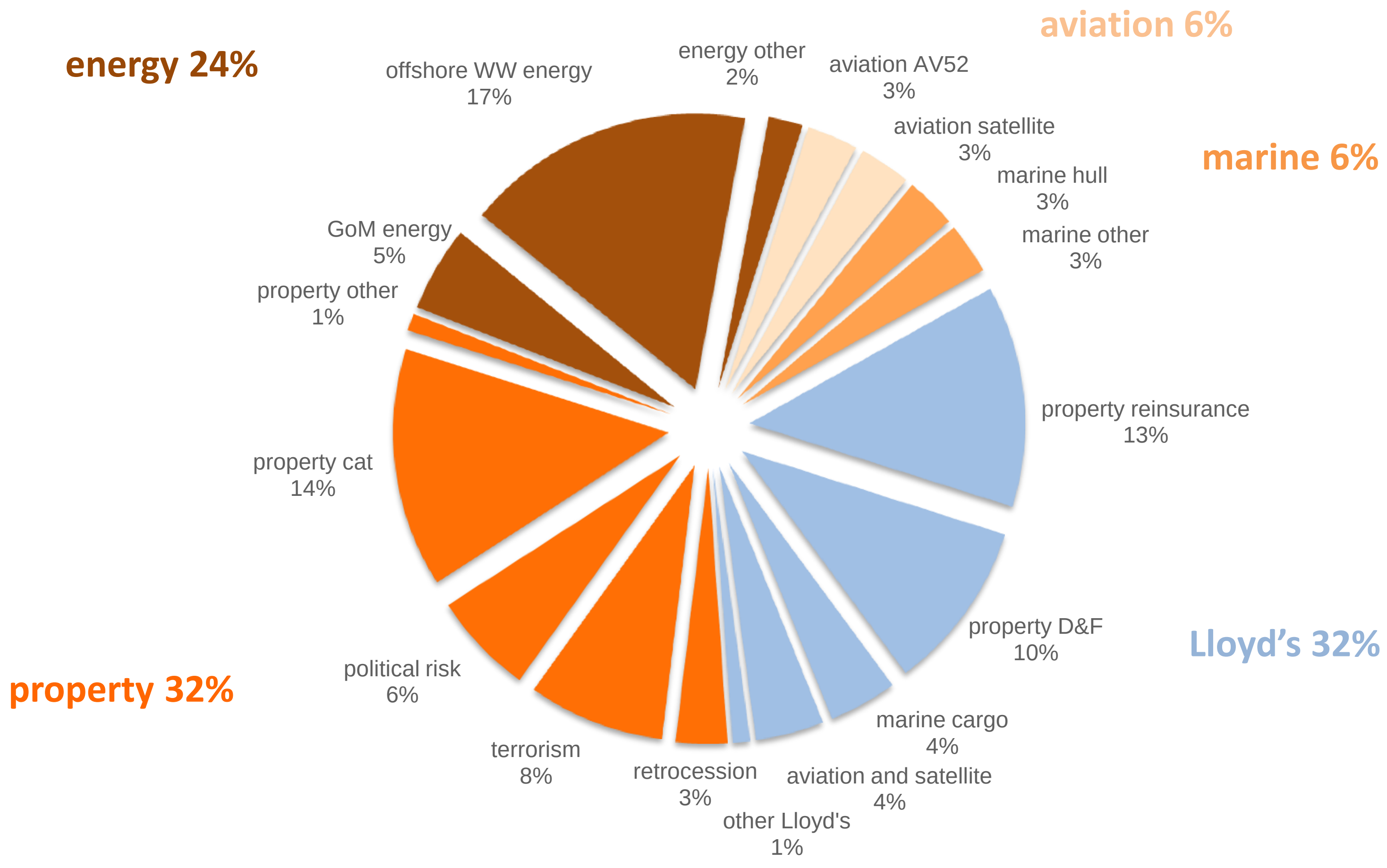
Underwriting comes first

Underwriting comes first

67% insurance 33% reinsurance   38% nat-cat exposed 62% other



Based on 2014 reforecast as of 12 February 2014. Estimates could change without notice in response to several factors, including trading conditions.

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LICL & LUK overview

Rebalanced Catastrophe exposures; GoM constant, Cat XL growing, Retro reducing, D&F reduced to minimal: WHY?

- Lancashire D&F approach was too capital intensive in the tail, and had unacceptable parameter risk
- Property Retro prime area for Third Party Capital, marginal pricing no longer attractive to Lancashire
- Cat XL underdeveloped, as start up we initially deployed capacity in D&F/Retro as better pricing
- GoM wind business, niche product, less competition, strong client and broker relationship, great record on deep water assets, high relationship barriers to entry

Growing the core book with clients and brokers in our key lines

- Terror brokers key to the market, work closely, substantial line and swift decisions
- Energy clients need lead markets to set price, agree wordings and claims
- In Marine & Aviation we have dominant shares of niche market segments
- In Political & Sovereign risk we have clearly defined appetite and expanded team
- Cat XL written premium at 1st January 2014 was $69.4m which is a 222% increase over the prior year
- Underwriting team has grown by 17 to 38 (including Cathedral and Kinesis) with new underwriters in Energy, Marine, Terror, Political risk and Cat XL with more to come

How can we measure our performance?

- In 2013 : 11% increase in submissions, but 36% absent the effect of the D&F reduction
- At 1/1/13 wrote cat XL to 10 brokers; at 1/1/14 wrote cat XL to 18 brokers

Bought more reinsurance:

- Retro bought for first time to protect Cat XL book: $100m x/s of $100m in the aggregate
- Approx 25% more risk reinsurance for energy, marine, AV52 and terrorism

Cathedral overview

Syndicate 2010 combined ratio = 2005-2012 - 87% against Lloyd's average of 95%

Managing the cycle by leveraging outwards reinsurance opportunities

- 1/1 renewal season saw top line marginally down on business plan BUT risk-adjusted up
- Signing protected by key relationships – not the issue it has been for others
- Exposures broadly flat to marginally down
- More reinsurance purchased to reduce retentions further and protect against frequency

Development of Syndicate 3010

- New Energy and Terror accounts underwritten utilising Lancashire expertise from 1st April
- Lloyd's brings licensing in previously inaccessible territories such as Canada, Mexico, Brazil
- Plan to further build out by attracting additional market leading underwriters over time
- New Aviation teams hired to begin underwriting 3Q14

Streamlining the business

- Excess Funds at Lloyd's ("FAL") extracted
- 85% quota share of the Corporate Member put in place from 1st January 2014
- Cathedral representatives appointed to RRC and Executive Committee
- Underwriting synergies generated by cross-selling and referrals
- Integrated catastrophe aggregations at a Group level
- New office space in London to have everyone situated on one floor, Q3 2014

Kinesis overview

Kinesis Re is a special purpose insurer established in June 2013 to write multi-class reinsurance business on a fully collateralised basis

Summary

- Key individuals Darren Redhead (ex D.E. Shaw) & Mathieu Marsan (ex Pentelia Capital)
- Total limits deployed to date are close to $300m, and targeting around $500m by 1st January 2015
- Targeting underwriting fees approximately equal to 2% of assets under management with a profit commission of 16.5% once hurdles achieved
- Lancashire currently has an investment of 10% in Kinesis Holdings, and intends to maintain its 10% investment in future offerings up to a maximum of $100m
- Does not cannibalise Lancashire's existing business
- Leverages Lancashire's expertise in short-tail speciality lines building unique, tailored products
- Substantial R&D has been carried out to understand what markets want to purchase, not just deploying capacity for the sake of fees only

Core

- Saltire type product incorporating worldwide aggregate elemental and non-elemental bespoke covers with an expected loss of around 8 to 10%
- Post-loss non-marine and marine retro, ability to upscale and expand products dramatically
- Post-loss specific single shot such as JIA & Sirocco on a special draw basis to profit from market dislocations and off cycle opportunities

Market position, brand & distribution – LICL & LUK

Lead and agreement party and market position by line of business

Lead and agreement

Class	2013	2012
Property	83%	65%
Energy	75%	65%
Terrorism	91%	87%
Marine	63%	56%
Aviation	80%	68%
All classes	80%	68%

Market position

Class	Renewing business (1)	New business (2)	Core business (3)	Opportunistic business (4)
Property	77%	23%	74%	26%
Energy	89%	11%	94%	6%
Terrorism	48%	52%	72%	28%
Marine	98%	2%	96%	4%
Aviation	91%	9%	70%	30%
All classes	78%	22%	82%	18%

(1) Renewing business: All renewals including like for like and those with substantive changes to layers, terms and conditions
(2) New business: Business not written in the prior policy period which can include new layers/sections on renewal accounts
(3) Core business: Business that we expect to renew over the long term meeting our RoE hurdles through the cycle with a strong client relationship
(4) Opportunistic business: Business that may or may not renew and is written because of favourablecurrent pricing, terms and conditions

Based on 2013 portfolio, excluding Lloyd's segment, as of 31st December 2013

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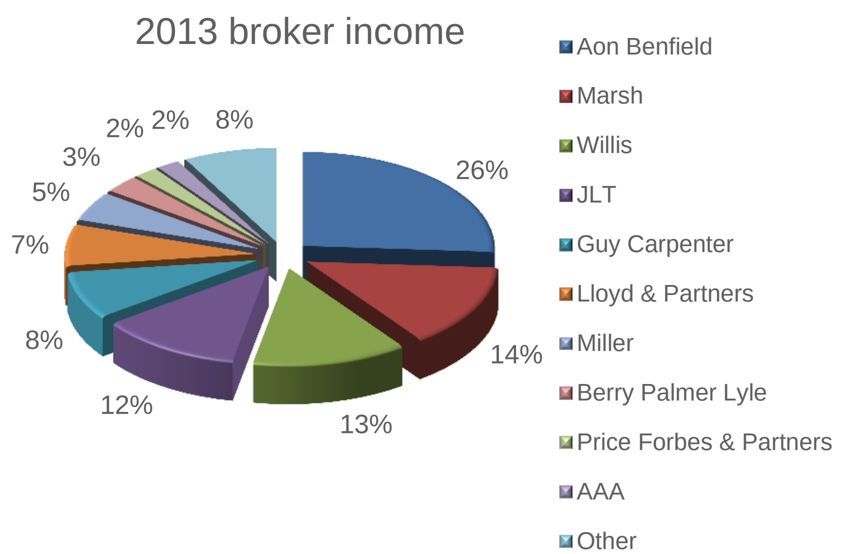
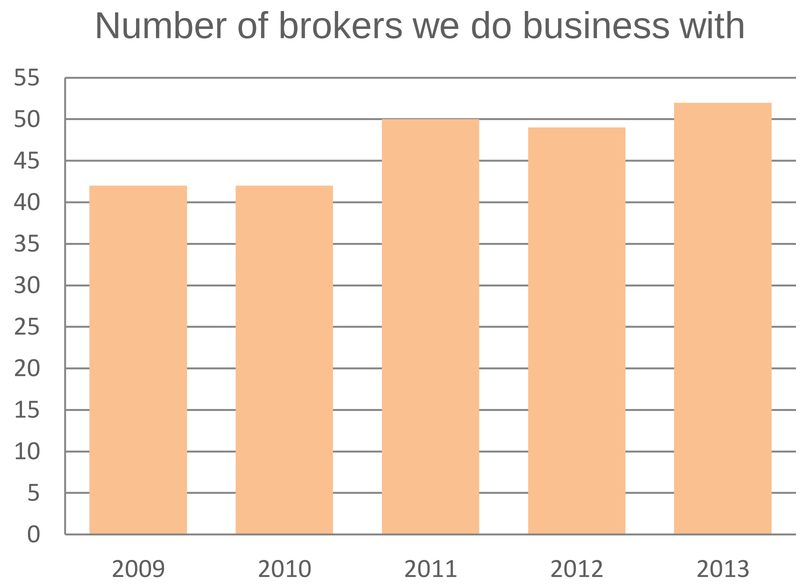
2013: Market position, brand & distribution – LICL & LUK

Since inception, Lancashire has believed it is key that we are recognised as a major market and expert within our product lines





- Lancashire writes a limited number of classes with a well defined appetite in each e.g. energy – worldwide offshore and Gulf of Mexico wind; marine – high-value fleets, war, mortgagees cover, etc
- This means that Lancashire can focus on niche products and bring to bear market leading capacity and expertise
- Brokers want to deal with market leaders, and Lancashire's capacity ensures that we see business early on when placements are being structured
- The Lancashire brand as a nimble, intelligent underwriter able to ignore emotion and focus on fundamentals means that we are the de facto leader of the post-loss market – demonstrated in New Zealand, Japan, Thailand, Canada

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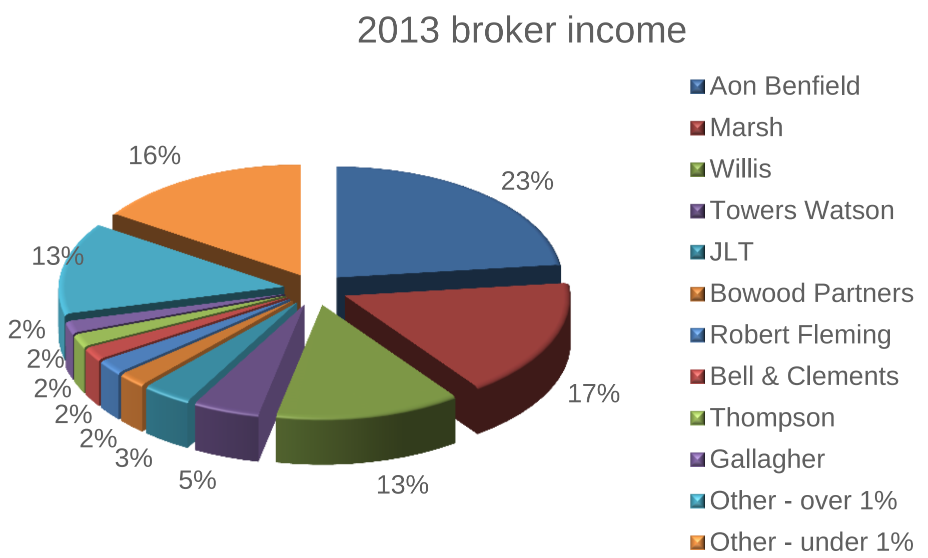
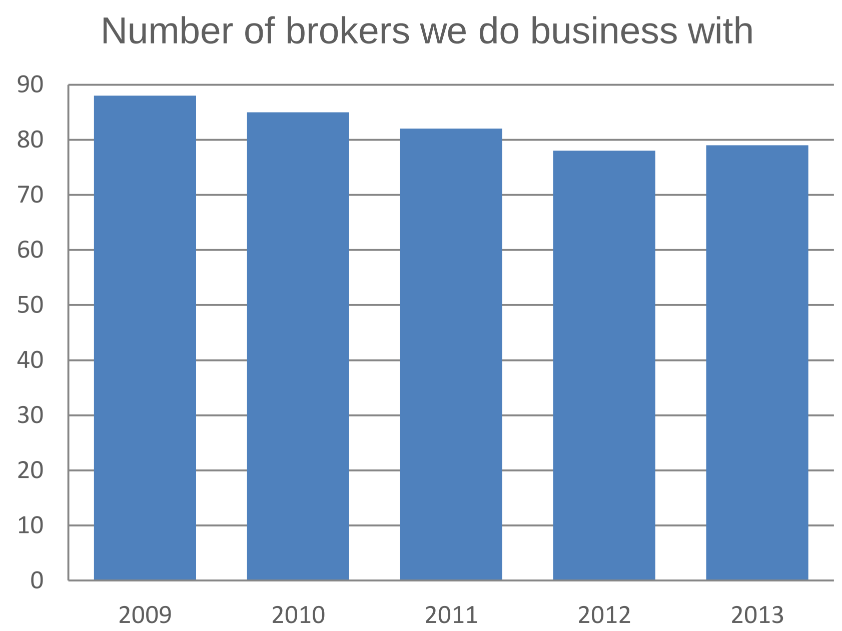
2013: Market position, brand & distribution - Cathedral

Each line of business uses specialist niche brokers





- Diversity of producers means Cathedral holds more power than if writing just Aon, Marsh, Willis books
- Niche focus of underwriting reflected in distribution channels

Balance risk and return

Risk and Return Committee (RRC)

- **What does it do**
  - Co-ordinates strategy and ERM activities for the Group and Subsidiaries – LUK, LICL, Cathedral & Kinesis
  - Underwriting risk; market and liquidity risk; reserve risk; operational risk
  - Challenges the assumptions behind risk profiles, appetites and tolerances
  - Optimisation of the portfolio including new business/product assessment, assessing capital requirements, synthetic portfolio analysis and outwards reinsurance assessment
- **Why do we do it**
  - Risks are never static – change is a constant
  - Senior representatives from LUK, LICL, Cathedral and Kinesis
  - Brings together underwriting, actuarial, finance, capital management, operations and risk
  - UMCC is the gatekeeper of tactics; RRC is the gatekeeper of strategy
- **Why is Lancashire different**
  - Every two weeks – nimble
  - Full portfolio – basic BLAST output
  - Cross discipline challenge across all areas of risk at the heart of the business by senior management

Effectively balance risk and return

zones	perils	100 year return period $m (% of capital) [1]	250 year return period $m (% of capital) [1]
Gulf of Mexico [2]	hurricane	291 (16%)	440 (25%)
California	earthquake	131 (7%)	213 (12%)
Pacific Northwest	earthquake	47 (3%)	136 (8%)
Pan-European	windstorm	173 (10%)	248 (14%)
Japan	earthquake	109 (6%)	184 (10%)
Japan	typhoon	82 (5%)	119 (7%)

THE GROUP HAS DEVELOPED THE ESTIMATES OF LOSSES EXPECTED FROM CERTAIN CATASTROPHES FOR ITS PORTFOLIO OF PROPERTY AND ENERGY CONTRACTS USING COMMERCIALLY AVAILABLE CATASTROPHE MODELS, WHICH ARE APPLIED AND ADJUSTED BY THE GROUP. THESE ESTIMATES INCLUDE ASSUMPTIONS REGARDING THE LOCATION, SIZE AND MAGNITUDE OF AN EVENT, THE FREQUENCY OF EVENTS, THE CONSTRUCTION TYPE AND DAMAGEABILITY OF PROPERTY IN A ZONE, AND THE COST OF REBUILDING PROPERTY IN A ZONE, AMONG OTHER ASSUMPTIONS. RETURN PERIOD REFERS TO THE FREQUENCY WITH WHICH LOSSES OF A GIVEN AMOUNT OR GREATER ARE EXPECTED TO OCCUR.

GROSS LOSS ESTIMATES ARE NET OF REINSTATEMENT PREMIUMS AND GROSS OF OUTWARD REINSURANCE, BEFORE INCOME TAX. NET LOSS ESTIMATES ARE NET OF REINSTATEMENT PREMIUMS AND NET OF OUTWARD REINSURANCE, BEFORE INCOME TAX.

THE ESTIMATES OF LOSSES ABOVE ARE BASED ON ASSUMPTIONS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES. IN PARTICULAR, MODELED LOSS ESTIMATES DO NOT NECESSARILY ACCURATELY PREDICT ACTUAL LOSSES, AND MAY SIGNIFICANTLY DEVIATE FROM ACTUAL LOSSES. SUCH ESTIMATES, THEREFORE, SHOULD NOT BE CONSIDERED AS A REPRESENTATION OF ACTUAL LOSSES AND INVESTORS SHOULD NOT RELY ON THE ESTIMATED EXPOSURE INFORMATION WHEN CONSIDERING INVESTMENT IN THE GROUP. THE GROUP UNDERTAKES NO DUTY TO UPDATE OR REVISE SUCH INFORMATION TO REFLECT THE OCCURRENCE OF FUTURE EVENTS.

(1) Estimated net loss as at 1 April 2014.

(2) Landing hurricane from Florida to Texas.

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Financial flexibility – capital management

The commitment to repatriate surplus capital is unchanged. Our capital level is driven by underwriting opportunities and our outlook.

- In Q3 underwriters begin projecting opportunities for the forthcoming year and model various synthetic portfolios looking for real-world optimal risk and reward balance
- In Q4 we get a better sense for the opportunity, finalise forecasts and plans, pay a special dividend but hold back some additional capital for a Q4 loss or January 1 opportunities, particularly if our outlook is uncertain due to market conditions
- In Q1 after January 1 book has been written and the majority of reinsurance bought, the business plan is updated and we rebalance capital again to reflect the opportunity, including an additional special dividend if warranted
- In Q2 we begin building up capital again through retained earnings

So when wouldn't Lancashire pay a special dividend?

- After a major loss event where we can deploy additional capital opportunistically into dislocated markets for good returns. In 2011/12, after a series of worldwide cat losses, we held back capital in Q4 12, but then paid out an additional dividend in Q1 13. It would take a much bigger loss or series of losses to eliminate the special dividend.
- Financial chaos, as in 2008, where both equity and debt markets were effectively shut to us, so we need to retain capital in case of an opportunity.

With Lancashire UK and Bermuda, Cathedral and Kinesis we have a full range of balance sheet options to deploy capital most effectively. Conversely, we would raise capital in the right circumstances, as demonstrated by recent debt and equity issuances.

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Operate nimbly through the cycle

proven record of active capital management

	2007 $m	2008 $m	2009 $m	2010 $m	2011 $m	2012 $m	2013 $m	2014[4] $m	total $m
share repurchases	100.2	58.0	16.9	136.4	-	-	-	-	311.5
special dividends [1]	239.1	-	263.0	264.0	152.0	172.6	295.9	42.1	1,428.7
ordinary dividends – interim [1]	-	-	10.5	9.4	9.5	9.6	10.5	-	49.5
ordinary dividends – final [1]	-	-	-	20.8	18.9	19.2	19.2	21.1	99.2
total	**339.3**	**58.0**	**290.4**	**430.6**	**180.4**	**201.4**	**325.6**	**63.2**	**1,888.9**
average price of share repurchase [2]	102.2%	88.4%	98.5%	97.9%	n/a	n/a	n/a	n/a	97.6%
weighted average dividend yield [3]	15.2%	n/a	18.1%	18.0%	8.4%	8.3%	12.3%	n/a	n/a

193.0% of original IPO share capital has been returned to shareholders [4]

[1] Dividends included in the financial statement year in which they were recorded.

[2] Ratio of price paid compared to book value.

[3] Dividend yield is calculated as the total calendar year cash dividends divided by the year end share price.

[4] This includes the dividends of $63.2 million that were paid in April 2014.

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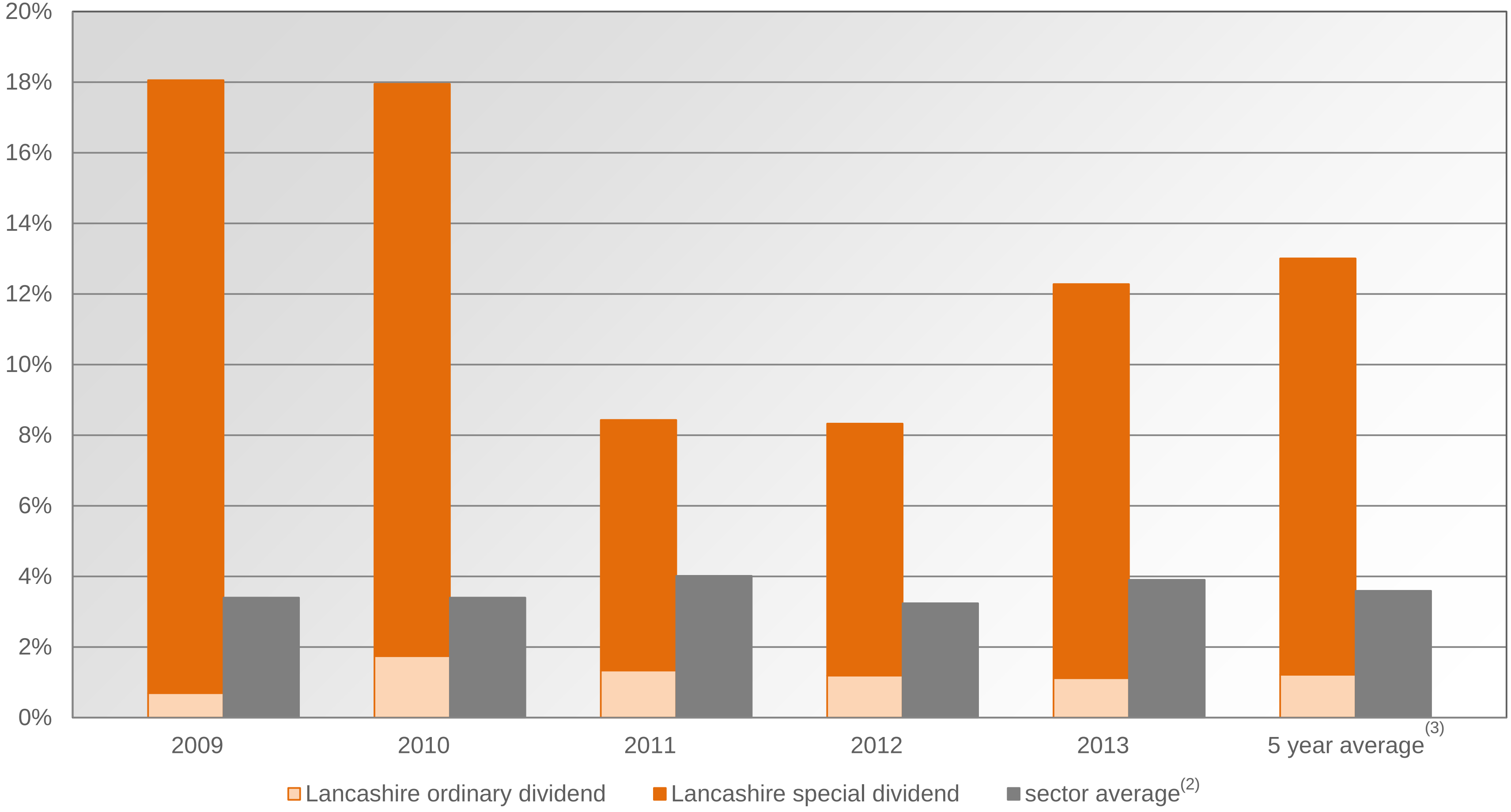
Dividend yield (1)



(1) Dividend yield is calculated as the total calendar year cash dividends divided by the year end share price. Dividends include recurring dividends, special dividends and B shares issuances. Source: Bloomberg.

(2) Sector includes Amlin, Argo, Aspen, Axis, Beazley, Catlin, Endurance, Hiscox, Montpelier, Renaissance Re and Validus.

(3) 5 year average based on the 2009 to 2013 reporting periods.

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Effectively balance risk and return: conservative investment philosophy

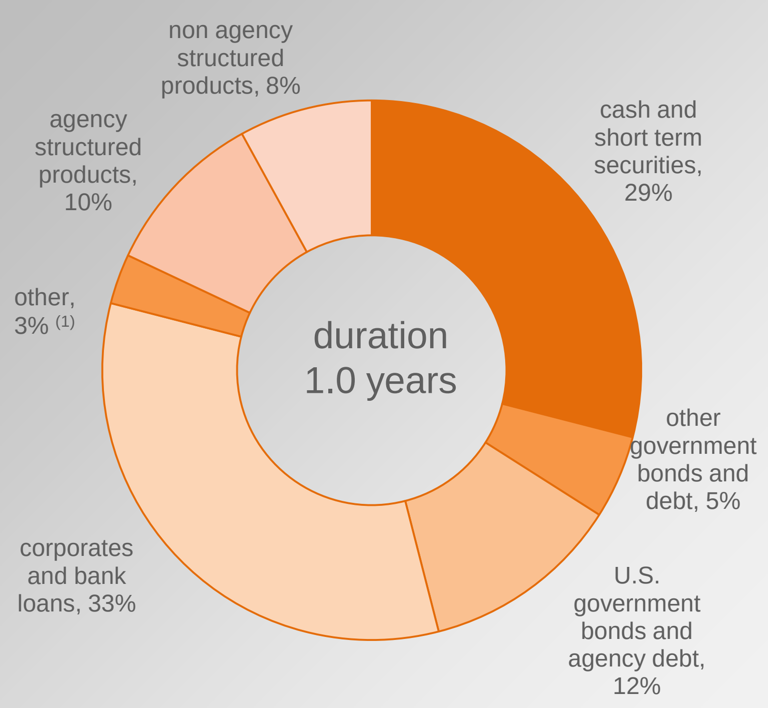
- **Our market outlook remains subdued:**
  - While the U.S continues to generate mostly positive economic data, global headline risk continues to add volatility in the market and once again we see a risk on/risk off environment.
  - The divergence in central bank interest rate policies adds considerable risk in the global economy.

- **Preservation of capital continues to be paramount and we will focus on interest rate risk**
  - Maintain reduced investment portfolio duration, despite low yields
  - Increased exposure to floating rate notes
  - Mitigate interest rate risk:
    - ✓ Increased exposure to floating rate notes
    - ✓ Reduced exposure to emerging market debt given the increased volatility and global risk in current environment and much longer duration securities
    - ✓ Added a small allocation to a number of hedge funds creating a low volatility hedge fund portfolio and adding diversification to the overall investment portfolio
  - Implementation of tail risk hedge:
    - ✓ In the first six months of 2013, derivative instruments were purchased and sold to protect the investment portfolio from a rapid rise in interest rates.
  - Continue monitoring of risk/return trade off in the portfolio:
    - ✓ Maintain a balance between interest rate duration and credit spread duration to neutralise the movements between the risk on /risk off trade environment

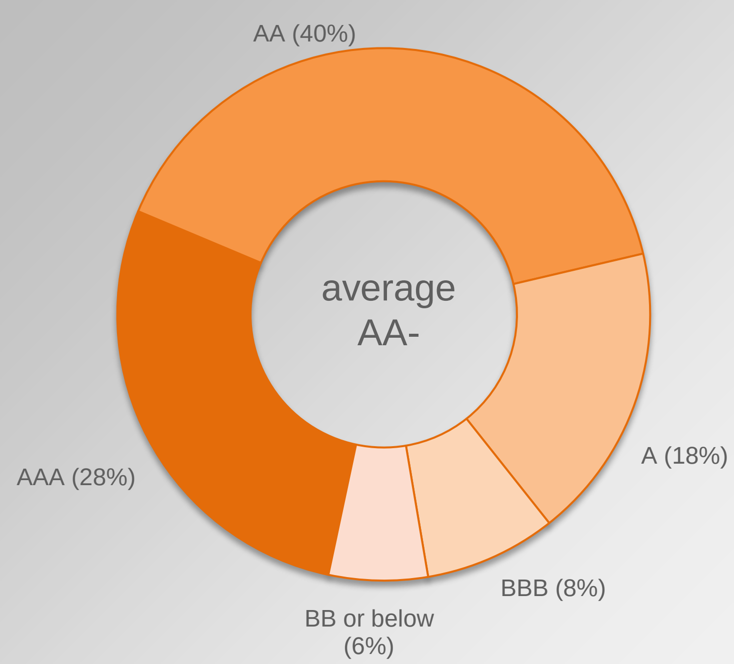
Effectively balance risk and return

Capital preservation

Asset allocation



Credit quality



- Total portfolio at 31 March 2014 = $2,414m

(1) Other includes fixed income funds, fixed income - at fair value through profit and loss, equity securities and other investments.

Conclusion

Conclusion

- Lancashire has one of the **best performances** and yet the **lowest volatility** in the London and Bermudian markets.
- We have remained true to our business plan, while adapting to market changes. We have just completed an acquisition, but the Cathedral team are like-minded, disciplined underwriters, as evidenced by their track record
- CEO/CFO/CUO of group all in place at Lancashire since 2006/2007 and proven; the Cathedral management team is proven; the Kinesis management team is proven
- Cathedral are expected to produce approximately one third of the group premium going forward, with a solid base of core, lower volatility business
- Group profitability is not overly dependant on property reinsurance, with strong weightings to speciality classes with proven RoE potential
- A well diversified portfolio across multiple lines and geographies as a base to trade across the cycle
- Opportunities to grow in non or low correlated lines within Syndicate 3010

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Appendix

Lancashire: Property catastrophe reinsurance

Mitigating impact of falling rates

- Utilising a modified line size matrix – weighted so that larger capacity deployed on bigger programmes
- New private layers
- New capacity only to those territories where pricing is still attractive
- Purchased $100m retrocession limit excess of an aggregate of $100m of applicable losses

Ability to compete

- Multi year capacity / reinstatement
- Willing to offer more multi-layer support to the programme where pricing is adequate but always expose largest capacity to top layers
- Increased marketing efforts
- We provide transparency, good service, quick turnaround and excellent claims service

Outlook

Cat XL – USA

- New entrants into the regional U.S. market
- Limited Florida stand alone exposure – premium of circa $2m (2013)
- The book has grown as expected by targeting key client relationships and nationwide accounts

Cat XL – Asia

- After a solid April 2013 renewal season with additional regional development and relationships, aside from rate reduction, we had an orderly renewal of the book at April 1, 2014 with rate reductions circa 15%
- Offering limited regional retrocession in Asia only when territorial scope is defined

Cat XL – Rest of world

- Achieved our targeted growth in Europe with carefully selected partners at very good levels. Capacity now deployed in countries we previously did not have a footprint
- Australasia – top end capacity deployed regionally as much as possible to avoid lines correlating in the same event – also avoid giving NZ aggregate away in Australian placements. Will renew this at July 1, 2014, should be straightforward and orderly

Statistics

Property catastrophe reinsurance	2006	2007	2008	2009	2010	2011	2012	2013	**Q1 2014**	**ITD**
Cumulative RPI	100	100	97	100	92	100	116	114	**101**	**n/a**
Combined ratio excl. G&A (%)	20.3	15.6	47.2	14.9	24.4	103.3	44.9	29.4	**42.9**	**45.0**
GWP ($m)	0.6	19.3	23.4	76.3	98.1	82.0	96.8	97.5	**69.4**	**563.4**

Lancashire: Energy

Mitigating impact of falling rates

- We write the risks with large limit requirements which are more insulated from the lows of rating trend
- Relatively low attritional loss ratios
- Deepwater GOM portfolio demands high limits
- Organic growth within the industry helps maintain premium levels and replacement values increasing
- Increased reinsurance protection at January 1, 2014
- Mega projects with values up to $6bn stretching capacity and maintaining strong rate levels
- Syndicate 3010 approved to begin writing Energy with effect from April 1, 2014

Ability to compete

- Large lines make us relevant and dangerous to ignore as a quoting market to other brokers
- We have the ability and willingness to lead business
- We provide transparency, good service, quick turnaround and excellent claims service
- We have developed direct cross class client relationships that overarch broker relationships
- Market leader for Deepwater GOM and Excess Construction
- Offering excess third party liability capacity protects signings on risk packages
- Continue to successfully leverage brokers and clients to maintain market share

Outlook

Gulf of Mexico

- Stable market outlook for deepwater assets
- Demand from deepwater clients remains strong
- Looking to lock in pricing with a limited number of selected longer term contracts at historic highs

Worldwide offshore

- Still very profitable for Lancashire as a class and rates close to historical highs
- Market capacity increased which fuels competition

Excess Third Party Liabilities

- A small selective portfolio with established known clients
- Good demand for excess layers which is in Lancashire's sweet spot
- Softening rating environment now a reality but Lancashire well-positioned

Statistics

Energy GOM	2006	2007	2008	2009	2010	2011	2012	2013	**Q1 2014**	**ITD**
Cumulative RPI	100	80	64	137	139	140	140	136	**132**	**n/a**
Combined ratio excl. G&A (%)	27.5	30.1	210.7	64.6	(8.7)	(19.2)	(9.7)	21.4	**12.7**	**45.8**
GWP ($m)	171.8	157.5	74.3	53.8	87.4	60.7	65.5	34.4	**4.4**	**709.5**

Energy WW offshore	2006	2007	2008	2009	2010	2011	2012	2013	**Q1 2014**	**ITD**
Cumulative RPI	100	80	68	84	88	97	100	97	**92**	**n/a**
Combined ratio excl. G&A	38.9	39.4	68.1	93.0	78.0	70.7	41.3	85.8	**131.9**	**69.9**
GWP ($m)	42.3	72.7	76.3	100.6	123.1	140.3	148.9	149.2	**37.4**	**890.8**

Lancashire: Property terrorism and political violence

Mitigating impact of falling rates

- TRIPRA uncertainty creating a lot more deal flow and increased demand in the US
- Incidents globally and uptick in lending creating new opportunities
- Deploy some smaller subscription capacity on lower layers for preferred business
- Being pragmatic and sticking with the core book
- Very low attritional loss ratio
- Increased reinsurance protection at January 1, 2014

Ability to compete

- Large lines make us relevant and dangerous to ignore as a quoting market to other brokers
- We have the ability and willingness to lead business
- We provide transparency, good service, quick turnaround and excellent claims service
- We write our own layers not led by Lloyd's or other capacity; in fact about 16% of our layers are "private" layers

Outlook

Terrorism

- More competition with new capacity BUT demand still strong with a good flow of new business opportunities
- Monitoring TRIPRA renewal negotiations later in 2014 for potential opportunities
- Syndicate 3010 gives clients and brokers another access point to the Lancashire Group and broadens opportunity.

Statistics

Terrorism	2006	2007	2008	2009	2010	2011	2012	2013	**Q1 2014**	**ITD**
Cumulative RPI	100	86	71	66	60	57	55	52	**48**	**n/a**
Combined ratio (%)	22.4	16.7	27.3	13.7	24.0	4.3	10.9	13.0	**12.0**	**15.4**
GWP ($m)	18.9	56.6	75.5	69.1	77.8	68.4	62.9	67.8	**21.6**	**518.6**

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Lancashire: Property political and sovereign risk

Mitigating impact of falling rates

- Continued demand for Political and Sovereign Credit Risk products across territories represented by a healthy submission flow
- Demand driven by increased perception of threat of Political events such as the Arab Spring to cross border investments and businesses
- The GFC changed the way banks and traders mitigate their credit risk exposures and we are seeing an increase in demand for insurance products to minimise capital costs whilst meeting increasingly strict regulatory requirements
- Growing bank client bases in areas such as the Asia-Pacific and Americas regions as well as with ECAS and multi-laterals
- Economic recovery increases demand for sovereign products

Ability to compete

- We have the ability and willingness to lead business
- We provide transparency, good service, quick turnaround and excellent claims service
- We have developed direct client relationships that overarch broker relationships
- We write our own layers not led by Lloyd's capacity
- Lancashire's tenor line size and non-trade related capabilities are in demand from our clients and provide us with opportunities that other markets are unable to consider

Outlook

Political Risk / Sovereign Risk

- Strong demand especially Asia, Africa
- Capacity has increased significantly putting pressure on rates and ability to win deals
- Now most key investment bank security lists and clearly defined appetite

Statistics

Political risk/ Sovereign risk	2006	2007	2008	2009	2010	2011	2012	2013	**Q1 2014**	**ITD**
Combined ratio (%)	58.3	45.8	34.6	21.9	18.4	10.0	18.6	20.4	**9.5**	**20.3**
GWP ($m)	9.4	16.9	28.1	15.5	29.1	20.4	41.1	66.4	**12.0**	**238.9**

Lancashire: Marine

Mitigating impact of falling rates

- We write the risks with large limit requirements which are more insulated from the lows of rating trend in respect of Hull
- Generally for our portfolio rates are stable on a book of business centred around a loyal client base
- Increased reinsurance protection at January 1, 2014
- Focus on ancillary classes such as war, builders risk, MAP and MII with less competition

Ability to compete

- Large lines make us relevant and dangerous to ignore as a quoting market to brokers
- We have an ability and willingness to lead business
- We provide transparency, good service, quick turnaround and excellent claims service
- Strengthened team with hire of an experienced former broker to ensure deal flow plus the addition of James Flude as Head of Energy & Marine

Outlook

Marine

- Increased rating for P&I renewals due to Costa Concordia adverse claims deterioration
- Hull market broadly flat with some softening for clean business
- Still too much capacity for small to medium tonnage

Statistics

Marine	2006	2007	2008	2009	2010	2011	2012	2013	**Q1 2014**	**ITD**
Cumulative RPI	100	88	80	82	80	79	86	89	**93**	**n/a**
Combined ratio (%)	55.3	76.6	81.4	68.3	67.4	37.7	104.5	140.1	**61.4**	**78.1**
GWP ($m)	53.0	76.9	78.6	73.7	76.4	76.4	81.0	63.0	**26.7**	**605.7**

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Lancashire: Aviation and satellite

Mitigating impact of falling rates

AV52
- No attritional losses ever
- Large line size therefore all opportunities made available and one stop shop makes brokers lives easier

Satellite
- Track the market with small net lines
- Loss activity in early 2013 helped measure rate reductions

Ability to compete

- Large lines on AV52 make us relevant and dangerous to ignore as a quoting market to other brokers
- We have the ability and willingness to lead business including lineslips
- We provide transparency, good service and quick turnaround

Outlook

Aviation
- Market still seeing downward pressure as capacity for AV52 remains at all time high
- Risk profile remains attractive and passenger numbers picking up so demand remains strong
- Possible non renewal of TRIPRA in the U.S. - potentially a new slug of demand coming to market late 2014

Satellite
- Launch rates generally holding up well but pressure on in-orbit segment

Statistics

Aviation	2006	2007	2008	2009	2010	2011	2012	2013	**Q1 2014**	**ITD**
Cumulative RPI (AV52)	100	80	69	68	62	59	55	49	**43**	**n/a**
Combined ratio (%)	19.9	19.5	31.2	22.7	11.7	8.7	29.1	67.3	**22.9**	**26.0**
GWP ($m)	64.5	84.2	71.6	61.2	50.8	47.1	45.9	48.9	**14.4**	**488.8**

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Cathedral: Property reinsurance

Core

US Portfolio –
- US cat XL book made up entirely of Mutual Companies
- Home owners
- Farm owners
- Automobile (physical damage)
- Small commercial properties

Nationwide exposure - protects writings of farms, agricultural risks and churches

Risk Excess US and Canadian book - complements Mutual book and upper end of some of the national companies

International book –
- regional emphasis continued with focus on first world countries ranging from small to mega accounts

Non-core / Opportunistic

- Florida private reinsurance market ($40m Aggregate)
- Super Regional US accounts
- Retro
- Crop

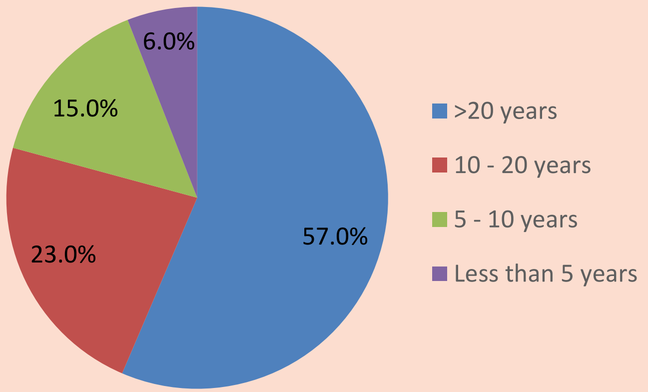
- All the above feature in the mix depending on market

Outlook

US Portfolio: under pressure risk adjusted rates down 5 to 10%, premium flat to slightly up as portfolio seeing rate increases

International Portfolio: book varied, downward pressure 0-5% with the exception of Europe where loss affected seeing rises

US Client relationship duration



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Cathedral: Property direct & facultative

Core

US open market - Average line size circa $2m

- Small to midsized ‘soft’ occupancy focus
- Low to mid level excess of loss
- Primary book targets low ‘attritional’ business

US binding authorities - Average line size < $1m

- Long standing book of binding authorities with commercial bias
- True ‘MGA’ business produced by specialist brokers

International open market - Small to midsized general portfolio with current focus on Mexico, Caribbean and NZ

International binding authorities

- Targets low ‘attritional’ commercial business bias
- Stable, long standing book of binding authorities almost entirely driven by Canada, Australasia (mainly NZ) and the Caribbean

Non-core / Opportunistic

Will expand in to any class/territory following significant losses resulting in distressed conditions and inflated pricing

Equally importantly, will withdraw from these same territories once inflated pricing disappears

The team benefits from significant broker penetration in the London market with no individual broker producing in excess of 10%. This allows rapid access to any opportunities

As the market softens the purchasing of opportunistic facultative reinsurance will expand.

Current emphasis away from: Primary Fortune 500

Outlook

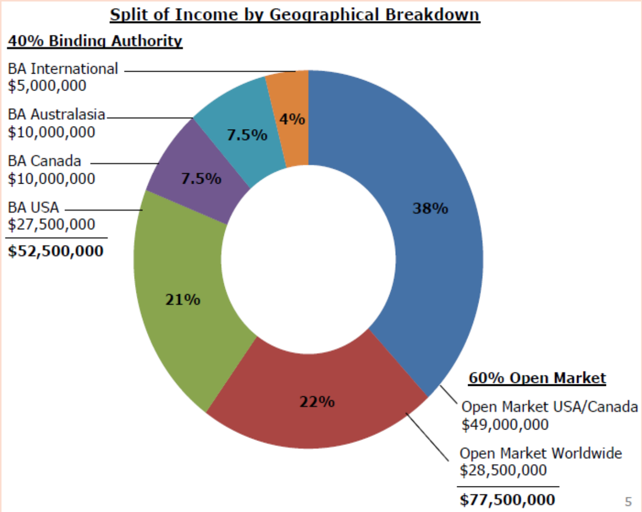
US open market - Rates generally under pressure, albeit from reasonably attractive levels

US binding authorities - Stable to gently improving conditions

International open market - Rates generally under pressure following increases in 2011/2012. Mexico should prove attractive following 2013 floods

International binding authorities - Canada, flat to gently improving (British Columbia), NZ under some pressure but rates still inflated following 2011/12 earthquakes - Caribbean, rates still reasonably attractive for some islands

Geographical distribution



Cathedral: Cargo & Contingency

Cargo Core	Contingency Core
Marine Cargo • Established, relationship driven, higher quality, marine cargo accounts with proven profitability and good risk management • Complementary rather than clashing exposures and territories • Non Catastrophe exposed transits of commodities and raw materials • Loyal core book – many being renewals of 20+ years • Globally diverse book with specific focus on non over-broked territories • Non 'large-broker' book of relationship business **Fine Art** - Private collections and museums with good risk management in non catastrophe exposed areas **Specie** –Vault	**Contingency** • Established, market leader dealing in non –appearance mainly in the rock & pop / entertainments industry • Open Market placements of tours, festivals and events • Direct dealing relationship to pick up smaller business from regional music circuits (Manchester, Dublin) • Long term business developed with promoters such as US West coast Prom circuit.
Outlook	**Outlook**
Marine Cargo • Still too much capacity chasing large, high profile, catastrophe exposed accounts. • Over developed markets remain flat but good opportunities remain in more challenging territories such as Africa • Profitable niche opportunities for experienced traders	**Contingency** • Succession of significant losses in market last year are resulting in pricing and terms moving upward • A number of major tours coming into the market this year

Cathedral: Aviation reinsurance & satellite

Core

Proportional - down to 3 direct clients that have a good track record in niche areas with long standing relationships
General aviation XL - Catastrophe reinsurance covering corporate and private jets, small local airports and small product makers
General XL - Core part of the account exposed to major catastrophes but aggregate focussed on small to medium size direct insurers enabling better portfolio management
Aviation war - covers both Hull and War Third Party. Different to Lancashire's 'AV52' book as the focus is on non major risk writers.

Non-core / Opportunistic

Bigger direct clients

- No pay back / do they need to buy?
- Market share

Potential proportional clients
Take advantage of relationships if there is a capacity crunch in the future

Whole account – currently a very small account generally used as a fact finder exercise but could grow in a harder market

Outlook

- Still too much capacity – cheap pricing and poor portfolio management will however accelerate the pain and the correction thereafter
- Companies with limited track record looking for market share
- Increased competition to lead as individuals have moved companies and are looking to make a mark
- Brokers becoming concerned about longevity of client base and revenue stream

Portfolio management - Market rating index versus Cathedral net income / profitability