Underwriting comes first

Effectively balance risk and return

Operate nimbly through the cycle

Bank of America Merrill Lynch Presentation

September 2015
www.lancashiregroup.com

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Lancashire Group

1. Lancashire “The Agile Insurer”

   - Active Cycle Management
   - Acquisition of Cathedral
   - Launch of Kinesis

2. Lancashire Track Record

3. Conclusion

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Lancashire Group

Sticking to the Strategy, Managing the Cycle

- “Lancashire's strategy since day one has always been to write the most exposure in a hard market and the least in a soft one. There are now abundant reinsurance and retrocession opportunities that allow us to maintain our core insurance and reinsurance portfolios, whilst significantly reducing net exposures and enhancing risk adjusted returns. From our peak exposures in April 2012, when losses had driven substantial market hardening, we have reduced exposures across the board. We will stick to our strategy in the knowledge that when an event comes, we are well prepared through all three of our platforms to take advantage of subsequent opportunity”

  Alex Maloney

- Lancashire’s strategy is designed to be robust across all phases of the market cycle and with the Kinesis and Cathedral platforms there are multiple ways to maintain or enhance the portfolio

Lancashire "The Agile Insurer"– 2005/2012
Active Cycle Management

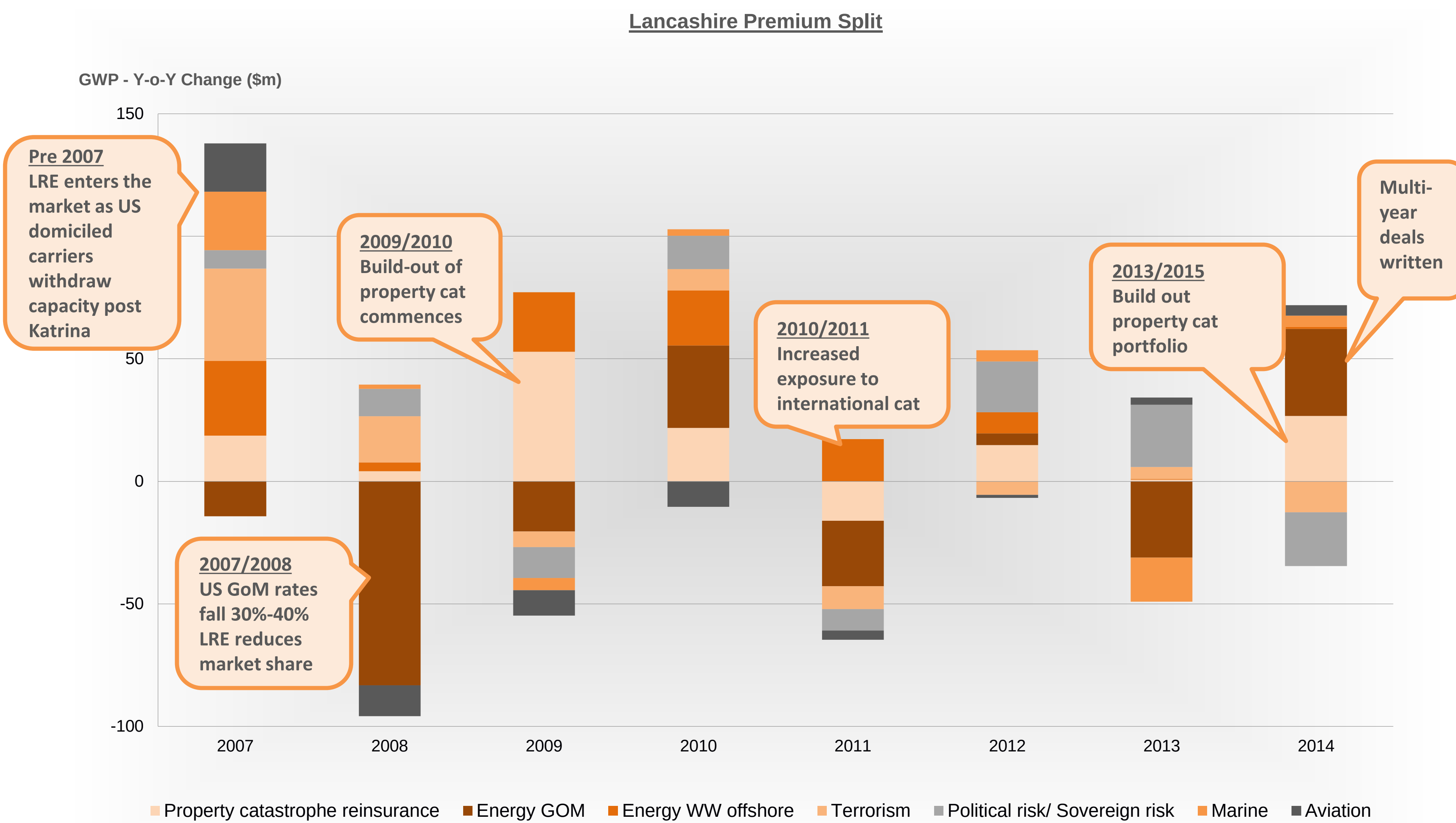
- Events shaped pricing and demand across LHL key lines of business

  - Entered lines when capacity was withdrawing
    - Retro, Energy GOM and D&F post Katrina, Rita, Wilma (KRW)
    - Property Catastrophe post 2008 financial crisis and 2011 international natural catastrophes
    - Worldwide energy post Deepwater Horizon and Gryphon

  - Exited lines / reduced exposure where there was over capacity
    - Energy GOM in 2008
    - Retro post 2010 – balanced with growth in property cat
    - D&F post 2012

  - Leveraged ability to provide catastrophe exposure to build out broader portfolio
    - Terrorism, aviation, worldwide energy and marine

Premium development highlights active cycle management



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Lancashire “The Agile Insurer”– 2007/2012
Active Cycle Management

- Start to actively manage capital in accordance with market opportunities – one of the first markets to do so
  - Share buybacks when trading at low multiples
  - Special dividend policy to allow flexibility to react to market events
  - Repatriate income to shareholders when opportunities are limited

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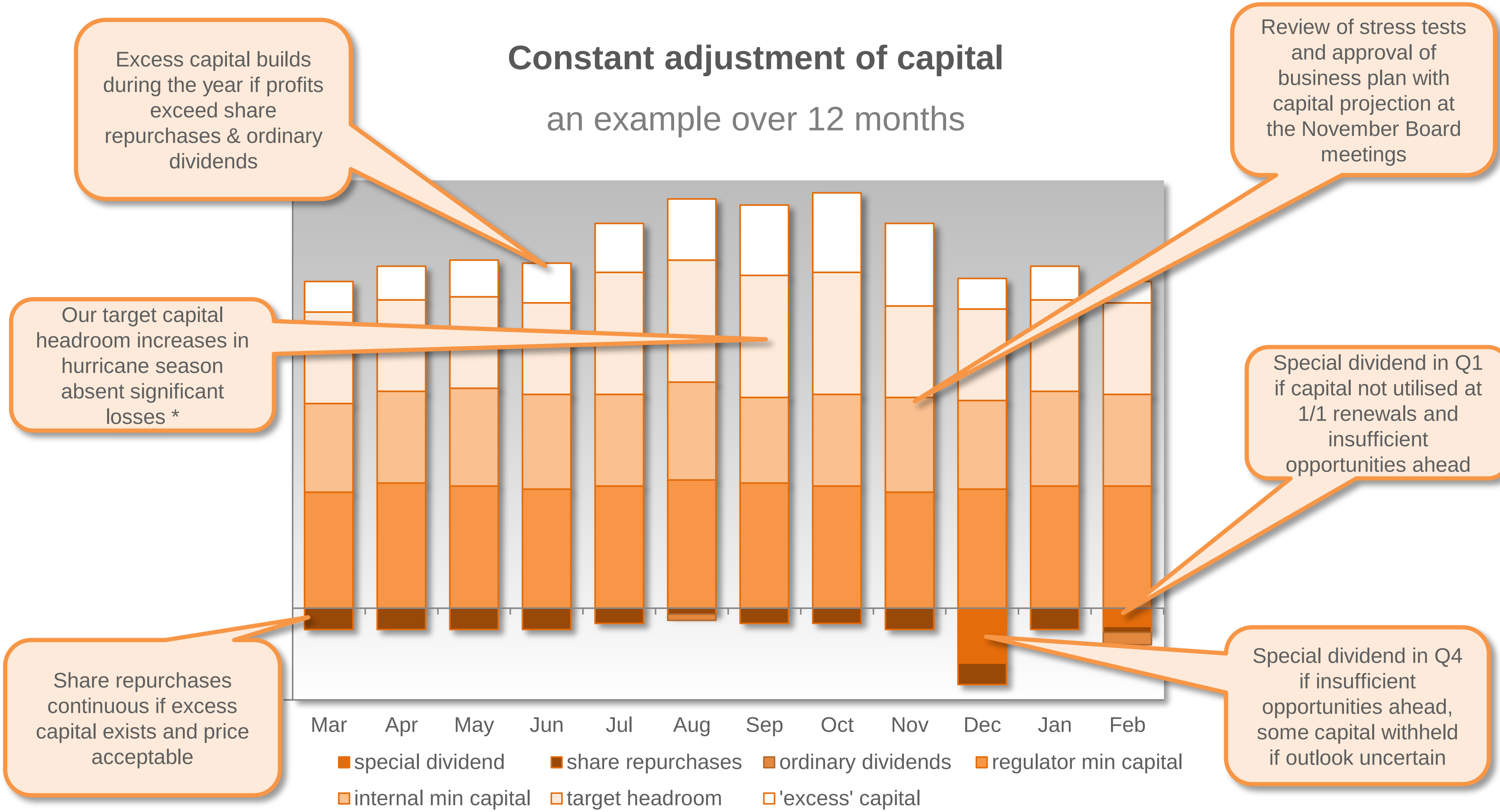
Financial flexibility - Capital management

Constant adjustment of capital

an example over 12 months



* In the event of e.g. a major U.S. windstorm, we may raise equity to take advantage of post loss opportunities

other factors: capital cost and availability, future opportunities, clarity of trading conditions, time of year, share price

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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 $m	YTD 2015 $m	total $m
share repurchases	100.2	58.0	16.9	136.4	-	-	-	25.0	-	**336.5**
special dividends (1)	239.1	-	263.0	264.0	152.0	172.6	295.9	289.5	99.2	**1,775.3**
ordinary dividends – interim (1)	-	-	10.5	9.4	9.5	9.6	10.5	10.4	9.9	**69.8**
ordinary dividends – final (1)	-	-	-	20.8	18.9	19.2	19.2	21.1	19.8	**119.0**
total returned capital	**339.3**	**58.0**	**290.4**	**430.6**	**180.4**	**201.4**	**325.6**	**346.0**	**128.9**	**2,300.6**
average price of share repurchase (2)	102.2%	88.4%	98.5%	97.9%	n/a	n/a	n/a	128.7%	n/a	98.7%
price to FCBVS (3)	1.1	0.9	1.0	1.1	1.5	1.6	1.8	1.3	1.5	n/a
weighted average dividend yield (4)	15.2%	n/a	18.1%	18.0%	8.4%	8.3%	12.3%	17.8%	6.7%	n/a

235.1% of original IPO share capital has been returned to shareholders (5)

(1) Dividends included in the financial statement year in which they were recorded

(2) Ratio of price paid compared to fully converted book value per share

(3) Price to FCBVS is calculated as the year end share price divided by the year end fully converted book value per share. 2015 is based on the share price at June 30, 2015 and fully converted book value at June 30, 2015

(4) Dividend yield is calculated as the total calendar year cash dividends divided by the year end share price. 2015 dividend yield is based on the share price at June 30, 2015 and includes the special dividend of $0.50 per common share, a final dividend of $0.10 declared on February 12, 2015, and the interim dividend of $0.05 declared in July 2015

(5) This includes the dividends of approximately $9.9 million that were declared in July 2015. Based on estimated pay-out at date of declaration of dividend

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Lancashire “The Agile Insurer”– 2013 onwards
Active Cycle Management

- Exposures reduced to drive higher risk adjusted returns
  - Disciplined underwriting
    - Reduce in areas where margins are not sustainable
    - Protect ‘core’ portfolio across all line of business
  - Increase reinsurance protection
    - Protect bottom line when margins are tight
    - Treaty reinsurance products broader and more efficient
    - Facultative reinsurance utilised to protect market share on ‘core’ portfolio
  - Accept that this strategy will reduce actual returns when compared to historical performance

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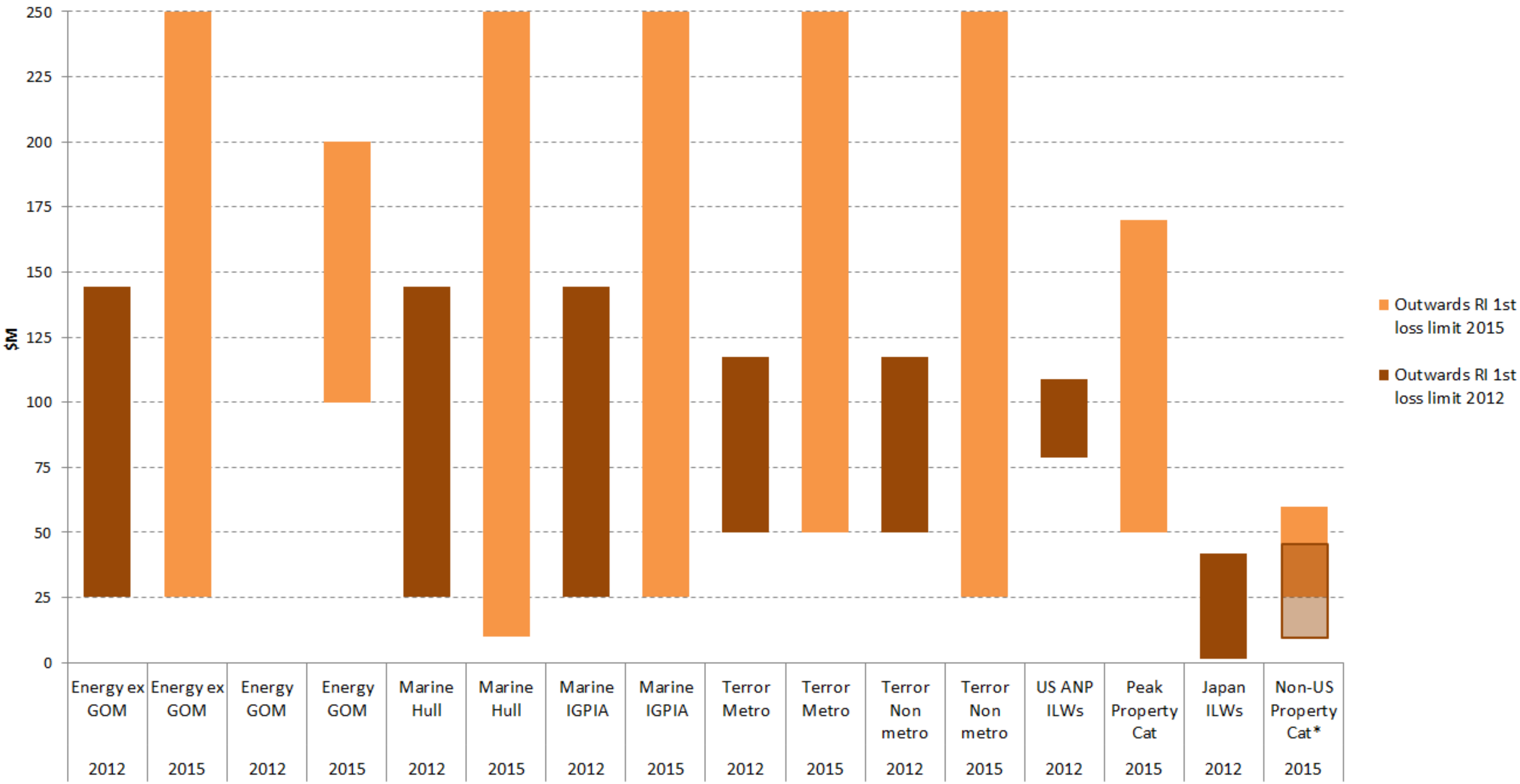
Exposure management – Increasing RI purchases

Lancashire first loss XL limit 2012 vs 2015



*2015 Non-US property deductible eroded by year to date Energy loss

First loss limit purchased by Lancashire on an excess of loss basis, excluding ILWs, quota shares, cessions to side cars, facultative purchases and reinstatements
Excludes Cathedral's reinsurance

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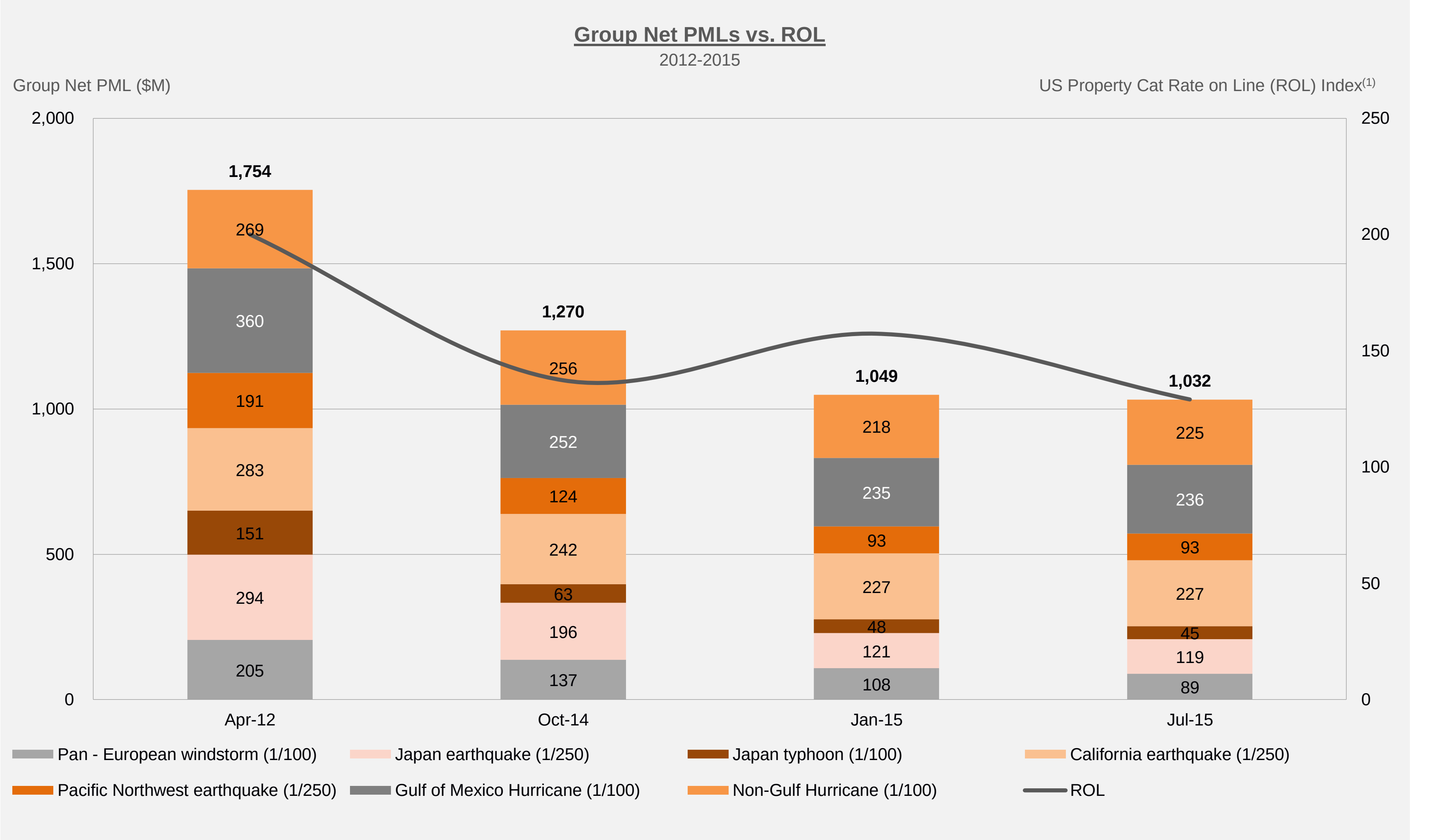
Significant de-risking in a softening cycle



(1) RoL data is based on closest available data for date (2012, Jun-14, Jan-15, Jul-15 respectively); Source: Guy Carpenter January 2013 Renewal Report, Morgan Stanley Equity Research

Lancashire “The Agile Insurer”– 2013 onwards
Launch of Kinesis

- Lancashire launches Kinesis
  - Lancashire has a history of successful third party capital structures
    - Sirocco, Accordion and Saltire
  - Kinesis provides a permanent vehicle for all future third party products
  - Darren Redhead employed to run Kinesis
  - Platform to provide quick access to market post loss
  - Investor club established with excellent understanding of (re)insurance space
  - Will not write for volume - wait for the opportunity to ramp up funds under management

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Lancashire “The Agile Insurer”– 2013 onwards
Acquisition of Cathedral

- Lancashire enters Lloyd’s through acquisition of Cathedral - First mover in M&A!
  - With a continuing softening market a Lloyd’s platform provided the group with greater breadth
  - Quality franchise with no real overlap
  - Short tail classes
  - Combined reinsurance spend powerful in a tough market
  - Growth through new people and new short tail classes if best in class
  - Establishment of Lancashire lines in syndicate 3010 providing greater options to clients and brokers

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Lancashire “The Agile Insurer”– 2013 onwards

- Lancashire Group set up for the soft cycle
  - Three platforms established providing greater breadth to the group
  - Increases leverage with brokers and clients
  - Provides a platform to attract best in class talent
- Core portfolio of business with market leading combined ratios and low expense base
- Want we won’t do in the soft cycle
  - Reach for growth
  - Innovate for the sake of it
  - Retain more risk

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Lancashire – Track Record and Total return

Lancashire the agile insurer

Consistency: exceptional underwriting performance

	2006	2007	2008	2009	2010	5 year average [1]
Loss ratio	16.1%	23.9%	61.8%	16.6%	27.0%	30.9%
Acquisition cost ratio	14.3%	12.5%	16.4%	17.8%	17.3%	15.8%
Expense ratio	13.9%	9.9%	8.1%	10.2%	10.1%	10.0%
Combined ratio	44.3%	46.3%	86.3%	44.6%	54.4%	56.7%
Sector combined ratio [2]	76.1%	76.6%	88.0%	78.1%	87.9%	81.7%
Lancashire out-performance	31.8%	30.3%	1.7%	33.5%	33.5%	25.0%

[1] Lancashire ratios weighted by annual net premiums earned. Annual sector ratios are weighted by annual net premiums earned for the companies reported over five years.

[2] Sector includes Amlin, Axis, Beazley, Brit, Catlin, Endurance, Flagstone, Hiscox, Montpelier, Renaissance Re and Validus. Information source company reports, SNL & Numis. Methods of calculation can vary between companies.

Lancashire Track Record

Consistency: Exceptional underwriting performance

	2011	*2012*	*2013*	*2014*	*YTD 2015*	*5 year average[(1)]*
Loss ratio	**31.7%**	**29.9%**	**33.1%**	**31.7%**	**32.0%**	**31.7%**
Acquisition cost ratio	**19.6%**	**20.5%**	**22.1%**	**21.4%**	**26.0%**	**21.9%**
Expense ratio	**12.4%**	**13.5%**	**15.0%**	**15.6%**	**17.1%**	**14.7%**
Combined ratio	**63.7%**	**63.9%**	**70.2%**	**68.7%**	**75.1%**	**68.3%**
Sector combined ratio[(2)]	**107.1%**	**95.8%**	**86.7%**	**87.8%**	**88.8%**	**93.2%**
Lancashire out-performance	**43.4%**	**31.9%**	**16.5%**	**19.1%**	**13.7%**	**24.9%**

[(1)] 5 year average based on 2011 to 2015 YTD reporting periods. Lancashire ratios weighted by annual net premiums earned. Annual sector ratios are weighted by annual net premiums earned for the companies reported over five years

[(2)] Sector includes Amlin, Argo, Aspen, Axis, Beazley, Endurance, Hanover, Hiscox, Novae, Renaissance Re and Validus. Source: Company reports

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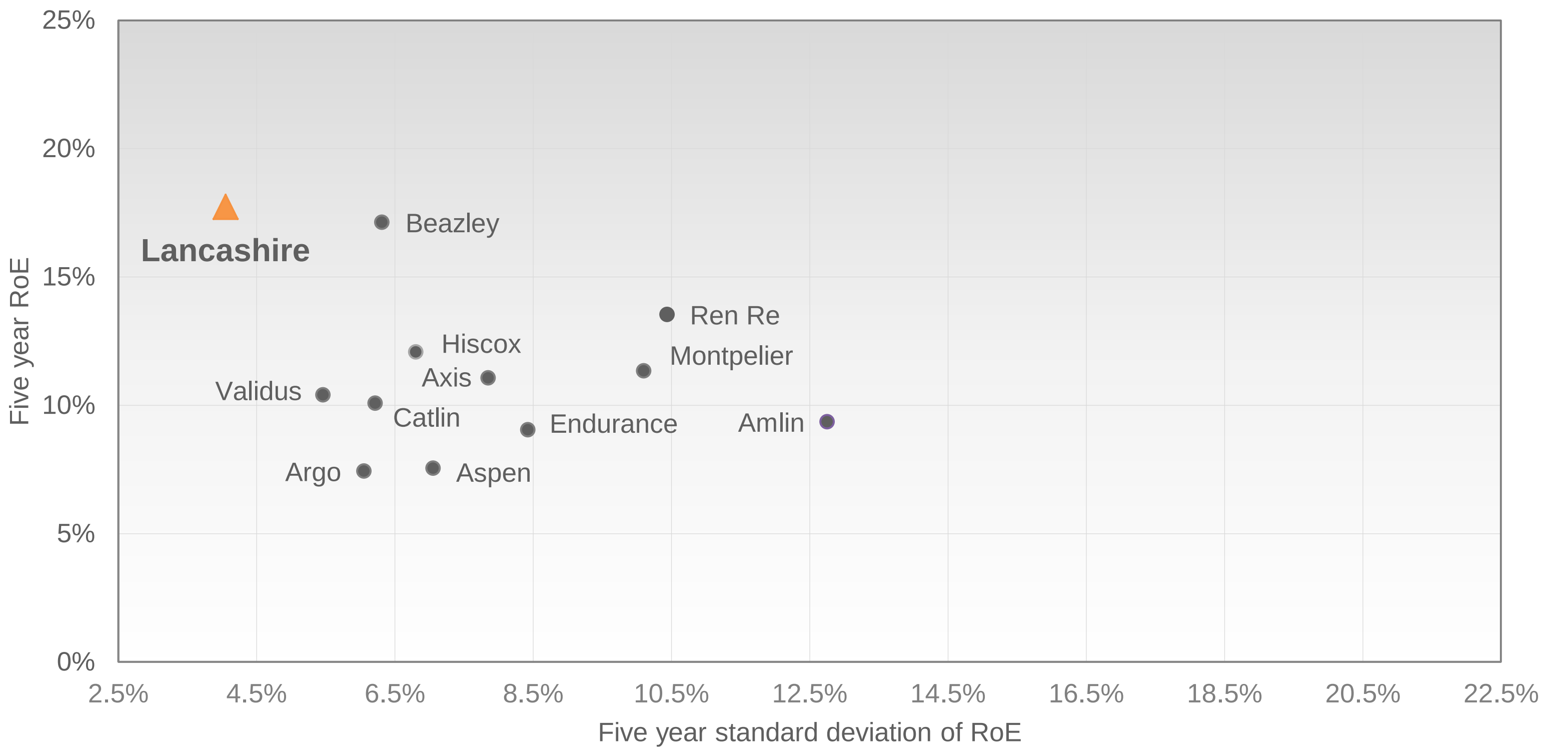
Cross cycle consistency - RoE

five year standard deviation(1) in RoE

- Lancashire has one of the best performances and yet the lowest volatility versus peers
- Evidence of adherence to business plan and strong risk management and a proven, successful cross-cycle strategy



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

(2) Compound annual returns for Lancashire and sector are from January 1, 2010 through December 31, 2014. 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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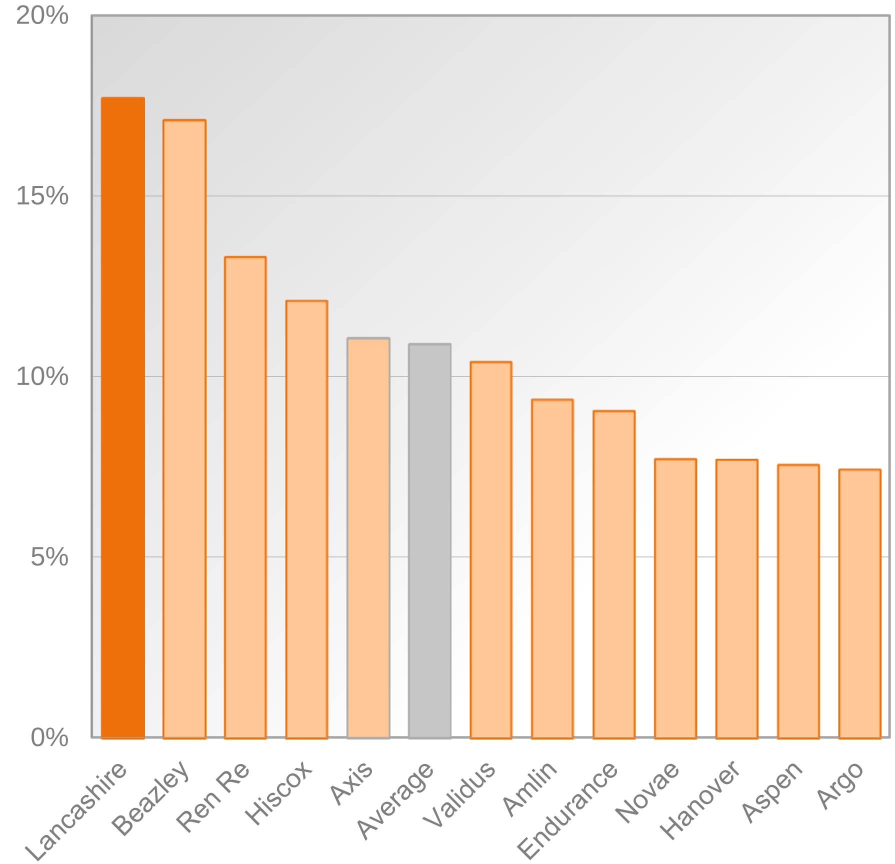
Our long-term performance is one of the most consistent in our peer group [1]

RoE ranking in peer group [1]

Company[2]	2010	2011	2012	2013	2014	5 yr avg
Beazley	5	2	1	1	1	1
Lancashire[4]	**1**	**1**	**2**	**5**	**3**	**2**
Hiscox	7	4	7	3	2	3
Ren Re	2	10	3	4	6	4
Axis	4	7	4	8	8	5
Amlin	8	12	6	2	5	6
Validus	9	5	8	6	9	7
Novae	12	11	5	7	4	8
Endurance	3	8	12	10	7	9
Aspen	6	6	10	12	10	10
Hanover	11	3	11	11	11	11
Argo	10	9	9	9	12	12

5 year compound annual RoE [3]



[1] Peer group as defined by the Board. Source: Company reports.
[2] Companies listed in order of average annual RoE ranking for the years 2010 - 2014. Average ranking calculated as the sum of annual rankings for each year divided by five years. Beazley rankings for 2010 to 2012 have been updated to reflect RoE calculated in USD.
[3] Compound annual returns for Lancashire including warrant exercises. Data for Lancashire and peers for the period January 1, 2010 through December 31, 2014.
[4] Lancashire RoE calculated excluding warrant exercises.

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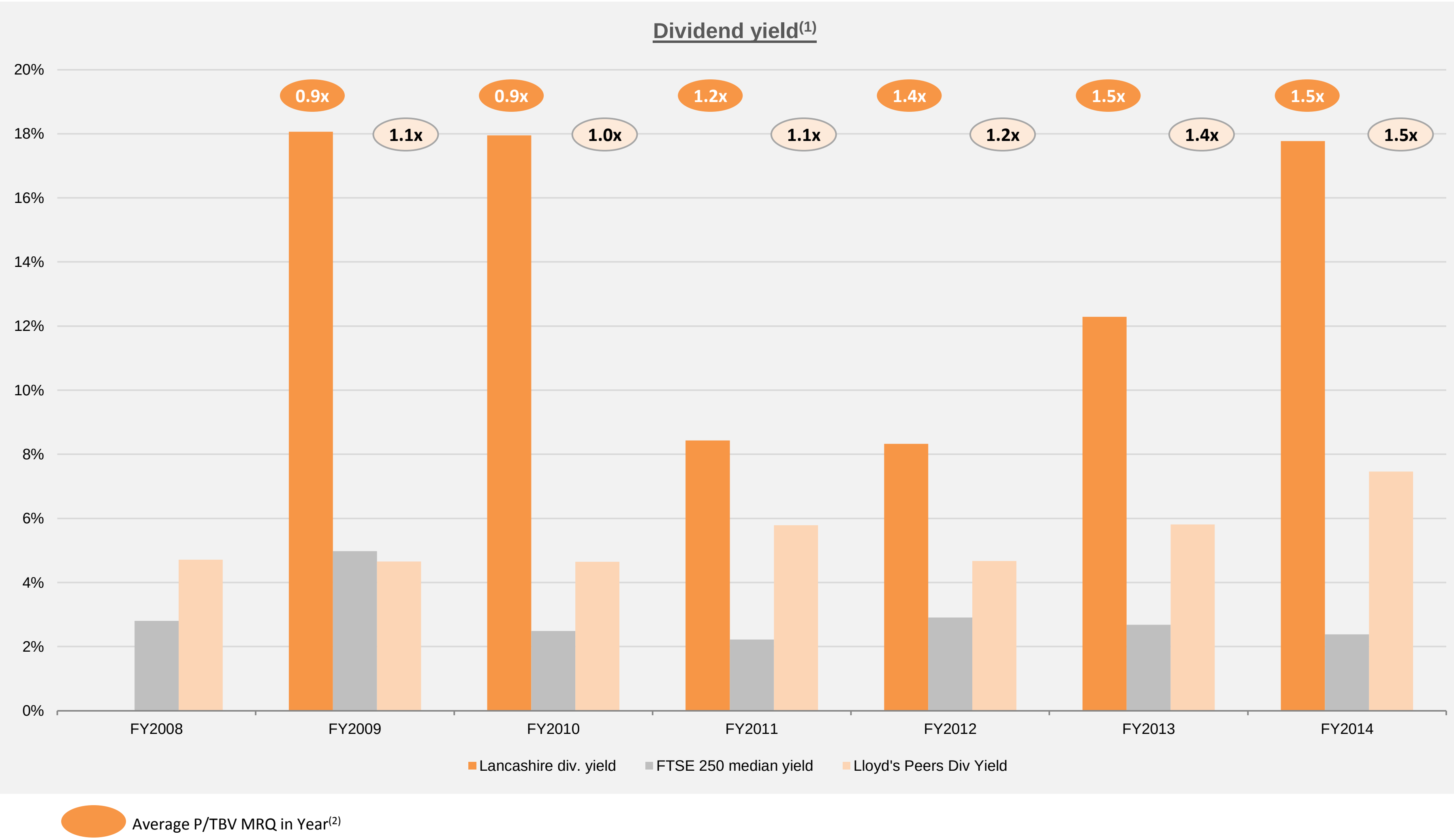
Better dividend yield relative to price



(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; Lloyd's peers include Amlin, Beazley, Novae, and Hiscox; Source: Bloomberg,

(2) Lloyd's peers include Amlin, Beazley, Novae, and Hiscox; Source: Capital IQ

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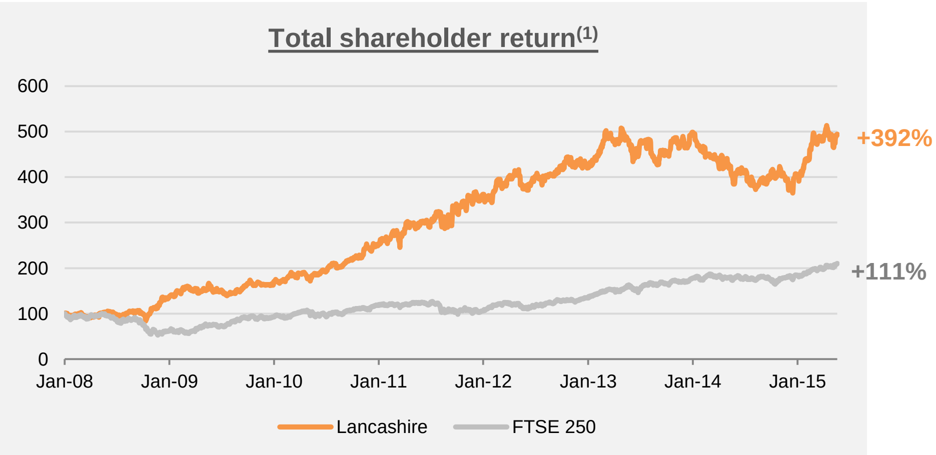
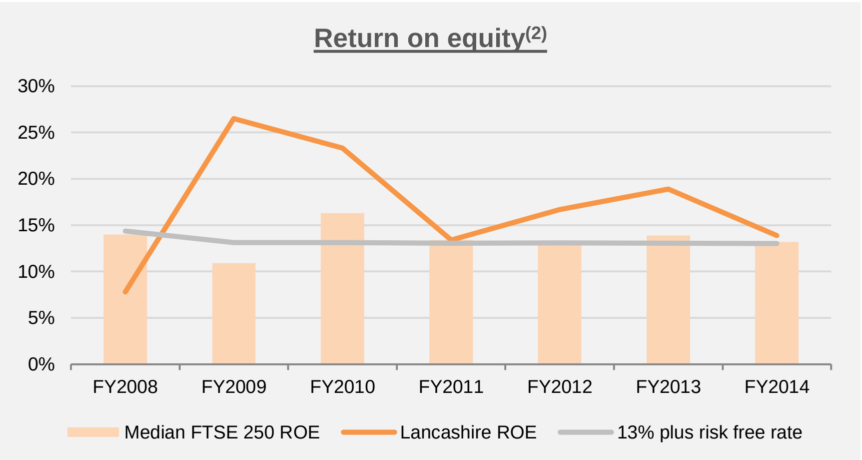
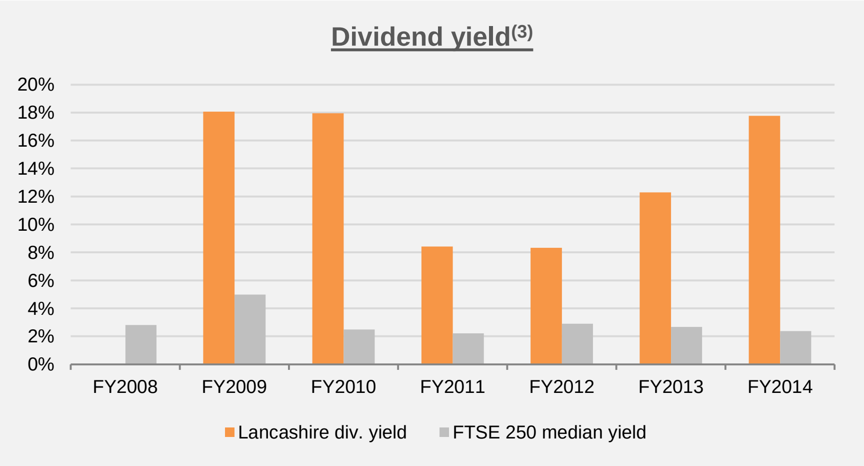
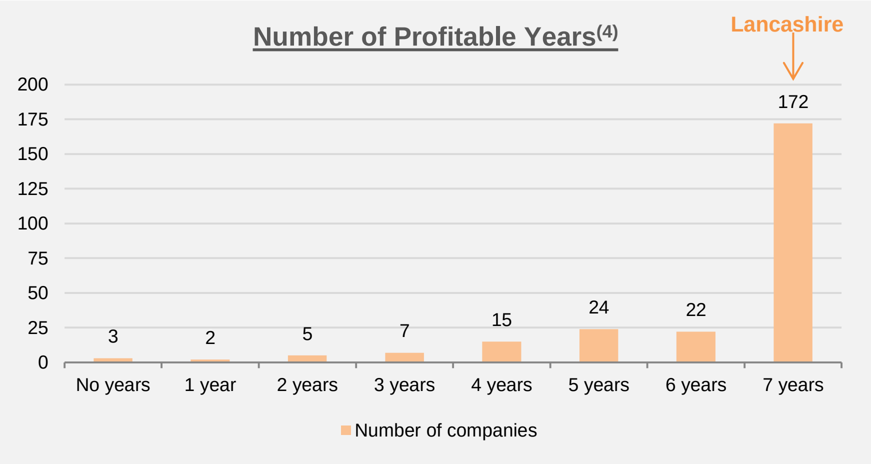
Lancashire versus the FTSE 250









(1) Assuming gross dividends reinvested. Source: Datastream
(2) Risk free rate represents the yield on the three month Treasury Bill. Source: Thomson Reuters and Company reports
(3) 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
(4) Number of consecutive years of positive EBITDA. Source: Thomson Reuters

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Conclusion

Conclusion

- Lancashire has one of the **best performances** and yet the **lowest volatility** in the London and Bermudian markets
- Our strategy is designed to cope with hard and soft markets, managing capital and exposures to provide superior risk-adjusted returns across the cycle
- Group management is fully integrated and has decades of experience in rated company, Lloyd's and collateralised markets
- Group profitability is not overly dependant on property reinsurance, with strong weightings to speciality classes with proven RoE potential and low attritional loss ratios
- A well-diversified portfolio across multiple lines and geographies as a base to trade across the cycle
- Third party capital vehicle well established and growing investor and client base
- Opportunities to grow in non- or low-correlated lines within Syndicate 3010
  - ✓ In 2014 Lloyd's approved (and we are writing) Lancashire-led energy and terror lines in Syndicate 3010
  - ✓ Lloyd's has approved (and we are writing) specialty aviation and war (supported by the Lloyd's consortium) and general specialist aviation business, with market leading teams

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