Appendices

Lancashire: Property catastrophe reinsurance

Mitigating impact of falling rates

- We buy more retrocession cover, attaching lower down
- We monetize our access to business by ceding some tail lines to some of our partners on a portfolio basis while keeping a commission
- We stay clear from attritional losses

Ability to compete

- Offer reinstatement (We don’t need fronting)
- Willing to offer more multi-layer support to the program where pricing is adequate but always expose largest capacity to top layers
- The top line facility keeps us relevant for our clients and brokers
- Long standing relationships facilitate better access to business

Outlook

Cat XL – USA

- Continue to be a relevant regional U.S. market player; continue to have limited stand alone Florida exposures

Cat XL – Asia

- Japan renewals are in line with expectations. Moving our capacity further away from historical losses as some clients are buying more at the top of their programs
- Continue to support Asian Retro cedents with small capacity to take advantage of post loss environment

Cat XL – Rest of world

- In Europe, continue to successfully defend our core portfolio. Our top layer positions largely insulate us from high rate reductions

Lancashire: Energy

Mitigating impact of falling rates	Ability to compete
• Deepwater GOM portfolio still requires high limits and client demand maintained so far • Oil price issues continuing to suppress activity levels across the oil & gas industry with clients focused on cost reduction = reduction in market premium, albeit with reduction in associated exposures • LUK success in renewing vast majority of core book with expiring and, in some cases, increased shares • Lloyd's platform and stand-alone liability capacity has helped maintain participation on key business by offering a more flexible way to trade	• Large lines make us a relevant and important component of leadership panel • We have the capability 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 and Lloyd's capacity protects signings on risk packages and offers flexibility to clients and brokers alike

Outlook

Gulf of Mexico

- Demand from drilling contractors was reduced due to impact on their business by low oil price but majority of operational wind book renewed
- Locked in pricing with a limited number of selected longer term contracts will continue

Worldwide offshore

- Significant price reduction in 2015 following historically high rating - still profitable margin within core business, helped by reduction in exposure due to reduction in activity albeit core operational values still unchanged.
- Activity levels will continue at current, low levels due to oil price – no prospect of short-term improvement and release of Iranian crude and global inventories will continue to suppress any recovery
- Expected increase in frequency and severity of claims has been noted and insured losses of $2.5bn+ will start to focus direct underwriters. Nature of LUK core portfolio has meant many of the bigger losses have been avoided.

Excess third party liabilities

- Selective portfolio with established known clients and still demand for excess layers with robust pricing, albeit inevitable pricing pressure expected to continue in 2016 – specialist energy liability underwriter will bring additional focus on this part of the portfolio

General

- Leverage across sub-classes and platforms (i.e. Syndicate 3010) gives the group flexibility to trade and remain relevant.

Lancashire: Property terrorism and political violence

Mitigating impact of falling rates	Ability to compete
• Instability around the world continues to highlight the perils of Terrorism and Political Violence and drive demand for the product • Lancashire's brand and transparent risk appetite mean that we have a strong core portfolio, brokers understand our 'sweet spot' and we are a market of first resort • Lancashire and Cathedral will remain pragmatic and stick with our core book • Carrier consolidation provides some opportunity, for example in the direct UK terrorism space • We continue to experience a low attritional loss ratio • Lancashire writes its own 'private' layers, insulating us from certain market pressures	• Lancashire's line size ensures our relevance and value as a key market to brokers • Proven ability and willingness to lead business • We provide transparency, good service, quick turnaround and excellent claims service • We have developed many strong cross-class relationships with insureds • In the face of the growth of facilities Lancashire remains a strong, independent alternative market

Outlook

Terrorism/Political Violence

- Competitive pressures will continue in the face of surplus capacity, but demand remains strong and there is a flow of some new business opportunities
- Focus on retention of Lancashire's core portfolio
- Lancashire has declined to participate on the global broker facility arrangements. Maintaining our discipline, underwriting control and exposure management remain paramount priorities
- Syndicate 3010 has given another access point to the Lancashire Group for brokers. Syndicate 3010's business plan has also broadened the Group's appetite for looking at more diverse risk profiles and at possible lower attachment points

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Lancashire: Property political and sovereign risk

Mitigating impact of falling rates

- Demand driven by continued perception of threat of political and sovereign risk from geo-political and economic events
- Importance of the PR/Sovereign insurance products in providing clients with regulatory and capital relief, risk transfer and balance sheet protection
- Lancashire has a strong market brand and solid track record of providing solutions for our clients and brokers, evidenced by long-standing existing relationships
- Lancashire has worked to develop new client relationships which provide access to new business flows across new territories and new insurance solutions
- Proactive and dynamic portfolio management enables us to maximise the efficiency of our capacity, whilst operating within our risk appetites

Ability to compete

- Proven 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, meaningful line sizes and non-trade related capabilities are in demand from our clients and provide us with opportunities that other markets are unable to consider
- Lancashire's London and Bermuda platforms maximise our ability to service a wider client base

Outlook

Political Risk / Sovereign Risk

- Global demand for the product lines and growing awareness of the Political Risk and Sovereign product offerings; some bank clients now use the products as widely as the CDS and bank syndication markets as a method of risk transfer.
- Market capacity continues to increase, but Lancashire's capabilities insulate it from some of the competitive pressures of other markets
- In a challenging global environment Lancashire's traditional strengths of underwriting discipline and risk selection will remain at the core of the portfolio

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Lancashire: Marine

Mitigating impact of falling rates	Ability to compete
• 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 better than the market norm due to a loyal client base and specialist niches we predominate • Focus on ancillary classes such builders risk, MAP and MII with less competition • War subclass proving more challenging due to depressed rates in conjunction with increased partial losses	• 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

Outlook

Marine

- Hull market relatively stable, albeit now softening. Reductions for clean business with modest increases on loss-making accounts
- Still too much capacity for small to medium tonnage
- LUK portfolio has withstood recent spate of losses due to nature of core portfolio

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Lancashire: Aviation and satellite

Mitigating impact of falling rates	Ability to compete
AV52 • No attritional losses ever • Large line size therefore all opportunities made available and one stop shop makes brokers' lives easier • 10 Years history in the class **Satellite** • Track the market selectively with small net lines • Loss activity has done little to temper reductions – over supply of capacity	• 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 declined during 2015 following a stable 2014. AV52 market capacity is expected to increase from existing and new markets
- Risk profile remains attractive and passenger numbers picking up so demand remains strong
- In the absence of losses, downward pressure on rates is anticipated for the remainder of the year

Satellite

- Rates generally on the decline in the launch and in orbit segments

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Lancashire: RPI and underwriting statistics

Cumulative RPI	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Property catastrophe reinsurance	100	100	97	100	92	100	116	114	99	88
Energy GOM	100	80	64	137	139	140	140	136	125	118
Energy WW offshore	100	80	68	84	88	97	100	97	91	81
Terrorism	100	86	71	66	60	57	55	52	48	43
Marine	100	88	80	82	80	79	86	89	91	82
Aviation	100	80	69	68	62	59	55	49	44	41

Combined ratio excl. G&A (%)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	ITD
Property catastrophe reinsurance	20%	16%	47%	15%	24%	103%	45%	29%	29%	33%	41%
Energy GOM	28%	30%	211%	65%	-9%	-19%	-10%	21%	12%	41%	44%
Energy WW offshore	39%	39%	68%	93%	78%	71%	41%	86%	77%	64%	69%
Terrorism	22%	17%	27%	14%	24%	4%	11%	13%	16%	26%	16%
Political risk/ Sovereign risk	58%	46%	35%	22%	18%	10%	19%	20%	61%	40%	30%
Marine	55%	77%	81%	68%	67%	38%	105%	140%	78%	48%	77%
Aviation	20%	20%	31%	23%	12%	9%	29%	67%	81%	84%	36%

Gross premiums written ($m)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	ITD
Property catastrophe reinsurance	0.6	19.3	23.4	76.3	98.1	82	96.8	97.5	124.2	90.6	708.8
Energy GOM	171.8	157.5	74.3	53.8	87.4	60.7	65.5	34.4	69.9	6.1	781.4
Energy WW offshore	42.3	72.7	76.3	100.6	123.1	140.3	148.9	149.2	149.9	92.8	1,096.1
Terrorism	18.9	56.6	75.5	69.1	77.8	68.4	62.9	67.8	55.2	43.8	596.0
Political risk/ Sovereign risk	9.4	16.9	28.1	15.5	29.1	20.4	41.1	66.4	44.4	33.3	304.6
Marine	53	76.9	78.6	73.7	76.4	76.4	81	63	67.7	47.6	694.3
Aviation	64.5	84.2	71.6	61.2	50.8	47.1	45.9	48.9	53.2	36.6	564.0

Cathedral: Property reinsurance

Core	Non-core / Opportunistic
U.S. Portfolio – Small to medium Mutuals • Home owners • Farm owners • Automobile (physical damage) • Small commercial properties **Nationwide exposure -** protects writings of farms, agricultural risks and churches **Risk Excess U.S. and Canadian book -** complements Mutual book and upper end of some of the national companies **International book -** focuses on first world countries ranging from small to mega accounts	• US Nationwide mega accounts • Florida private reinsurance market prefers D&F • Super Regional US accounts • Retro
Outlook	**Client relationship duration**
U.S. Portfolio: risk adjusted rates off circa 5% which is within budgeted expectations **International Portfolio:** book varied, downward pressure due to over capacity means rates are off by up to 10%	Over 80% of the clients have had a business relationship with Cathedral for at least a decade

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Cathedral: Property direct & facultative

Core	Non-core / Opportunistic
U.S. 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 **U.S. binding authorities** - Average line size < $1m • Long standing book of binding authorities commercial bias • True 'MGA' business produced by specialist brokers **International open market** - Small to midsized general portfolio with 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	• Aggregate and underwriting appetite remain ready for post loss opportunities • We will withdraw from territories if rating and underwriting conditions deteriorate • Excellent broker penetration with no single broker greater/more than 15% of book, therefore a good position for opportunities • We continue to maximise facultative re-insurance in the softer cycle to manage our lines and our net exposure • Limited appetite to Larger/Fortune 500 accounts in current competitive market climate

Outlook

- **Open market**

Rates under pressure on fortune 500 and larger accounts, which we tend to avoid. Book well positioned away from attrition to weather the downturn

Facultative Reinsurance opportunities from markets keen to write business

- **Binder**

A stable book with a loyal customer base. Rates under modest pressure but coming off acceptable levels and still good margins within the portfolio

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Cathedral: Aviation reinsurance & satellite

Core	Non-core / Opportunistic
Airline XL - Core part of the account exposed to major catastrophes but aggregate focused on small to medium size direct insurers enabling better portfolio management **General Aviation XL** - Catastrophe reinsurance covering corporate and private jets, small local airports and small product makers **Aviation war** - covers both Hull and War Third Party. Different to Lancashire's 'AV52' book as the focus is on non major risk writers	**Bigger direct clients** • No pay back / do they need to buy? • Market share **Proportional –** very limited exposure remains as capacity deployed has reduced. 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	**Portfolio management**
• Too much capacity – cheap pricing and poor portfolio management will however accelerate the pain and the correction thereafter • Inconsistency in pricing as entities seek to aggressively assume aggregate • Companies with limited track record looking for market share • Increased competition to lead business • Brokers and reinsurers becoming concerned about longevity of client base and revenue stream	Aggregates are constantly monitored to ensure that the balance of the account remains healthy despite difficult market conditions. Less 'attritional' business has been written making the account more volatile although this is easily managed by way of good quality data and an appropriate reinsurance structure

Cathedral: Aviation direct & war

Aviation Hull & Liabilities

- Established market leading team in General Aviation (particularly rotor-wing) and lower tier Airlines
- Team is getting good broker and client support despite a congested space
- We are on track to fulfil our 2016 business plan which was written conservatively due to the difficult market conditions
- Leads on key long standing accounts have been secured at either the client's or broker's request

Market Support

Consortia

- Our War underwriting is conducted for us and on behalf of a number of leading Syndicates in Lloyd's by the aviation war team
- We have 3 consortia arrangements, for Airline, Large GA and GA where participants pay fees and profit commissions

Reinsurance

- Both teams have in place comprehensive reinsurance arrangements to protect their net accounts with good support from the market

Aviation War

- Established Open market leading team arrived during 2014 and are now bedded into the business
- Target key airline leads have transferred to Cathedral
- Key non–airline and hot spot business in which we specialise are seeing decent rates still
- Clients still require bespoke expertise which is in short supply
- Lineslip capacity has reduced substantially in the last few months and there is a prospect of increasing rates towards the end of the year

Outlook

- Both accounts are re-building their long standing accounts in heavily oversubscribed market places
- Both are receiving good support from long standing clients and will build out at their own pace
- The markets are currently dominated by passive capacity paying significant fees to participate in broker facilities which have poor results and leave little margin for losses
- Both accounts can be volatile and we have the expertise to fully capitalise at the right moment

Cathedral: Cargo

Core

Marine Cargo

- Established, relationship driven, profitable, marine cargo accounts with 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

Non-core / Opportunistic

Marine Cargo

- Cargo stock-throughput – where non catastrophe exposed
- Cargo consequential loss
- War on land and cargo insurance in territories of civil unrest
- Logging equipment in Canada and Australia.

Specie

- Excess cash in transit (typically excess of any transit exposure)

Outlook

Marine Cargo

- Still too much capacity chasing large, high profile, catastrophe exposed accounts.
- Over developed markets softening slightly but good opportunities still remain in territories such as Africa
- Profitable niche opportunities

Portfolio distribution