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Investor Day

Investor Presentation
8th September 2016

www.lancashiregroup.com

Safe harbour statements

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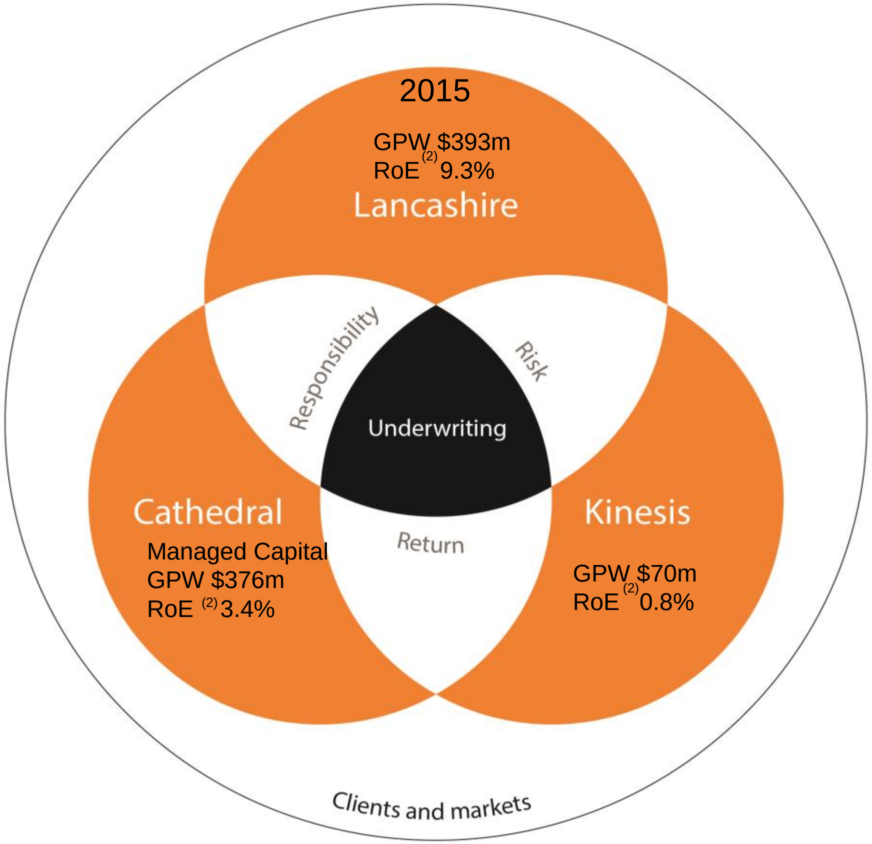
1. Lancashire Group

Lancashire Group - The power of three platforms within one business



Lancashire

- ✓ **High layers with high deductibles** differentiate market position and drive low attritional loss ratios
- ✓ **Lower number of large contracts** and single exposures provide greater underwriting control
- ✓ Consistent strategy and transparent risk appetite make LRE the **"go to" underwriter for key brokers**

Cathedral

- ✓ **Low-severity loss exposures and smaller line sizes** drive increased diversification and rate cycle resilience
- ✓ **Lloyd's extensive global network and infrastructure** offers distribution and capital advantages
- ✓ **Long-standing client relationships** drive good knowledge of underlying risks

Kinesis

- ✓ **Ability to scale-up opportunistically** based on market dislocations, delivering "speed to market" advantage
- ✓ **Large line multi-class reinsurance** on a collateralised basis is high in demand and with limited supply

Three platforms give Lancashire more clout in the market place.
More broker relationships, more cross selling and referral opportunities and more reinsurance purchasing power

(1) Cathedral GPW our share $248m.
(2) RoE excludes the impact of warrants in 2015

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Lancashire Group - Proven strategy for long term success

✓ Underwriting comes first

- Underwriting excellence is key to delivery
- Unique underwriting approach
- Over 10 year track-record of consistent combined ratio out performance

✓ Effectively balance risk and return

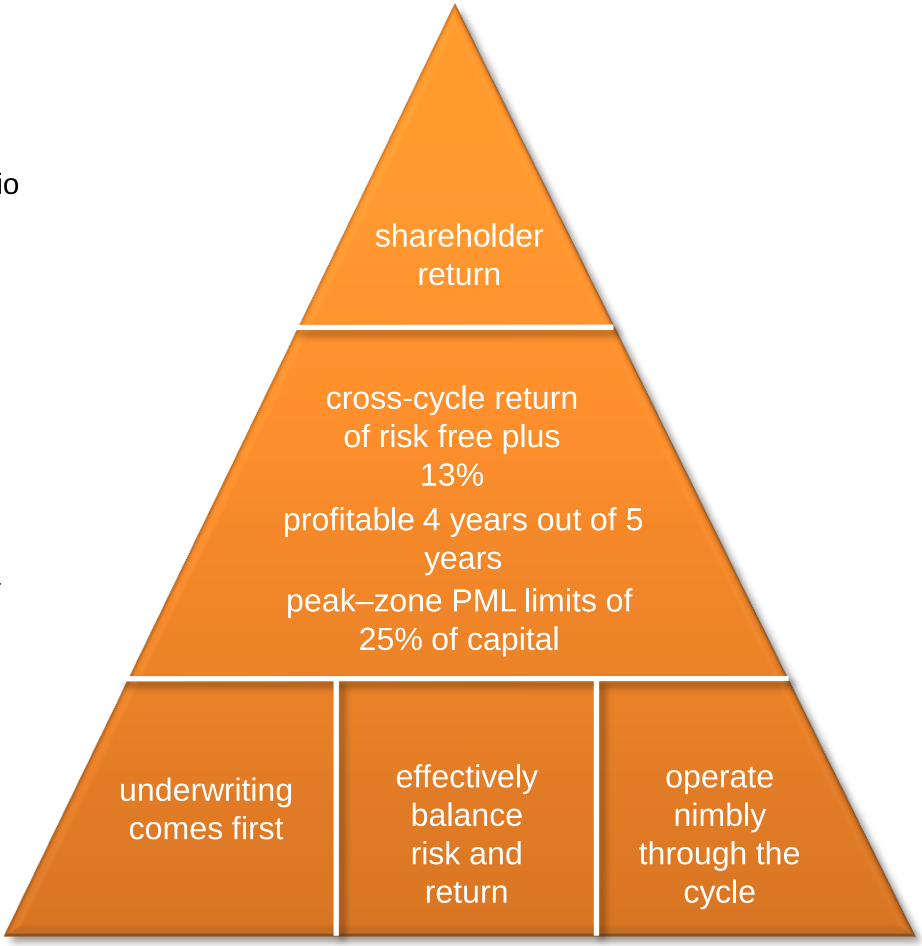
- Unique bottom-up approach
- Active management of exposures

✓ Operate nimbly through the cycle

- Proven ability to manage the risk / return dynamic via re-underwriting, de-risking and M&A
- Three pillar strategy enabling diversified access and rapid response to market events

✓ Disciplined capital deployment

- Commitment to total shareholder returns, not growth and volumes
- Track-record of active management via special dividends and buybacks



Our goal is to provide an attractive risk-adjusted return to shareholders of risk-free rate + 13% across the cycle

Lancashire Group - The 2013 Cathedral acquisition – a good strategic fit

- Did what it said on the tin
- Track record of superior underwriting performance
- Proven out performance in challenging times
  - Despite WTC Syndicate 2010 made a profit in its first year.
  - Katrina did not exceed the limit of their reinsurance and Syndicate 2010 CR 91% for 2005
- Hidden value uplift in Syndicate 3010
  - Now holds £100m Stamp capacity up from £30m at acquisition
  - Now writes five lines – Cargo, Energy, Terrorism, Aviation War and General Aviation
- The group has benefited from return of excess funds at Lloyd’s. $91.4m comprehensive income [1] generated by Cathedral since acquisition
- Marine, Aviation, D+F, Property Catastrophe lines and reinsurance spend, complements Lancashire's books and gives superior market presence, as well as opportunities for efficiencies
- New Cathedral team to take the business forward

[1] to 30/06/2016

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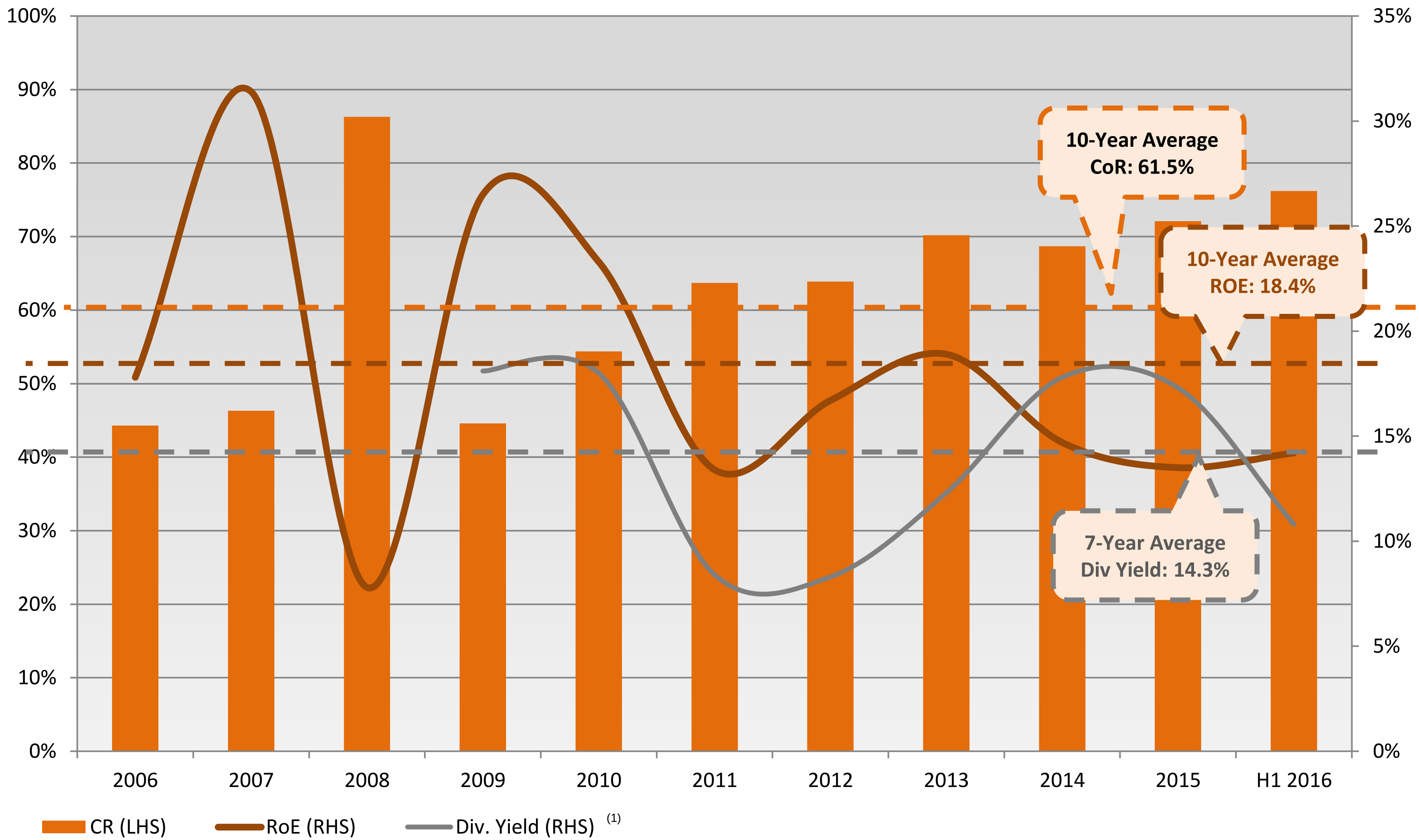
Lancashire Group - Cycle management strategy is proven: 10 years of outstanding CR and shareholder returns



Source: Sigma Report

(1) Dividend yield is calculated as the total calendar year cash dividends divided by the year end share price. 2016E dividend yield based on consensus

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2. Underwriting Comes First

"Underwriting Comes First"

Appropriate mix of technology, culture and underwriting

Micro – Underwriting & Marketing Conference Call

- Daily underwriting call – management awareness
- Collegiate approach – cross class discipline/many sets of eyes
- Multiple pricing assessments/PML impact analysis/soft factors
- No premium targets
- Lancashire underwriters compensated on Group RoE
- Close involvement of actuarial and modelling departments
- Instant leverage

Macro – Risk Return Committee

- Fortnightly review with underwriters, finance, risk & actuarial departments
- Risk levels monitored regularly versus internal tolerances and preferences
- Simple platform structure enables frequent comprehensive analysis of risk and reward drivers, strategic realignment on a real time basis
- Senior representation from LRE/Cathedral
- Optimisation focus to improve risk:return of portfolio and allocate capital efficiently
- Cat and non-cat modelling performed
- Current review of Reinsurance purchase

- UMCC is the gatekeeper of tactics
- RRC is the gatekeeper of strategy
- Cross discipline challenge across all areas of risk at the heart of the business by senior management

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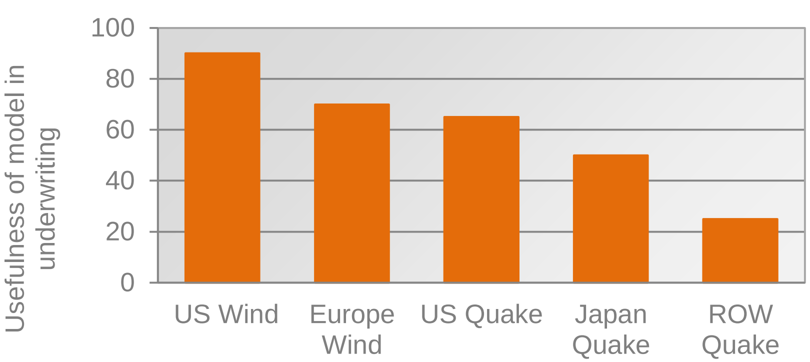
"Underwriting Comes First" mantra drives consistent combined ratio outperformance

1. **UMCC — Daily / RRC — Fortnightly**

Hard Factors	Soft Factors
• Within risk appetite/portfolio fit • Base rating adequacy • Loss record	• Market condition • Client reputation • Client relationship

2. **Dynamic Strategy, Adapting to Lessons Learned**
   - Hurricane Ike - Model error – Exited shallow water GoM wind assets
   - 2011 Catastrophe Frequency – Price insufficient for D+F tail and parameter risk, so exited Lancashire D&F book
   - Costa Concordia – The market didn't react as expected to a >$1bn loss, so we bought more reinsurance
3. **Only 3 Underwriting Platforms – Management control**
4. **Portfolio mix per class and heavy weighting to Non attritional lines**
5. **Underwriting Experience Supplements Model Credibility**



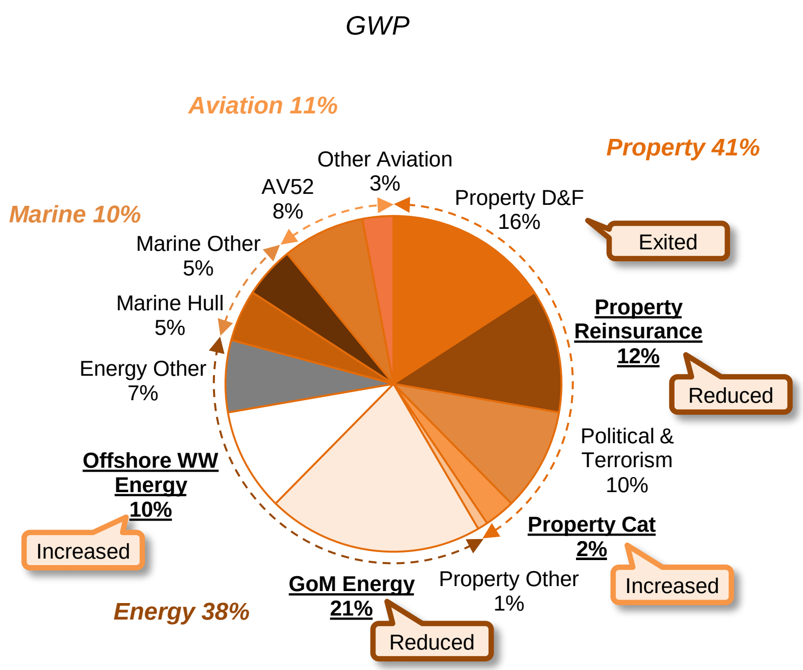
Natural catastrophe models are used more often where:

- Frequency of loss helps to validate them
- Data quality is higher

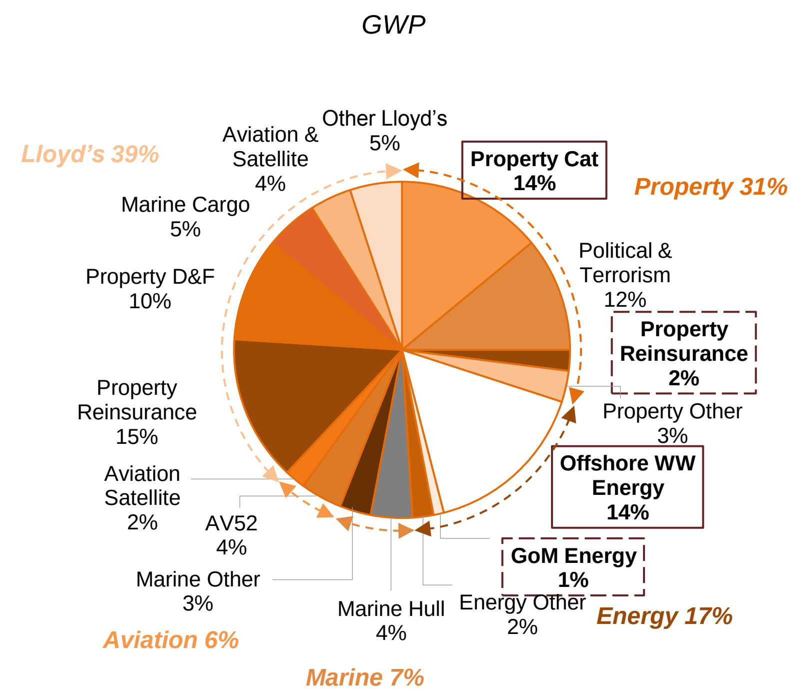
But don't diversify for diversification's sake or blindly follow the model. Many tools used. Including **common sense.**

“Underwriting Comes First” Business model evolution proves strategy of “Active Cycle Management”

2007 – Lancashire



2015 – Lancashire + Cathedral



- **2008/2009** – Exited shallow water GoM wind exposures
- **2010/2011** – Reduced Retro exposure – Set up Accordion. Business is better suited in alternative vehicle.
- **2012/2013** – Exited D&F. Large excess tail lines and parameter risk too big – prefer Cathedral small lines/Reinsurance cycle play
- **2013 - 2016** – Extensive use of reinsurance

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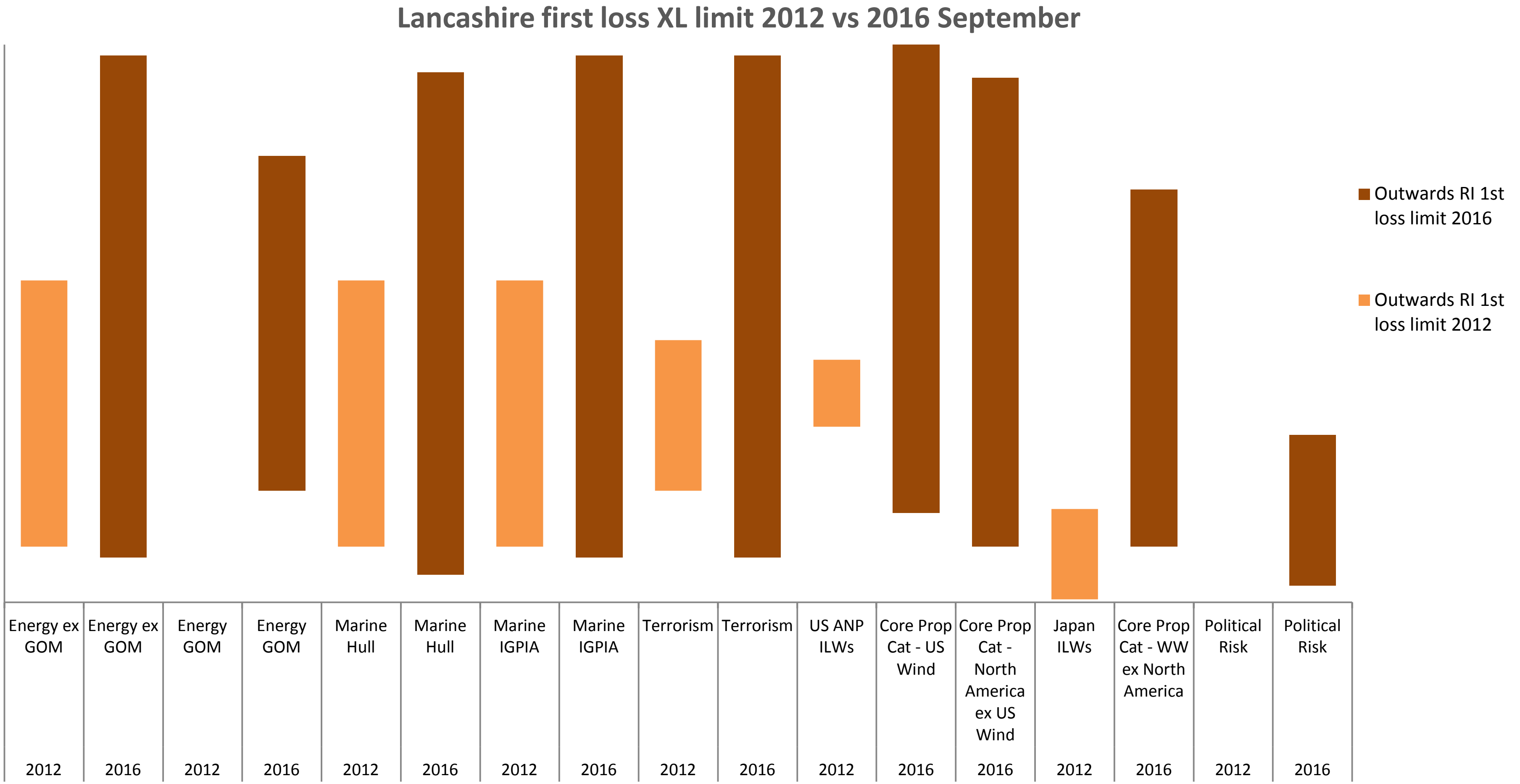
“Underwriting Comes First” Exposure management – Increasing RI purchases



Terror Metro and Non Metro excludes terror pools
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
A portion of the Lancashire property cat cover is shared with Syndicate 2010

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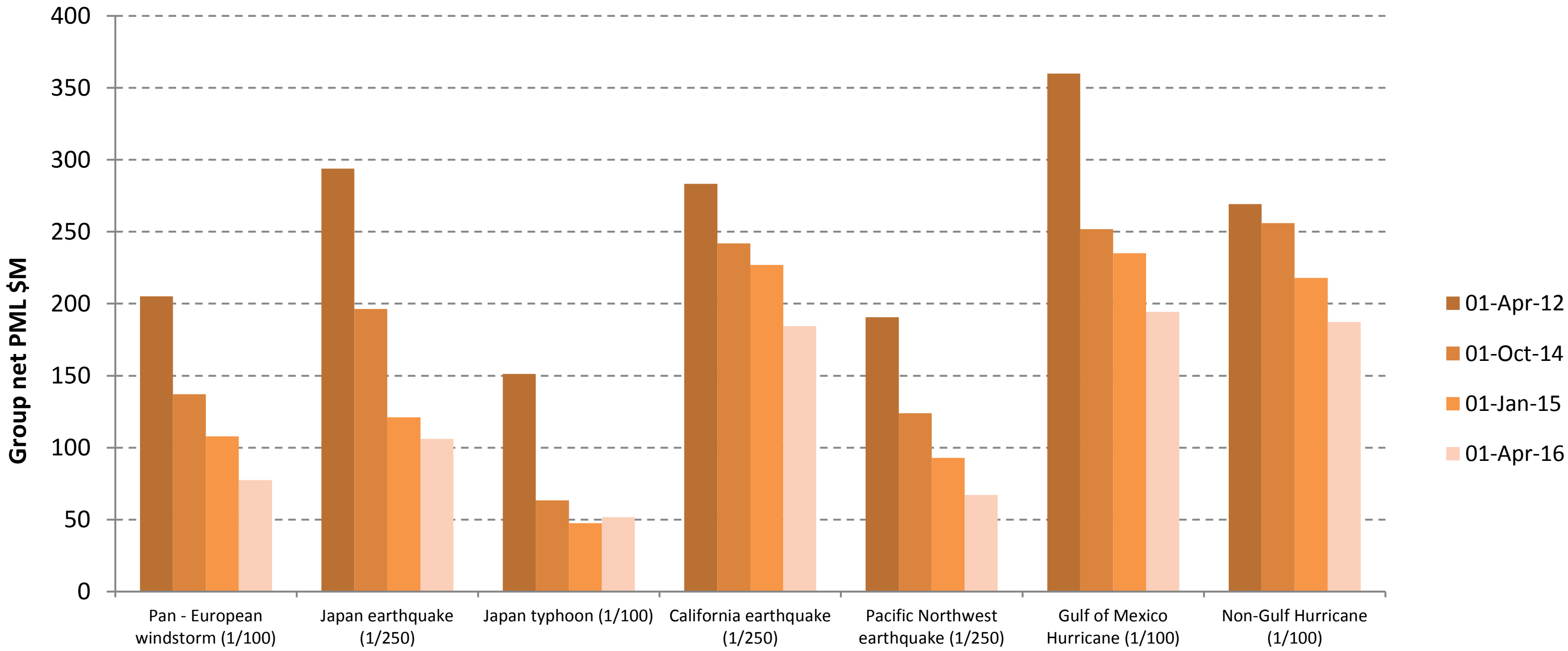
“Underwriting Comes First” Managing the Cycle

LRE has benefited from substantial outwards Reinsurance opportunities in a soft pricing cycle

- Since April 2012, which was the high-tide mark of the pricing cycle, the Group has reduced PMLs across all key exposures, in spite of the addition of Cathedral
- Mitigating some of the effects of price reductions
- Reducing net exposures until the time is right to retain more risk



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. 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

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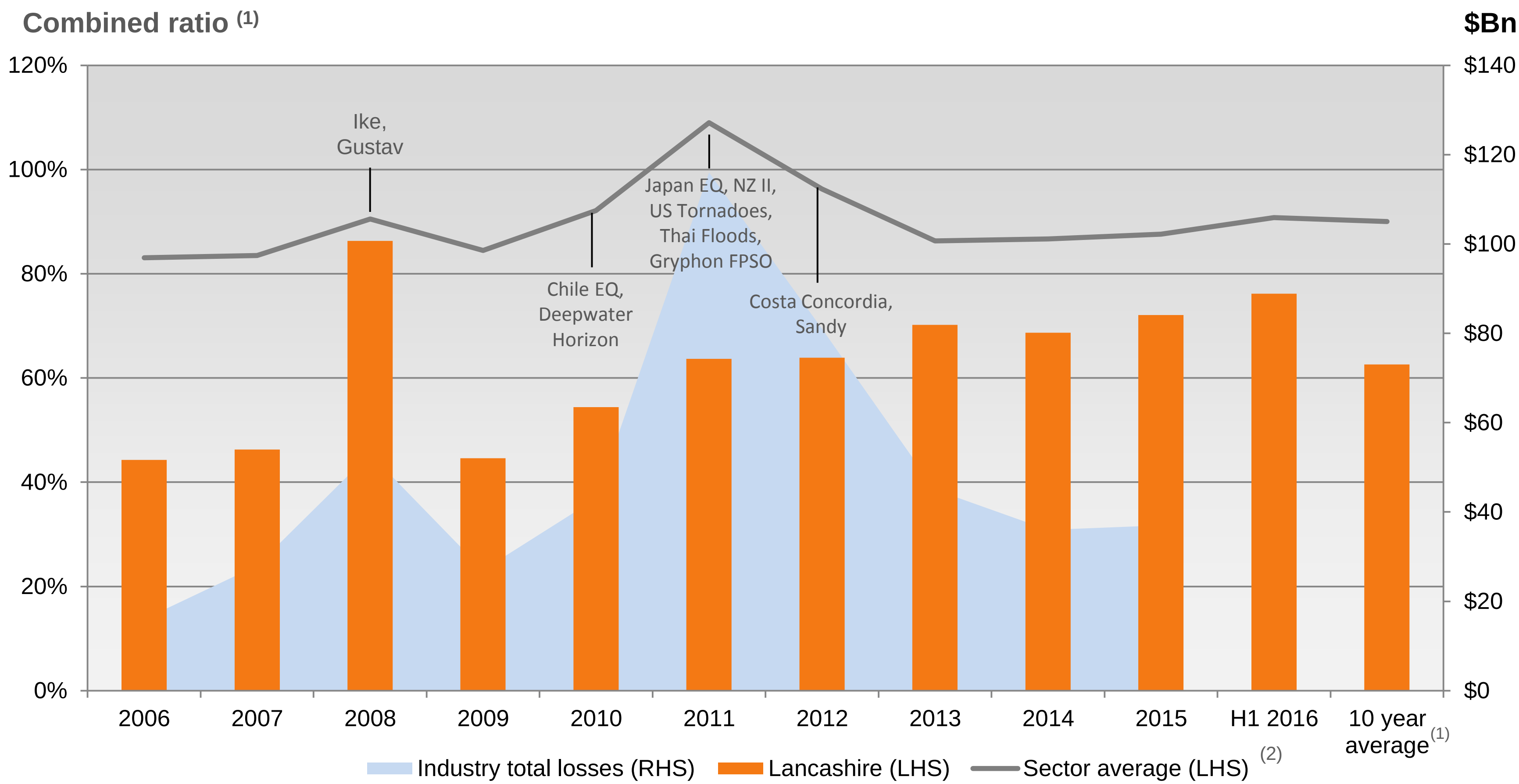
"Underwriting Comes First" Our underwriting performance has been exceptional: We outperformed in the toughest markets

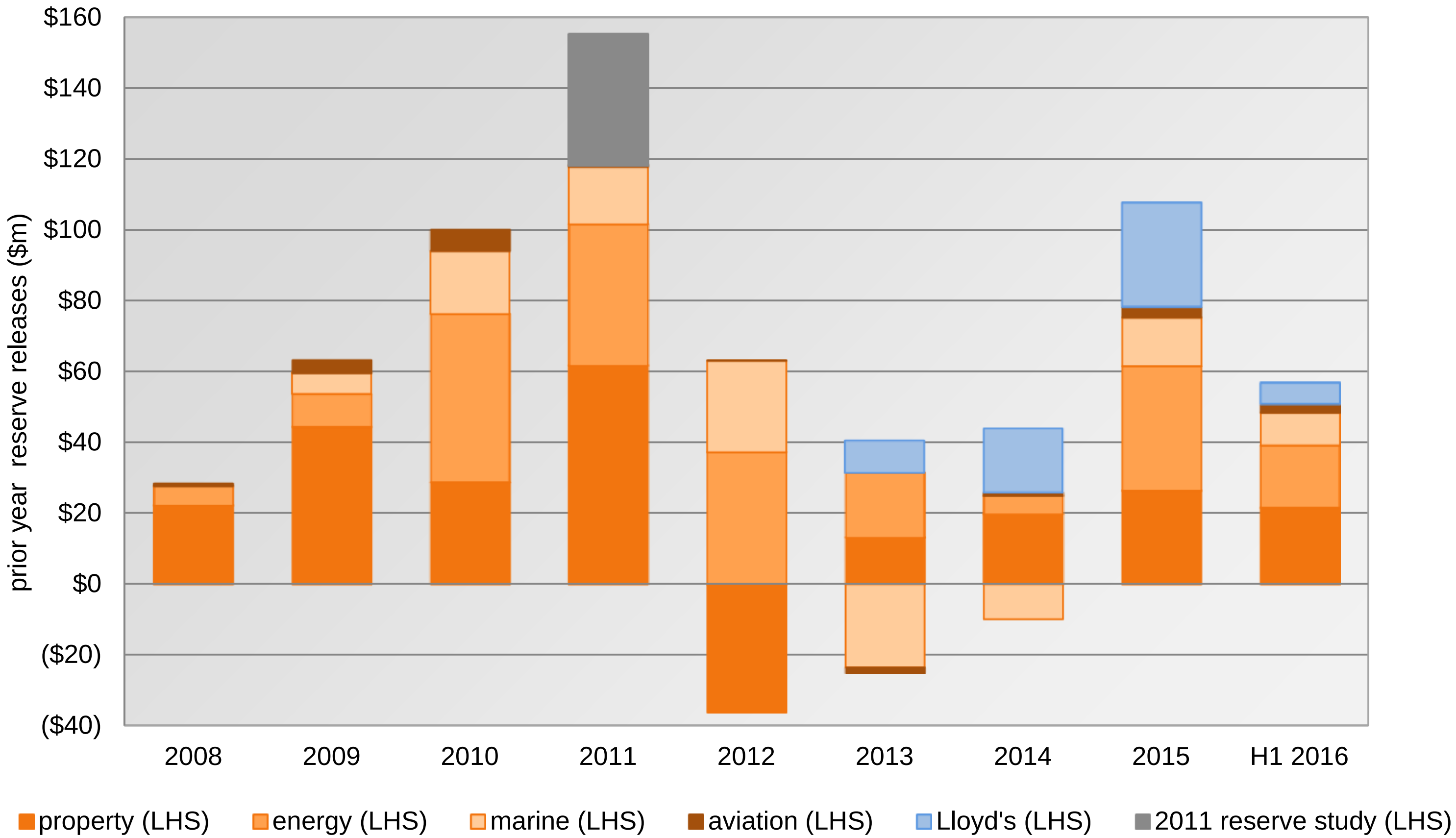


Source: Sigma Report

(1) 10 year average based on 2006 to 2015 reporting periods. Lancashire ratios weighted by annual net premiums earned. Annual sector ratios are weighted by annual net premiums earned

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

"Underwriting Comes First" Consistently reflects our prudent reserving Philosophy [(1)]



- **2012 –** Adverse reserve development from Thai floods and New Zealand Earthquakes
- **2013 –** Adverse reserve development from Marine class
- **2014 –** Adverse reserve development from Marine class and late advice from Energy portfolio
- **2015/16 –** Favourable reserve release from benign loss environment 2013 - 2016

[(1)] Excludes the impact of foreign exchange revaluations.

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3. Proactive Capital Management

Proactive Capital Management - Financial flexibility

Constant adjustment of capital

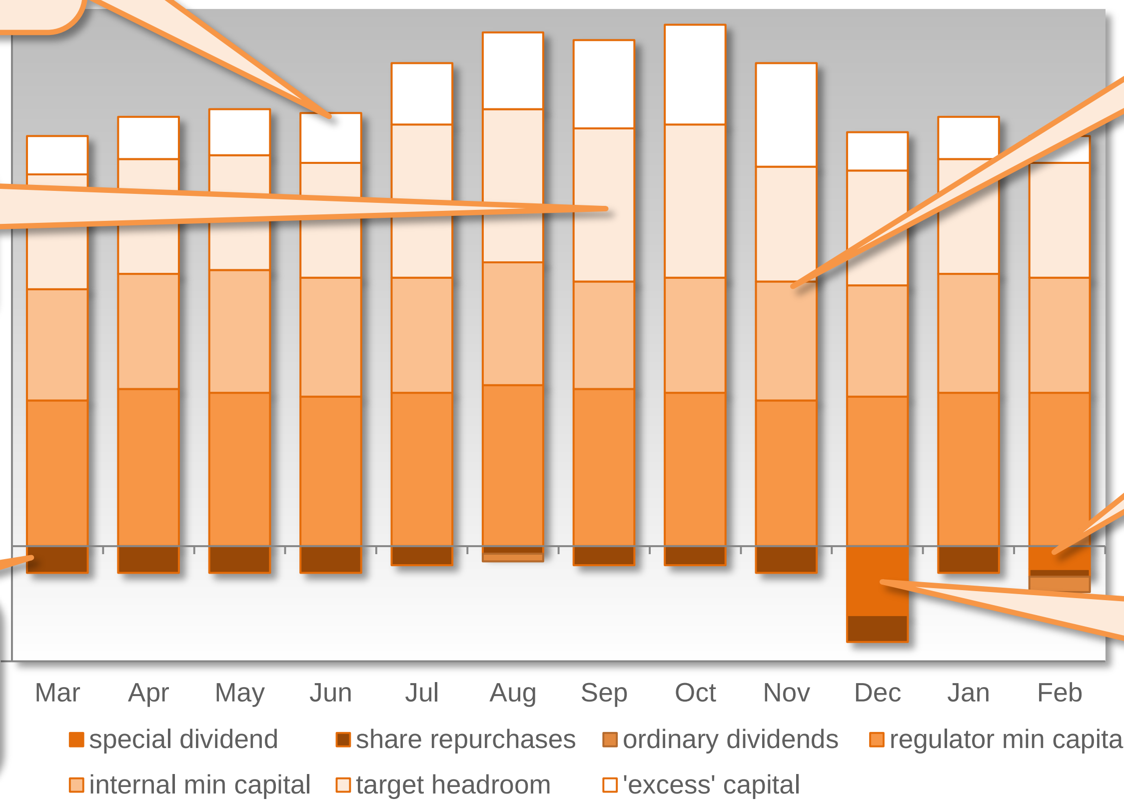
an example over 12 months

Excess capital builds during the year if profits exceed share repurchases & ordinary dividends

Review of stress tests and approval of business plan with capital projection at the November Board meetings

Our target capital headroom increases in hurricane season absent significant losses *

Special dividend in Q1 if capital not utilised at 1/1 renewals and insufficient opportunities ahead



Share repurchases continuous if excess capital exists and price acceptable

Special dividend in Q4 if insufficient opportunities ahead, some capital withheld if outlook uncertain

* 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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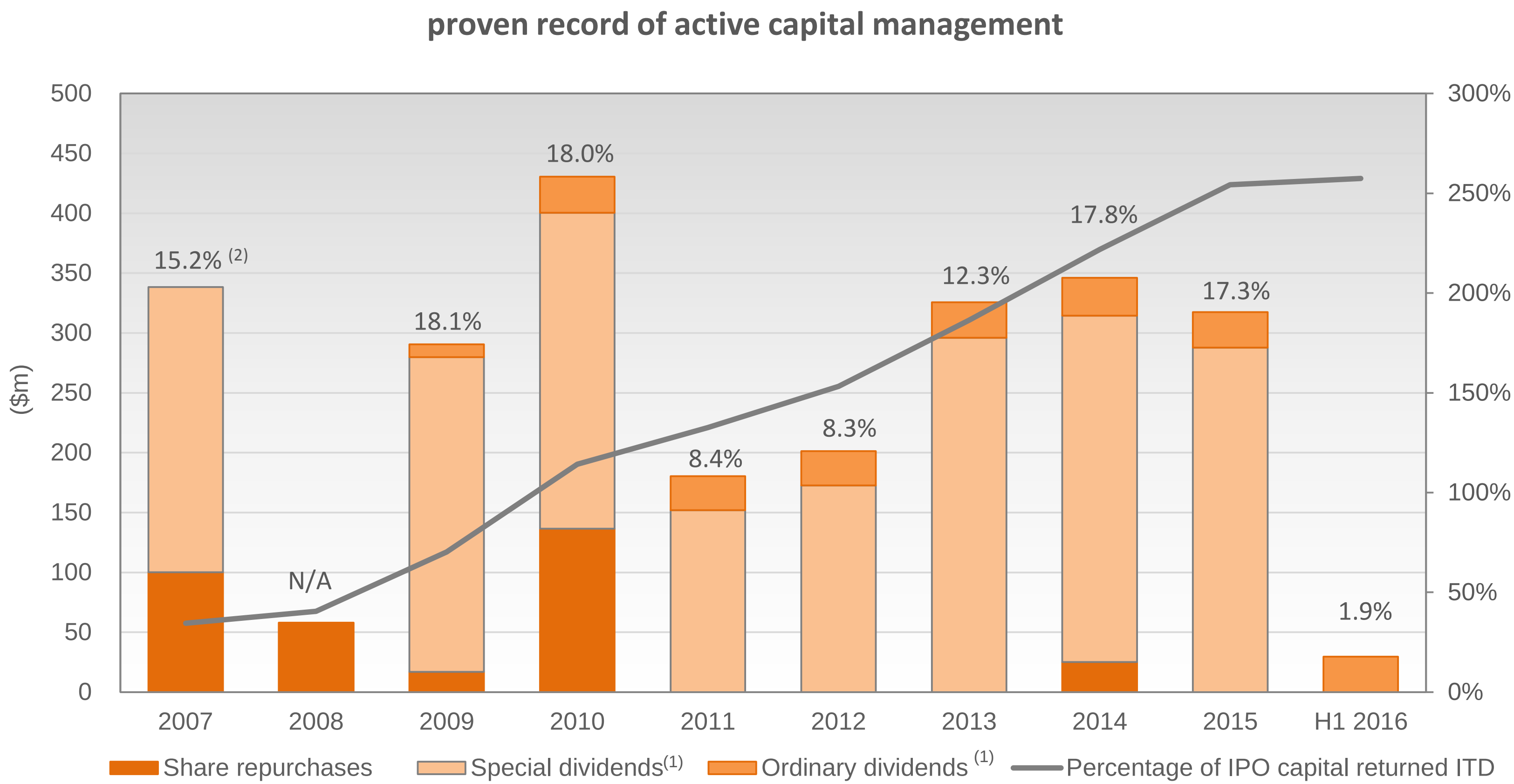
Proactive Capital Management – Operate nimbly through the cycle



257.4% of original IPO share capital has been returned to shareholders

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

(2) Dividend yield is shown above the data in the chart area. Dividend yield is calculated as the total calendar year cash dividends divided by the year end share price. H1 2016 dividend yield uses the share price at 30 June 2016 and includes the interim dividend of $0.05 declared in July 2016

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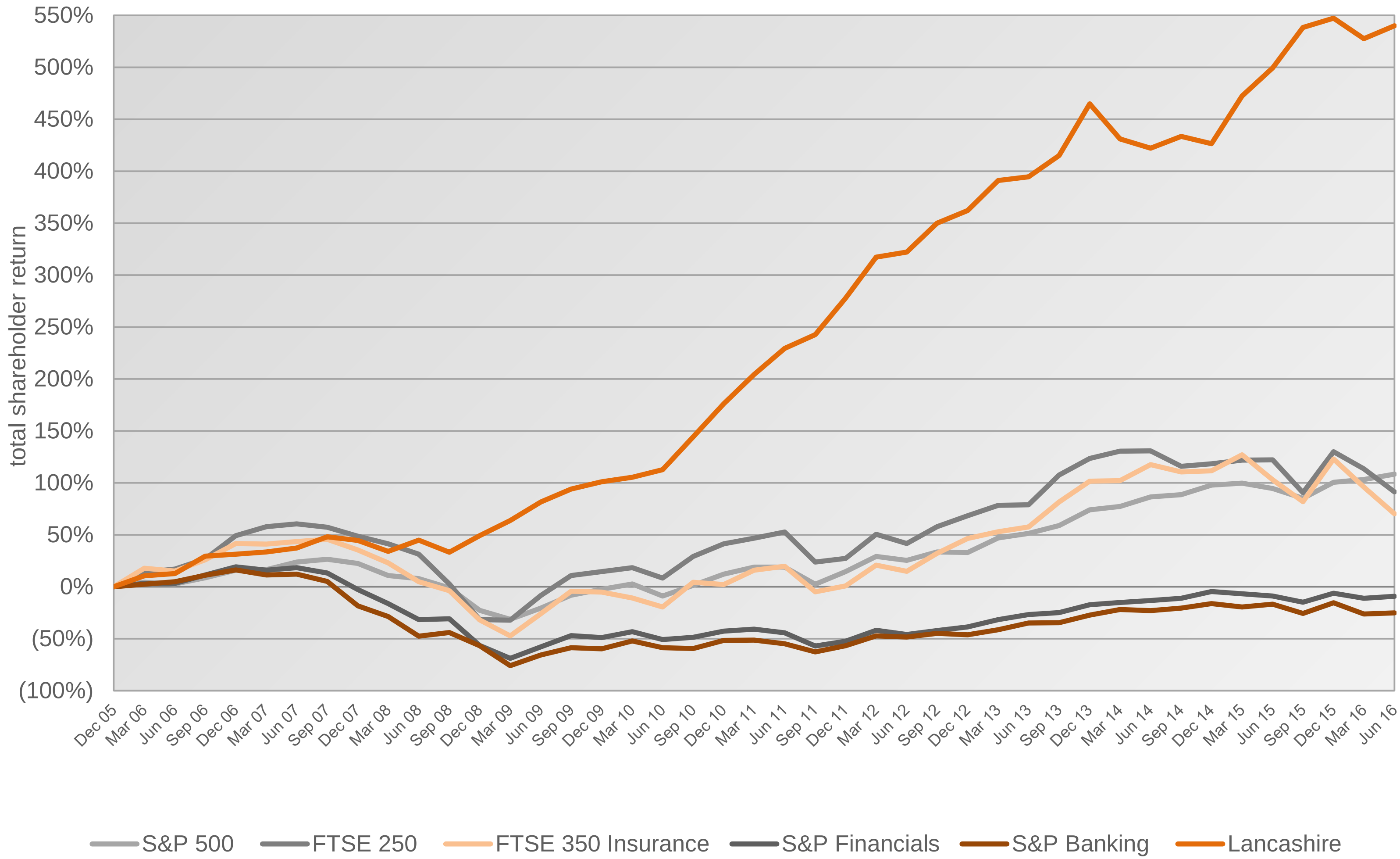
4. Sticking to our *game plan*

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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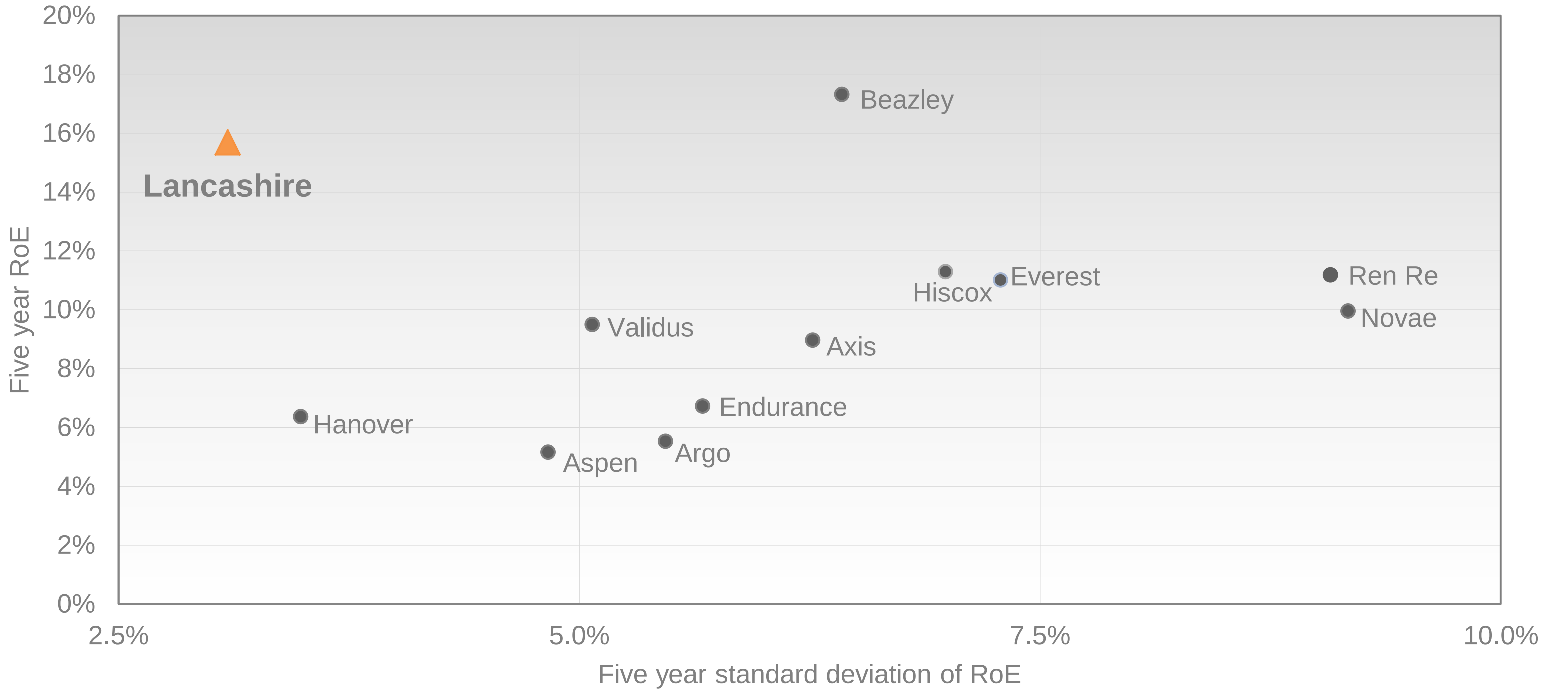
Consistency: Total value creation (TVC)

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 2011 through 31 December 2015. RoE calculated as the internal rate of return of the change in FCBVS in the period plus dividends accrued. Lancashire RoE calculation excludes the impact of warrant exercises. For Argo, Beazley, Everest, Hiscox, Novae 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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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 has decades of experience in rated company, Lloyd's and collateralised markets

- Group profitability is not overly dependent 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 with a stable investor and client base and capacity to grow rapidly in the right market conditions

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5. Appendices

Different market access drives cross cycle resilience

Lancashire

- **Reinsurance portfolio focused on high layers/insurance portfolio focused on risks with high deductibles** – willing to offer more multi-layer support, but always expose largest capacity to top layers
- **Focus on large line sizes and lower number of contracts**
- **Dependent on largest 5-6 brokers to access business however:**
  - ✓Long standing relationships facilitate better access
  - ✓Direct cross-class client relationships that overarch broker relationships in certain classes (e.g. Energy)

✓ **Higher layers and deductibles drive low attritional loss ratios**

✓ **Lower number of contracts and single exposures increase underwriting control**

✓ **Higher risk appetite and willingness to lead large line sizes secures broker relevance**

✓ **Consistency in strategy and transparent risk appetite → brokers understand LRS's 'sweet spot' and go to them first**

Cathedral

- **Focus on smaller lines and niche portfolios** – e.g. Property D&F average line size \$2m; build on client relationships with SMEs and small specialist brokers
- **Some business sourced though US binding authorities** – small lines <\$1m
- **Based on long-standing client relationships** – over 60% of US mutual portfolio are clients of 20 years
- **Uses Lloyd's global distribution network** – access to diversified book of international property catastrophe risk, with focus primarily on small cedants
- **Relationship with a broader group of brokers** – less concentration with top-5 than Lancashire business

✓ **Lloyd's platform provides increased global diversification at low cost and with no requirement for capital deployment in international hubs**

✓ **Highly diversified, low-severity loss exposures**

✓ **Good knowledge of underlying risk driven by long-standing relationships**

Kinesis

- **Focus on large line sizes and lower number of multi-class reinsurance contracts** – average line size of \$25m across several uncorrelated business lines such as property catastrophe, property single risk, marine, energy, aviation and terrorism
- **Leveraging Lancashire's existing deep relationship networks and underwriting strength** – provide its clients highly customized collateralized multi-class property and specialty reinsurance solutions
- **Uses mostly the top 4 largest brokers** – access to a wide range of complex multi-class clients and exposures is needed

✓ **Opportunistically follows dislocations**

✓ **High demand for multi-class reinsurance on a collateralized basis, but low supply**

✓ **Underwrites distinct portfolios of multi-class reinsurance during two periods a year**

✓ **Well diversified, tail risk driven by both frequency and severity**

✓ **Lower number of contracts provide better servicing, control and investor reporting**

Lancashire: Property catastrophe reinsurance

Mitigating impact of falling rates

- The Group bought more retro cover from which LICL may benefit, attaching above our main Cat XoL retro program.
- We continue to monetize our access to business by ceding some tail lines to some of our partners on a portfolio basis while keeping a commission; we have expanded existing facilities and set up new ones to ensure we are well positioned to sell tail cover in the US following BCAR changes.
- We seek to avoid exposure from attritional loss layers as demonstrated by no loss from the Texas Hail and minimal impact from both the Alberta Wildfires and Kumamoto EQ.

Ability to compete

- Ability to offer reinstatement cover (unlike collateralised markets which require fronting arrangements)
- 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 facilities keep us relevant for our clients and brokers.
- Long standing relationships and regular visits to core clients facilitate better access to business.

UMCC

Outlook

Cat XL – USA

- Continue to be a relevant regional U.S. market player but with 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.
- Derisking of the Asian Retro account as prices decline following years of post loss pricing in the aftermath of 2011.

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.

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Lancashire: Energy

Mitigating impact of falling rates

- Deepwater GOM portfolio with small but loyal client base who want to protect part of their premium spend with long-term deals.
- Oil price issues continue to suppress activity levels; reduction in market premium but reduction in associated exposures.
- LUK success in renewing core book with similar market share.
- Lloyd's platform and stand-alone liability capacity continues to help maintain core book by offering a more flexible way to trade.

Ability to compete

- 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

UMCC

Gulf of Mexico

- One major client was cancelled and replaced for a new 36 month deal, plus a few new buyers as clients look to shore up balance sheet as part of their low oil-price strategy.
- Locked in pricing with a limited number of selected longer term contracts will continue.

Worldwide offshore

- Rate reductions have continued albeit at a slightly lessened pace compared with 2015. Core operational book still profitable, but margin now.
- Activity levels very low despite modest recovery in oil price in Q1, with no prospect of significant improvement in the short to medium term. This has impacted premium significantly, although exposure to more hazardous drilling and construction activities is down too.
- Expected increase in frequency and severity of claims to the market has been noted and insured losses of $2.5bn+ are focusing minds of direct underwriters, albeit with no obvious reaction as yet. Pressure from reinsurers likely to be felt in the run-up to January 2017 renewals will increase 'focus' on low rating levels.

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.

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

- 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.

Ability to compete

- 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.

UMCC

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

- With increasing geopolitical and economic turbulence on a global scale, combined with increased corporate and banking regulation and requirement for risk transfer, demand for political risk insurance remains strong.
- 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 continues to develop new corporate, banking, trader and export credit agency client relationships which provide access to new business flows across new territories, providing new insurance solutions and revenue streams.
- Proactive and dynamic portfolio management enables us to maximise the efficiency of our capacity, whilst operating within our risk appetites .

Ability to compete

- We consistently deliver an efficient and effective service to our clients and brokers to ensure we are the first port of call with any new risk enquiry and are on a preferred list of counterparties when it comes to binding deals and utilising market capacity.
- Proven ability and willingness to lead business
- We provide transparency, good service, quick turnaround and excellent claims service.
- Lancashire's ability to write non-trade business, support longer tenors of up to 10 years and to offer meaningful line sizes make us a go to market for many clients as we offer solutions that other markets cannot.
- Through the use of Lancashire's London and Bermuda platforms, we can maximise our ability to service a wider client base and their counterparty limits.

Outlook

UMCC

Political Risk / Sovereign Risk

- As banks seek to maximise the competitive advantage that insurance cover gives them when bidding for deals, we are seeing an increased demand from banks who are under pressure to reduce their capital costs on existing assets held on their books.
- Some bank clients now use Political Risk insurance products as widely as the CDS and bank syndication markets as a method of risk transfer
- As market capacity continues to increase, Lancashire will continue to maintain its high level of service and key market offerings to stay relevant within the market and continue as a preferred risk sharing partner to our clients
- In a challenging global environment Lancashire's traditional strengths of underwriting discipline and risk selection will remain at the core of the portfolio

Lancashire: Marine

Mitigating impact of falling rates

- We write the risks with large limit requirements which means our capacity is still in demand.
- Core clients have helped protect our market share to a certain extent.
- Our 'niches' of high-value, specialist occupancy vessels have meant we are more removed from the attritional nature of the 'traditional marine account' and our loss record reflects this.
- Focus on ancillary classes such builders risk, MII and MAP with less competition.
- War subclass proving more challenging due to depressed rates in conjunction with increased partial losses.

Ability to compete

- Large lines make us relevant as a quoting market to brokers.
- We have an ability and willingness to lead business in our core niches.
- Client focus is a key differentiator and we provide transparency, good service, quick turnaround and excellent claims service.

UMCC

Outlook

Marine

- Hull market continues to soften as markets look to retain and increase share of large-premium accounts. Reductions for clean business continue.
- Still too much capacity for small to medium tonnage.
- LUK portfolio has withstood recent spate of losses due to nature of core portfolio; we try and avoid the traditional marine book.

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Lancashire: Aviation and satellite

Mitigating impact of falling rates

AV52
- No attritional losses ever.
- Our large line size mean that all opportunities are made available to us and our 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.

Ability to compete

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

UMCC

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	YTD 2016
Property catastrophe reinsurance	100	100	97	100	92	100	116	114	99	88	81
Energy GOM	100	80	64	137	139	140	140	136	125	118	110
Energy WW offshore	100	80	68	84	88	97	100	97	91	81	70
Terrorism	100	86	71	66	60	57	55	52	48	43	38
Marine	100	88	80	82	80	79	86	89	91	82	72
Aviation	100	80	69	68	62	59	55	49	44	41	37

Combined ratio excl. G&A (%)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD 2016	ITD
Property catastrophe reinsurance	20%	16%	47%	15%	24%	103%	45%	29%	29%	33%	18%	40%
Energy GOM	28%	30%	211%	65%	-9%	-19%	-10%	21%	12%	41%	45%	44%
Energy WW offshore	39%	39%	68%	93%	78%	71%	41%	86%	77%	64%	147%	71%
Terrorism	22%	17%	27%	14%	24%	4%	11%	13%	16%	26%	18%	16%
Political risk/ Sovereign risk	58%	46%	35%	22%	18%	10%	19%	20%	61%	40%	21%	29%
Marine	55%	77%	81%	68%	67%	38%	105%	140%	78%	48%	20%	75%
Aviation	20%	20%	31%	23%	12%	9%	29%	67%	81%	84%	26%	36%

Gross premiums written ($m)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD 2016	ITD
Property catastrophe reinsurance	0.6	19.3	23.4	76.3	98.1	82	96.8	97.5	124.2	90.6	74.7	783.5
Energy GOM	171.8	157.5	74.3	53.8	87.4	60.7	65.5	34.4	69.9	6.1	20.8	802.2
Energy WW offshore	42.3	72.7	76.3	100.6	123.1	140.3	148.9	149.2	149.9	92.8	58.1	1,154.2
Terrorism	18.9	56.6	75.5	69.1	77.8	68.4	62.9	67.8	55.2	43.8	24.5	620.5
Political risk/ Sovereign risk	9.4	16.9	28.1	15.5	29.1	20.4	41.1	66.4	44.4	33.3	27.5	332.1
Marine	53	76.9	78.6	73.7	76.4	76.4	81	63	67.7	47.6	27.5	721.8
Aviation	64.5	84.2	71.6	61.2	50.8	47.1	45.9	48.9	53.2	36.6	17.2	581.2

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.

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Cathedral: Aviation direct & war

Aviation Hull & Liabilities

- Established market leading team in General Aviation 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	Non-core / Opportunistic
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.	**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	Portfolio distribution
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.