



Appendices

Lancashire: Property catastrophe reinsurance

Mitigating impact of falling rates

- We bought more vertical and horizontal retro cover and attach lower down
- We continue to monetize our access to business by ceding some tail lines to some of our partners on a portfolio basis on beneficial terms
- We seek to avoid exposure from attritional loss layers as demonstrated 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.
- Our appetite allows us to write private deals sitting above subscription markets

Outlook

Cat XL – USA

- Continue to be a relevant regional U.S. market player but with limited stand alone Florida exposures. Seek to move up the programme when clients buy more protections

Cat XL – Asia

- Keep 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

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 and therefore reduction in market premium (albeit associated exposures down also)
- LUK successful in renewing core book for 2017 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

Gulf of Mexico

- One major client cancelled and replaced for a new 36 month deal, plus a few new buyers as clients look to shore up balance sheets as part of their low oil-price strategy – uncertain what buying patterns will be for 2017 although more of the same likely
- Locked-in pricing with a limited number of selected longer term contracts will continue

Worldwide offshore

- Rate reductions have continued albeit for the January 2017 renewals, the level of reduction was less than prior renewals.
- Activity levels still very low and oil price continues to fluctuate, albeit trading higher and at a level closer to \$50. Genuine recovery not likely until 2H2017/2018
- Low activity has translated into lower exposures for LUK, particularly to “higher risk” drilling and construction activities. Significant cost driven out of oil industry and modest oil price recovery likely to fuel M&A activity further
- Less frequency losses in 2016 but one significant claim focusing underwriters on the low premium base. Reinsurance renewals were favourable for core clients with profitable programmes (such as LUK)

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

General

- Leverage across sub-classes and platforms gives the group flexibility to trade and remain relevant. Risk selection remains key

Lancashire: Property terrorism and political violence

Mitigating impact of falling rates	Ability to compete
<ul style="list-style-type: none">• Instability around the world continues to highlight the perils of Terrorism and Political Violence and drives 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 central market to them• We will remain pragmatic and stick with our core book• Signs of acceptance that some excess of loss layers are approaching minimum pricing levels• We continue to experience a low attritional loss ratio• Lancashire writes its own 'private' layers, insulating us from certain market pressures. Cathedral can add extra capacity to these	<ul style="list-style-type: none">• 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 long-term and/or cross class relationships with many insureds• In the face of the growth of facilities Lancashire remains a strong, independent alternative market• Being able to entertain longer policy periods can benefit us especially on longer construction projects
Outlook	
Terrorism/Political Violence <ul style="list-style-type: none">• Competitive pressures will continue in the face of surplus capacity, but demand remains steady 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 unless we can lead the placement. 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	

Lancashire: Property political and sovereign risk

Mitigating impact of falling rates	Ability to compete
<ul style="list-style-type: none">• Demand for political risk insurance remains strong in the face of global geopolitical and economic turbulence and increasing corporate and banking regulation driving requirements for risk transfer• 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 ECA client relationships which provide access to fresh business flows across different 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	<ul style="list-style-type: none">• 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

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 they hold 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

Outlook

Marine

- Hull market continues to soften as markets look to retain and increase share of large-premium accounts. Reductions for clean business continues
- 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

Lancashire: Aviation and satellite

Mitigating impact of falling rates

AV52

- Absence of any large or attritional losses
- Our large line size is still of relevance and importance to brokers despite increasing market capacity. As such, we see the breadth of the market and have been able to protect our core portfolio
- 10 years history in the class

Satellite

- We have always tracked the market selectively with small net lines
- Over supply of capacity continues to drive reductions despite recent loss activity in the class

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 line slips
- We provide transparency, good service and quick turnaround
- Strong relationships with key broking houses help protect signings on placements

Outlook

Aviation

- Risk profile remains attractive and passenger numbers picking up so demand remains strong
- In the absence of losses, downward pressure on rates is expected to continue. That said, the market is starting to realise that certain risks have reached their AV52 pricing floors and thus more aggressive reductions are sought in other aviation coverages to make overall savings for clients

Satellite

- Rates are generally on the decline in both the launch and in orbit segments
- We are not actively writing new or renewal business due to insufficient pricing levels but we have maintained our broker relationships to ensure that we can act quickly should opportunities arise

Lancashire – RPI and underwriting statistics

Cumulative RPI	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Q1 17
Property catastrophe reinsurance	100	100	97	100	92	100	116	114	99	88	78	73
Energy GOM	100	80	64	137	139	140	140	136	125	118	110	97
Energy WW offshore	100	80	68	84	88	97	100	97	91	81	70	66
Terrorism	100	86	71	66	60	57	55	52	48	43	38	36
Marine	100	88	80	82	80	79	86	89	91	82	72	64
Aviation	100	80	69	68	62	59	55	49	44	41	37	34

Combined ratio excl. G&A (%)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Q1 17	ITD
Property catastrophe reinsurance	20%	16%	47%	15%	24%	103%	45%	29%	29%	33%	36%	20%	41%
Energy GOM	28%	30%	211%	65%	-9%	-19%	-10%	21%	12%	41%	42%	27%	44%
Energy WW offshore	39%	39%	68%	93%	78%	71%	41%	86%	77%	64%	129%	81%	72%
Terrorism	22%	17%	27%	14%	24%	4%	11%	13%	16%	26%	20%	30%	17%
Political risk/ Sovereign risk	58%	46%	35%	22%	18%	10%	19%	20%	61%	40%	47%	118%	35%
Marine	55%	77%	81%	68%	67%	38%	105%	140%	78%	48%	69%	103%	77%
Aviation	20%	20%	31%	23%	12%	9%	29%	67%	81%	84%	26%	33%	35%

Gross premiums written (\$m)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Q1 17	ITD
Property catastrophe reinsurance	0.6	19.3	23.4	76.3	98.1	82	96.8	97.5	124.2	90.6	99.8	43.4	852.0
Energy GOM	171.8	157.5	74.3	53.8	87.4	60.7	65.5	34.4	69.9	6.1	20.1	0.8	802.3
Energy WW offshore	42.3	72.7	76.3	100.6	123.1	140.3	148.9	149.2	149.9	92.8	88.7	22.2	1,207.0
Terrorism	18.9	56.6	75.5	69.1	77.8	68.4	62.9	67.8	55.2	43.8	41.1	12.4	649.5
Political risk/ Sovereign risk	9.4	16.9	28.1	15.5	29.1	20.4	41.1	66.4	44.4	33.3	44.1	4.7	353.4
Marine	53	76.9	78.6	73.7	76.4	76.4	81	63	67.7	47.6	37.2	20.3	751.8
Aviation	64.5	84.2	71.6	61.2	50.8	47.1	45.9	48.9	53.2	36.6	36.2	3.2	603.4

Cathedral: Property reinsurance

Core	Non-Core / Opportunistic
<p>U.S. Portfolio – Small to medium Mutuals</p> <ul style="list-style-type: none"> • Home owners • Farm owners • Automobile (physical damage) • Small commercial properties <p>Nationwide exposure - protects writings of farms, agricultural risks and churches</p> <p>Risk Excess U.S. and Canadian book - complements Mutual book and upper end of some of the national companies</p> <p>International book - focuses on first world countries ranging from small to mega accounts</p>	<ul style="list-style-type: none"> • US Nationwide mega accounts • Florida private reinsurance market prefers D&F • Super Regional US accounts • Retro
Outlook	Client relationship duration
<p>U.S. Portfolio: risk adjusted rates off circa 5% which is within budgeted expectations</p> <p>International Portfolio: book varied, downward pressure due to over capacity means rates are off by up to 10%</p>	<p>Over 80% of the clients have had a business relationship with Cathedral for at least a decade</p>

Cathedral: Property direct & facultative

Core	Non-core / Opportunistic
<p>U.S. open market - Average line size circa \$2m</p> <ul style="list-style-type: none"> • Small to mid-sized 'soft' occupancy focus • Low to mid level excess of loss • Primary book targets low 'attritional' business <p>U.S. binding authorities - Average line size < \$1m</p> <ul style="list-style-type: none"> • Long standing book of binding authorities with a commercial bias • True 'MGA' business produced by specialist brokers <p>International open market - Small to mid-sized general portfolio with focus on Mexico, Caribbean and NZ</p> <p>International binding authorities</p> <ul style="list-style-type: none"> • Targets low 'attritional' commercial business • Stable, long standing book of binding authorities almost entirely driven by Canada, Australasia (mainly NZ) and the Caribbean 	<ul style="list-style-type: none"> • 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	
<p>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</p> <p>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</p>	

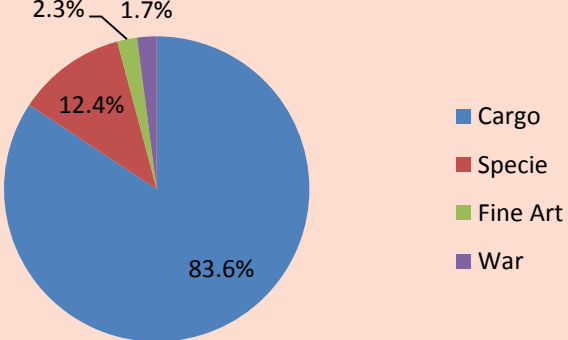
Cathedral: Aviation reinsurance & satellite

Core	Non-core / Opportunistic
<p>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</p> <p>General Aviation XL - Catastrophe reinsurance covering corporate and private jets, small local airports and small product makers</p> <p>Aviation war - covers both Hull and War Third Party. Different to Lancashire's 'AV52' book as the focus is on non major risk writers</p>	<p>Bigger direct clients</p> <ul style="list-style-type: none"> • No pay back / do they need to buy? • Market share <p>Proportional – very limited exposure remains as capacity deployed has reduced. Take advantage of relationships if there is a capacity crunch in the future</p> <p>Whole account – currently a very small account generally used as a fact finder exercise but could grow in a harder market</p>
Outlook	Portfolio management
<ul style="list-style-type: none"> • 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 	<p>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</p>

Cathedral: Aviation direct & war

Aviation Hull & Liabilities	Market Support
<ul style="list-style-type: none"> 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 2017 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 	<p>Consortia</p> <ul style="list-style-type: none"> 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 <p>Reinsurance</p> <ul style="list-style-type: none"> Both teams have in place comprehensive reinsurance arrangements to protect their net accounts with good support from the market
Aviation War	Outlook
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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										
<p>Marine Cargo</p> <ul style="list-style-type: none"> 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 <p>Fine Art - Private collections and museums with good risk management in non catastrophe exposed areas</p> <p>Specie - Vault</p>	<p>Marine Cargo</p> <ul style="list-style-type: none"> 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. <p>Specie</p> <ul style="list-style-type: none"> Excess cash in transit (typically excess of any transit exposure) 										
Outlook	Portfolio distribution										
<p>Marine Cargo</p> <ul style="list-style-type: none"> 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 	 <p>A pie chart illustrating the portfolio distribution across four categories. The largest segment is Cargo at 83.6%, followed by Specie at 12.4%, Fine Art at 2.3%, and War at 1.7%. A legend to the right of the chart identifies each category with a colored square: blue for Cargo, red for Specie, green for Fine Art, and purple for War.</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Cargo</td> <td>83.6%</td> </tr> <tr> <td>Specie</td> <td>12.4%</td> </tr> <tr> <td>Fine Art</td> <td>2.3%</td> </tr> <tr> <td>War</td> <td>1.7%</td> </tr> </tbody> </table>	Category	Percentage	Cargo	83.6%	Specie	12.4%	Fine Art	2.3%	War	1.7%
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