LANCASHIRE HOLDINGS LIMITED

GROWTH IN FULLY CONVERTED BOOK VALUE PER SHARE, ADJUSTED FOR DIVIDENDS, OF 2.7% IN Q1 2017
COMBINED RATIO OF 85.6% IN Q1 2017
FULLY CONVERTED BOOK VALUE PER SHARE OF $6.04 AS AT 31 MARCH 2017

4 May 2017
London, UK

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its results for the three months ended 31 March 2017.

Financial highlights

	31 March 2017	31 March 2016
Fully converted book value per share	**$6.04**	**$6.20**
Return on equity[1] – Q1	**2.7%**	**3.8%**
Return on tangible equity[2] – Q1	**3.1%**	**4.5%**
Operating return on average equity – Q1	**2.1%**	**2.6%**
Final dividend per common share[3]	**$0.10**	**$0.10**

[1] Return on equity is defined as growth in fully converted book value per share, adjusted for dividends.
[2] Return on tangible equity excludes goodwill and other intangible assets.
[3] See "Dividends" section below for Record Date and Dividend Payment Date.

Financial highlights:

	Three months ended 31 March 2017	Three months ended 31 March 2016
Highlights ($m)		
Gross premiums written	196.5	230.8
Net premiums written	76.3	121.6
Profit before tax	28.7	26.5
Profit after tax[1]	30.3	28.3
Comprehensive income[1]	34.1	43.1
Net operating profit[1]	25.2	32.4
Per share data		
Diluted earnings per share	$0.15	$0.14
Diluted earnings per share - operating	$0.13	$0.16
Financial ratios		
Total investment return including internal currency hedging	0.7%	0.7%
Total investment return excluding internal currency hedging	0.7%	0.8%
Net loss ratio	37.7%	29.6%
Combined ratio	85.6%	72.7%
Accident year loss ratio	46.5%	42.5%

[1] These amounts are attributable to Lancashire and exclude non-controlling interests.

Alex Maloney, Group Chief Executive Officer, commented:

"In what continues to be a difficult market we have had a good first quarter delivering an RoE of 2.7%.

Lancashire has always placed underwriting discipline at the core of its strategy. As I reported in February, at the 2017 January renewal season we were able to both renew and strengthen the majority of our book of business. There has been some evidence of a slowing of the decline in premium rates, and across our Group we have prioritised servicing the needs of our core clients and their brokers. We also ensure that we moderate our overall risk exposures, not only through discipline on our inwards books, but in our purchasing of well-priced outwards reinsurance. These are our principal tools for prudent exposure management in the current soft market.

My view, which has been supported by recent industry reports, is that the sector, when taken as a whole, is operating at very tight margins and indicates where we are in the cycle, even in what has been a relatively uneventful loss environment. In 2016 many insurers' results were bolstered by investment returns and foreign exchange gains, helping them to stay in the black with very little contribution from underwriting returns. What is clear is that the insurance markets are currently operating at margins which will prove unsustainable in the long run. There are now clear signs of stress, with some evidence of retrenchment. Sooner or later a major loss event will stress the system even further, bringing it to a position where capital will be impaired, which we believe will change the dynamics of the current market. Lancashire is well positioned relative to others to manage any future insurance market turbulence and to respond to the opportunities which will arise.

Accordingly our strategy will remain the same, and we expect to maintain our track record of consistent underwriting discipline for the longer-term interests of our shareholders and counterparties."

Elaine Whelan, Group Chief Financial Officer, commented:

"While we experienced some adverse development on the 2016 accident year due to a late reported energy claim, there were no significant losses in the first quarter and the Group produced an RoE of 2.7%. Cathedral's contribution was 0.8%. Our investment portfolio performed well through a further rate increase, generating a return of 0.7%.

As we have previously said, renewals and pricing at 1 January were very much in line with our expectations. The reduction in our gross premiums written versus the previous year is due in part to continued price and exposure reductions, but also to the timing of renewal of longer term deals across the property and energy books. The reduction in our gross earned premium is therefore less noteworthy. With further reductions in exposure, and enhancements to our reinsurance program, we continue to carry a capital buffer well in excess of our needs. We intend to retain that over the course of this year's US wind season for any opportunities that may arise. With more capital than we need, there are no current plans to raise capital. However, I would, once again, like to thank our shareholders for affording us the flexibility to do so by approving the issue of up to 15% of our share capital on a non-pre-emptive basis."

Renewal Price Index for major classes

The Renewal Price Index ("RPI") is an internal methodology that management uses to track trends in premium rates on a portfolio of insurance and reinsurance contracts. The RPI is calculated on a per contract basis and reflects our assessment of relative changes in price, terms, conditions and limits on like for like renewals only, and is weighted by premium volume (see "Note Regarding RPI Methodology" at the end of this announcement for further guidance). The RPI does not include new business, to offer a consistent basis for analysis. The following RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in 2016, with our Lloyd's segment shown separately in order to aid comparability:

RPI Lancashire (excluding Lloyd's segment)

Class	**Q1 2017**
Aviation (AV52)	90 %
Gulf of Mexico energy	88 %
Energy offshore worldwide	94 %
Marine	89 %
Property retrocession and reinsurance	94 %
Terrorism	94 %
Lancashire (excluding Lloyd's segment)	**93%**

RPI (Lloyd's segment)

Class	**Q1 2017**
Aviation	96 %
Energy	95 %
Marine	97 %
Property retrocession and reinsurance	97 %
Terrorism	91 %
Lloyd's segment	**97%**

Underwriting results

Gross premiums written

	Q1			
	2017	**2016**	**Change**	**Change**
	$m	**$m**	**$m**	**%**
Property	73.9	88.6	(14.7)	(16.6)
Energy	25.8	30.8	(5.0)	(16.2)
Marine	20.3	16.3	4.0	24.5
Aviation	3.2	11.4	(8.2)	(71.9)
Lloyd's	73.3	83.7	(10.4)	(12.4)
Total	**196.5**	**230.8**	**(34.3)**	**(14.9)**

Gross premiums written decreased by 14.9% in the first quarter of 2017 compared to the same period in 2016. Gross premiums earned decreased by 8.7% compared to the same period in the prior year. The Group's five principal segments, and the key market factors impacting them, are discussed below.

Property gross premiums written decreased by 16.6% for the first quarter of 2017 compared to the same period in 2016. The majority of the decrease was in the property catastrophe excess of loss, political risk and terrorism lines of business, due to multi-year contracts written in the first quarter of 2016 that are not yet due to renew. These reductions were offset somewhat by new business in the political risk book. Business flow in the political risk book is generally less predictable than other classes of business due to the lead time and specific nature of each deal. In the property catastrophe excess of loss class, while the rate of decline has slowed, rates continued to experience further pressure. Gross premiums earned for the property segment remain at the same level as the prior year, reflecting the ongoing benefit from multi-year deals written in previous years.

Energy gross premiums written decreased by 16.2% for the first quarter of 2017 compared to the same period in 2016. The first quarter is not typically a major renewal period for the energy book. The decrease was mostly driven by the worldwide offshore book primarily due to the timing of non-annual contract renewals. Rates continue to come under pressure.

Marine gross premiums written increased by 24.5% for the first quarter of 2017 compared to the same period in 2016. The first quarter is not a major renewal period for the marine segment. The dollar increase is small and is due to some new pro-rata business written in the quarter.

Aviation gross premiums written decreased by 71.9% for the first quarter of 2017 compared to the same period in 2016. The AV52 class saw reductions on prior underwriting year risk attaching business due to changes in the underlying exposure. Exposure was also reduced in the satellite book, as pricing in the space market continues to see heavy reductions with excess capacity competing for limited opportunities.

In the Lloyd's segment gross premiums written decreased by 12.4% for the first quarter of 2017 compared to the same period in 2016. There were small reductions in most lines of business, as rates continue to come under pressure due to overcapacity in the market.

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Ceded reinsurance premiums increased by $11.0 million, or 10.1%, for the first quarter compared to the same period in 2016. The increased spend is due to additional limit purchased, given the continuing favourable buying conditions in the reinsurance market, and the timing of some renewals.

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Net premiums earned as a proportion of net premiums written was 153.5% in the first quarter of 2017 compared to 112.8% for the same period in 2016. While there was a reduction in our gross premiums written in the quarter, plus the additional reinsurance purchased, we continue to see the benefit of earnings on multi-year deals written in previous years.

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The Group's net loss ratio for the first quarter of 2017 was 37.7% compared to 29.6% for the same period in 2016. The accident year loss ratio for the first quarter of 2017, including the impact of foreign exchange revaluations, was 46.5% compared to 42.5% for the same period in 2016. While there were no significant losses in either quarter, we experienced a few mid-sized claims.

Prior year favourable development for the first quarter of 2017 was $10.6 million, compared to favourable development of $17.7 million for the first quarter of 2016. Favourable development in the first quarter of both years was driven by general IBNR releases across most lines of business, offset somewhat in the first quarter of 2017 by a 2016 accident year energy claim coming through.

The table below provides further detail of the prior years' loss development by class, excluding the impact of foreign exchange valuations.

	Q1	
	2017	**2016**
	$m	**$m**
Property	6.5	12.0
Energy	1.6	6.9
Marine	2.2	(0.8)
Aviation	1.0	1.4
Lloyd's	(0.7)	(1.8)
Total	**10.6**	**17.7**

Note: Positive numbers denote favourable development.

Excluding the impact of foreign exchange revaluations, previous accident years' ultimate losses developed as follows during 2017 and 2016:

	Q1	
	2017	**2016**
	$m	**$m**
2007 accident year and prior	(0.3)	(0.3)
2008 accident year	0.1	0.5
2009 accident year	(0.1)	0.3
2010 accident year	0.6	–
2011 accident year	(0.5)	1.0
2012 accident year	3.4	1.6
2013 accident year	1.6	2.6
2014 accident year	1.5	4.4
2015 accident year	7.9	7.6
2016 accident year	(3.6)	–
Total	**10.6**	**17.7**

Note: Positive numbers denote favourable development.

The ratio of IBNR to total net loss reserves was 35.7% at 31 March 2017 compared to 32.6% at 31 March 2016.

Investments

Net investment income, excluding realised and unrealised gains and losses, was $6.5 million for the first quarter of 2017, a decrease of 13.3% from the first quarter of 2016. Total investment return, including net investment income, net other investment income, net realised gains and losses, impairments and net change in unrealised gains and losses, was a gain of $12.2 million for the first quarter of 2017 compared to a gain of $13.0 million for the first quarter of 2016.

The investment portfolio generated a return of 0.7% during the first quarter of 2017, with the majority of the return coming from income generated by the fixed maturity portfolio. The negative effect of the modest rise in short term yields was essentially offset by the positive benefit of the slight decrease in corporate credit spreads. Returns were supported by further modest earnings on the hedge fund and bank loan portfolios and strong performances from the equity linked note and the equity portfolio. During the first quarter of 2016, the portfolio returned 0.7% driven primarily from the Group's fixed maturity portfolio as a result of the significant decline in treasury yields, with performance across the rest of the portfolio largely flat.

The corporate bond allocation represented 32.7% of managed invested assets at 31 March 2017 compared to 34.9% at 31 March 2016.

The managed portfolio was as follows:

	As at 31 March 2017	**As at 31 March 2016**
Fixed maturity securities	81.4 %	82.3 %
Cash and cash equivalents	9.3 %	9.3 %
Hedge funds	8.1 %	7.6 %
Equity securities	1.2 %	0.8 %
Total	**100.0%**	**100.0%**

Key investment portfolio statistics were:

	As at 31 March 2017	**As at 31 March 2016**
Duration	1.8 years	1.6 years
Credit quality	A+	A+
Book yield	1.9%	1.7%
Market yield	2.0%	1.7%

Lancashire Third Party Capital Management

The total contribution from third party capital activities consists of the following items:

	Q1 2017 $m	Q1 2016 $m
Kinesis underwriting fees	0.7	0.5
Kinesis profit commission	5.4	1.8
Lloyd's fees & profit commission	0.5	0.3
Total other income	**6.6**	**2.6**
Share of profit of associate	0.7	1.3
Total third party capital managed income	**7.3**	**3.9**

The timing of Kinesis profit commission is driven by the timing of loss experience and collateral release and therefore varies from quarter to quarter. In the first quarter of 2016 a portion of collateral on the January 2015 underwriting cycle was retained, deferring recognition of profit commission to later in the year. The majority of the collateral for the January 2016 underwriting cycle has been released and therefore most of the profit commission for that cycle has been recognised in the current quarter. The share of profit of associate reflects Lancashire's 10% equity interest in the Kinesis vehicle.

Other operating expenses

Other operating expenses consist of the following items:

	Q1 2017 $m	Q1 2016 $m
Employee remuneration costs	15.0	16.5
Other operating expenses	9.2	9.2
Total	**24.2**	**25.7**

Employee remuneration costs for the first quarter of 2017 were $1.5 million lower than the same period in the prior year. A higher compensation charge was recorded in the first quarter of 2016 due to Cathedral staff departures. In the first quarter of 2017 higher variable compensation recorded was almost entirely offset by the benefit from the depreciation of Sterling relative to the prior year.

Other operating expenses for the first quarter of 2017 were in line with 2016.

Equity based compensation

Equity based compensation was a credit of $0.1 million in the first quarter of 2017 compared to an expense of $3.6 million in the same period last year. The equity based compensation charge is driven by anticipated vesting levels of active awards based on current performance expectations. However, the decrease in the quarter was primarily due to lapsing of restrictive share scheme awards of former Cathedral employees on their departure from the Group.

Capital

At 31 March 2017, total capital available to Lancashire was $1.540 billion, comprising shareholders' equity of $1.218 billion and $321.7 million of long-term debt. Tangible capital was $1.386 billion. Leverage was 20.9% on total capital and 23.2% on total tangible capital. Total capital and total tangible capital at 31 March 2016 were $1.570 billion and $1.416 billion respectively.

The Group will continue to review the appropriate level and composition of capital for the Group with the intention of managing capital to enhance risk-adjusted returns on equity.

Dividends

During the first quarter of 2017, the Lancashire Board of Directors declared a final dividend in respect of 2016 of $0.10 (approximately £0.08) per common share. The dividend, totalling $19.9 million, was paid on 22 March 2017 to shareholders of record on 24 February 2017.

Shareholders interested in participating in the dividend reinvestment plan ("DRIP") or other services including international payment, are encouraged to contact the Group registrars, Capita Registrars for more details at: http://www.capitaassetservices.com

Financial information

Further details of our 2017 first quarter results can be obtained from our Financial Supplement. This can be accessed via our website www.lancashiregroup.com.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 1:00pm UK time / 8:00am EDT on Thursday 4th May 2017. The conference call will be hosted by Lancashire management.

Participant Access:
Dial in 5-10 minutes prior to the start time using the number / confirmation code below:

US	+1646 254 3366
US toll free	1877 280 1254
UK	+44(0)20 3427 1902
UK toll free	0800 279 5004
Toronto, Canada	+1416 216 4141
Confirmation Code:	**6725170**

The call can also be accessed via webcast, please go to our website at:
http://www.lancashiregroup.com/en/investors.html or http://edge.media-server.com/m/p/f5g2787b to register and access.

A webcast replay facility will be available for 12 months and accessible at:
http://www.lancashiregroup.com/en/investors/results-reports-and-presentations.html

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About Lancashire

Lancashire, through its UK and Bermuda-based operating subsidiaries, is a global provider of specialty insurance and reinsurance products. The Group companies carry the following ratings:

	Financial Strength Rating (1)	Financial Strength Outlook(1)	Long Term Issuer Rating (2)
A.M. Best	A (Excellent)	Stable	bbb
S&P Global Ratings	A-	Positive	BBB
Moody's	A3	Stable	Baa2

(1) Financial Strength Rating and Financial Strength Outlook apply to Lancashire Insurance Company Limited and Lancashire Insurance Company (UK) Limited.
(2) Long Term Issuer Rating applies to Lancashire Holdings Limited.

Cathedral benefits from Lloyd's ratings: A.M. Best: A (Excellent); S&P Global Ratings: A+ (Strong); and Fitch: AA- (Very Strong).

Lancashire has capital in excess of $1.5 billion and its common shares trade on the premium segment of the Main Market of the London Stock Exchange under the ticker symbol LRE. Lancashire has its corporate headquarters and mailing address at 29th Floor, 20 Fenchurch Street, London EC3M 3BY, United Kingdom and its registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

For more information on Lancashire and Lancashire's subsidiary and Lloyd's segment, Cathedral Capital Limited ("Cathedral"), visit Lancashire's website at www.lancashiregroup.com

The UK Prudential Regulation Authority ("PRA") is the Group Supervisor of the Lancashire Group.

Lancashire Insurance Company Limited is regulated by the Bermuda Monetary Authority ("BMA") in Bermuda.

Lancashire Insurance Company (UK) Limited is authorised by the PRA and regulated by the Financial Conduct Authority ("FCA") and the PRA in the UK.

Kinesis Capital Management Limited is regulated by the BMA in Bermuda.

Cathedral Underwriting Limited is authorised by the PRA and regulated by the FCA and the PRA in the UK. It is also authorised and regulated by Lloyd's.

This release contains information, which may be of a price sensitive nature, that Lancashire is making public in a manner consistent with the EU Market Abuse Regulation and other regulatory obligations. The information was submitted for publication, through the agency of the contact persons set out above, at 07.00 BST on 4th May 2017.

NOTE REGARDING RPI METHODOLOGY

LANCASHIRE'S RENEWAL PRICE INDEX ("RPI") IS AN INTERNAL METHODOLOGY THAT ITS MANAGEMENT USES TO TRACK TRENDS IN PREMIUM RATES OF A PORTFOLIO OF INSURANCE AND REINSURANCE CONTRACTS. THE RPI WRITTEN BY THE LANCASHIRE COMPANIES IN THE RESPECTIVE SEGMENTS IS CALCULATED ON A PER CONTRACT BASIS AND REFLECTS LANCASHIRE'S ASSESSMENT OF RELATIVE CHANGES IN PRICE, TERMS, CONDITIONS AND LIMITS AND IS WEIGHTED BY PREMIUM VOLUME. THE CALCULATION INVOLVES A DEGREE OF JUDGEMENT IN RELATION TO COMPARABILITY OF CONTRACTS AND THE ASSESSMENT NOTED ABOVE. TO ENHANCE THE RPI METHODOLOGY, MANAGEMENT OF LANCASHIRE MAY REVISE THE METHODOLOGY AND ASSUMPTIONS UNDERLYING THE RPI, SO THE TRENDS IN PREMIUM RATES REFLECTED IN THE RPI MAY NOT BE COMPARABLE OVER TIME. CONSIDERATION IS ONLY GIVEN TO RENEWALS OF A COMPARABLE NATURE SO IT DOES NOT REFLECT EVERY CONTRACT IN LANCASHIRE'S PORTFOLIO. THE FUTURE PROFITABILITY OF THE PORTFOLIO OF CONTRACTS WITHIN THE RPI IS DEPENDENT UPON MANY FACTORS BESIDES THE TRENDS IN PREMIUM RATES.

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE IN THIS RELEASE OR OTHERWISE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING, WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS "BELIEVES", "ANTICIPATES", "PLANS", "PROJECTS", "FORECASTS", "GUIDANCE", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "CAN", "LIKELY", "WILL", "SEEKS", "SHOULD", OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. ALL SUCH STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDING, WITHOUT LIMITATION, THE GROUP'S FINANCIAL POSITION, LIQUIDITY, RESULTS OF OPERATIONS, PROSPECTS, GROWTH, CAPITAL MANAGEMENT PLANS AND EFFICIENCIES, ABILITY TO CREATE VALUE, DIVIDEND POLICY, OPERATIONAL FLEXIBILITY, COMPOSITION OF MANAGEMENT, BUSINESS STRATEGY, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS (INCLUDING DEVELOPMENT PLANS AND OBJECTIVES RELATING TO THE GROUP'S INSURANCE BUSINESS) ARE FORWARD LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE GROUP TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS.

THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: THE GROUP'S ABILITY TO INTEGRATE ITS BUSINESSES AND PERSONNEL; THE SUCCESSFUL RETENTION AND MOTIVATION OF THE GROUP'S KEY MANAGEMENT; THE INCREASED REGULATORY BURDEN FACING THE GROUP, THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT THE GROUP WRITES OR MAY WRITE; THE GROUP'S ABILITY TO IMPLEMENT SUCCESSFULLY ITS BUSINESS STRATEGY DURING 'SOFT' AS WELL AS 'HARD' MARKETS; THE PREMIUM RATES WHICH MAY BE AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN THE GROUP'S TARGETED BUSINESS LINES; THE POSSIBLE LOW FREQUENCY OF LARGE EVENTS; POTENTIALLY UNUSUAL LOSS FREQUENCY; THE IMPACT THAT THE GROUP'S FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS MAY HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES OR DIVIDENDS; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN THE GROUP'S UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; INCREASED COMPETITION FROM EXISTING ALTERNATIVE CAPITAL PROVIDERS, INSURANCE LINKED FUNDS AND COLLATERALISED SPECIAL PURPOSE INSURERS AND THE RELATED DEMAND AND SUPPLY DYNAMICS AS CONTRACTS COME UP FOR RENEWAL; THE EFFECTIVENESS OF THE GROUP'S LOSS LIMITATION METHODS; THE POTENTIAL LOSS OF KEY PERSONNEL; A DECLINE IN THE GROUP'S OPERATING SUBSIDIARIES' RATING WITH A.M. BEST, S&P GLOBAL RATINGS, MOODY'S OR OTHER RATING AGENCIES; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; A CYCLICAL DOWNTURN OF THE INDUSTRY; THE IMPACT OF A DETERIORATING CREDIT ENVIRONMENT FOR ISSUERS OF FIXED MATURITY INVESTMENTS; THE IMPACT OF SWINGS IN MARKET INTEREST RATES, CURRENCY EXCHANGE RATES AND SECURITIES PRICES; CHANGES BY CENTRAL BANKS REGARDING THE LEVEL OF INTEREST RATES; THE IMPACT OF INFLATION OR DEFLATION IN RELEVANT ECONOMIES IN WHICH THE GROUP OPERATES; THE EFFECT, TIMING AND OTHER UNCERTAINTIES SURROUNDING FUTURE BUSINESS COMBINATIONS WITHIN THE INSURANCE AND REINSURANCE INDUSTRIES; THE IMPACT OF TERRORIST ACTIVITY IN THE COUNTRIES IN WHICH THE GROUP WRITES RISKS; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITIES IN THE GROUP'S INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE THE GROUP CONDUCTS BUSINESS; ANY OF THE GROUP'S BERMUDIAN SUBSIDIARIES BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE UNITED KINGDOM; THE INAPPLICABILITY TO THE GROUP OF SUITABLE EXCLUSIONS FROM THE UK CFC REGIME; ANYCHANGE IN UK GOVERNMENT POLICY WHICH IMPACTS THE CFC REGIME OR OTHER TAX CHANGES; AND THE IMPACT OF THE "BREXIT" VOTE AND FUTURE NEGOTIATIONS REGARDING THE U.K'S RELATIONSHIP WITH THE E.U., AS WELL AS THE U.K.'S GENERAL ELECTION IN JUNE, ON THE GROUP'S BUSINESS, REGULATORY RELATIONSHIPS, UNDERWRITING PLATFORMS OR THE INDUSTRY GENERALLY.

ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

Consolidated statement of comprehensive income

	Q1 2017 $m	Q1 2016 $m
Gross premiums written	196.5	230.8
Outwards reinsurance premiums	(120.2)	(109.2)
Net premiums written	**76.3**	**121.6**
Change in unearned premiums	(39.6)	(58.9)
Change in unearned premiums on premiums ceded	80.4	74.5
Net premiums earned	**117.1**	**137.2**
Net investment income	6.5	7.5
Net other investment losses	(0.8)	(1.4)
Net realised gains (losses) and impairments	2.7	(7.9)
Share of profit of associate	0.7	1.3
Other income	6.6	2.6
Net foreign exchange gains (losses)	0.2	(0.5)
Total net revenue	**133.0**	**138.8**
Insurance losses and loss adjustment expenses	46.3	47.1
Insurance losses and loss adjustment expenses recoverable	(2.1)	(6.5)
Net insurance acquisition expenses	31.9	33.5
Equity based compensation	(0.1)	3.6
Other operating expenses	24.2	25.7
Total expenses	**100.2**	**103.4**
Results of operating activities	**32.8**	**35.4**
Financing costs	4.1	8.9
Profit before tax	**28.7**	**26.5**
Tax credit	1.9	1.9
Profit after tax	**30.6**	**28.4**
Non-controlling interests	(0.3)	(0.1)
Profit after tax attributable to Lancashire	**30.3**	**28.3**
Net change in unrealised gains/losses on investments	3.8	15.2
Tax provision on net change in unrealised gains/losses on investments	–	(0.4)
Other comprehensive income	**3.8**	**14.8**
Total comprehensive income attributable to Lancashire	**34.1**	**43.1**
Net loss ratio	37.7%	29.6%
Net acquisition cost ratio	27.2%	24.4%
Administrative expense ratio	20.7%	18.7%
Combined ratio	85.6%	72.7%
Basic earnings per share	$ 0.15	$ 0.14
Diluted earnings per share	$ 0.15	$ 0.14
Change in fully converted book value per share	2.7%	3.8%

Consolidated balance sheet

	As at 31 March 2017 $m	As at 31 March 2016 $m
Assets		
Cash and cash equivalents	284.6	297.3
Accrued interest receivable	6.5	6.8
Investments	1,671.7	1,771.7
Inwards premiums receivable from insureds and cedants	335.3	334.4
Reinsurance assets		
- Unearned premiums on premiums ceded	114.3	104.7
- Reinsurance recoveries	133.8	88.2
- Other receivables	14.4	2.9
Other receivables	43.0	42.7
Investment in associate	24.9	23.2
Property, plant and equipment	4.8	6.6
Deferred acquisition costs	83.2	95.7
Intangible assets	153.8	153.8
Total assets	**2,870.3**	**2,928.0**
Liabilities		
Insurance contracts		
- Losses and loss adjustment expenses	657.6	679.1
- Unearned premiums	413.1	458.1
- Other payables	39.9	38.2
Amounts payable to reinsurers	116.1	72.8
Deferred acquisition costs ceded	1.3	1.3
Other payables	80.1	75.4
Corporation tax payable	0.3	1.9
Deferred tax liability	18.6	23.6
Interest rate swap	3.1	7.7
Long-term debt	321.7	323.7
Total liabilities	**1,651.8**	**1,681.8**
Shareholders' equity		
Share capital	100.7	100.7
Own shares	(15.5)	(28.7)
Other reserves	870.7	881.6
Accumulated other comprehensive (loss) income	(2.6)	4.3
Retained earnings	265.0	288.2
Total shareholders' equity attributable to equity shareholders of LHL	**1,218.3**	**1,246.1**
Non-controlling interest	0.2	0.1
Total shareholders' equity	**1,218.5**	**1,246.2**
Total liabilities and shareholders' equity	**2,870.3**	**2,928.0**
Basic book value per share	$6.10	$6.28
Fully converted book value per share	$6.04	$6.20

Consolidated statements of cash flows

	Q1 2017 $m	Q1 2016 $m
Cash flows used in operating activities		
Profit before tax	28.7	26.5
Tax refunded	1.3	–
Depreciation	0.5	0.6
Interest expense on long-term debt	4.0	4.4
Interest and dividend income	(9.0)	(9.6)
Net amortisation of fixed maturity securities	1.1	1.5
Equity based compensation	(0.1)	3.6
Foreign exchange losses	1.8	3.9
Share of profit of associate	(0.7)	(1.3)
Net other investment losses	0.8	1.4
Net realised (gains) losses and impairments	(2.7)	7.9
Net unrealised (gains) losses on interest rate swaps	(0.6)	2.9
Changes in operational assets and liabilities		
- Insurance and reinsurance contracts	(60.7)	(58.9)
- Other assets and liabilities	22.0	4.1
Net cash flows used in operating activities	**(13.6)**	**(13.0)**
Cash flows from investing activities		
Interest and dividends received	9.1	9.3
Investment in associate	25.5	25.6
Purchase of investments	(283.5)	(304.3)
Proceeds on sale of investments	265.5	312.3
Net cash flows from investing activities	**16.6**	**42.9**
Cash flows used in financing activities		
Interest paid	(6.0)	(5.7)
Dividends paid	(19.9)	(19.8)
Dividends paid to minority interest holders	(0.6)	(0.5)
Distributions by trust	(2.9)	(1.1)
Net cash flows used in financing activities	**(29.4)**	**(27.1)**
Net (decrease) increase in cash and cash equivalents	**(26.4)**	**2.8**
Cash and cash equivalents at the beginning of year	308.8	291.8
Effect of exchange rate fluctuations on cash and cash equivalents	2.2	2.7
Cash and cash equivalents at end of year	**284.6**	**297.3**