Lancashire
Holdings Limited

Investor presentation

Year-end 2021

www.lancashiregroup.com

Safe harbour statements

Lancashire Holdings Limited

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

Certain statements and indicative projections (which may include modelled loss scenarios) made in this presentation or otherwise that are not based on current or historical facts are forward-looking in nature including, without limitation, statements containing the words "believes", "aims", "anticipates", "plans", "projects", "forecasts", "guidance", "intends", "expects", "estimates", "predicts", "may", "can", "likely", "will", "seeks", "should", or, in each case, their negative or comparable terminology. 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.

For a description of some of these factors, see the Group's announcement of its results for the year ended 31 December 2021.

All forward-looking statements in this presentation or otherwise 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. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this note. Prospective investors should specifically consider the factors identified in this presentation and results announcement noted above which could cause actual results to differ before making an investment decision.

NOTE REGARDING ALTERNATIVE PERFORMANCE MEASURES:

The Group uses alternative performance measures to help explain business performance and financial position. These measures have been calculated consistently with those as disclosed in the Group's announcement of its results for the year ended 31 December 2021.

NOTE REGARDING RPI METHODOLOGY:

The renewal price index ("RPI") is an internal methodology that management uses to track trends in premium rates of a portfolio of insurance and reinsurance contracts. The RPI written in the respective segments is calculated on a per contract basis and reflects management'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 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 the portfolio of contracts or, for example, new business lines within a segment. The future profitability of the portfolio of contracts within the RPI is dependent upon many factors besides the trends in premium rates.

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Year-end 2021

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Year-end 2021

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Industry estimates of $105bn - $130bn insured losses from natural catastrophes in 2021. One of the costliest years on record.

- Combined ratio of 107.3%, including significant weather and large loss events of $306.4 million.
- Weather and large losses in line with our risk tolerances and expectations for such events.
- No change to our reserving approach.
- Underlying combined ratio* of 75.7% demonstrates benefit of expansion and recent rate increases.

*Underlying combined ratio excludes catastrophe and large losses (>$5m) and reserve releases

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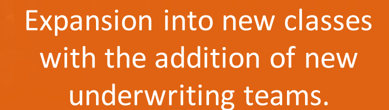

A transformational year for Lancashire, taking advantage of improved pricing to future-proof the business.

GPW increased by 50.5**%** year-on-year to

$1.2b

Group RPI of **109%.**

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Remain strongly capitalised and continuing to deliver on our strategy in 2022

- Strongly capitalised for further growth in 2022 and beyond.
- Continuing to improve our capital efficiency; we have been building out new, capital-light lines since 2018.
- Delivering on our strategy to actively manage the cycle.

Growing expertise, with new teams continuing to build out Lancashire's franchise.

4

New teams added for 2022.

Year-end 2021: Business development

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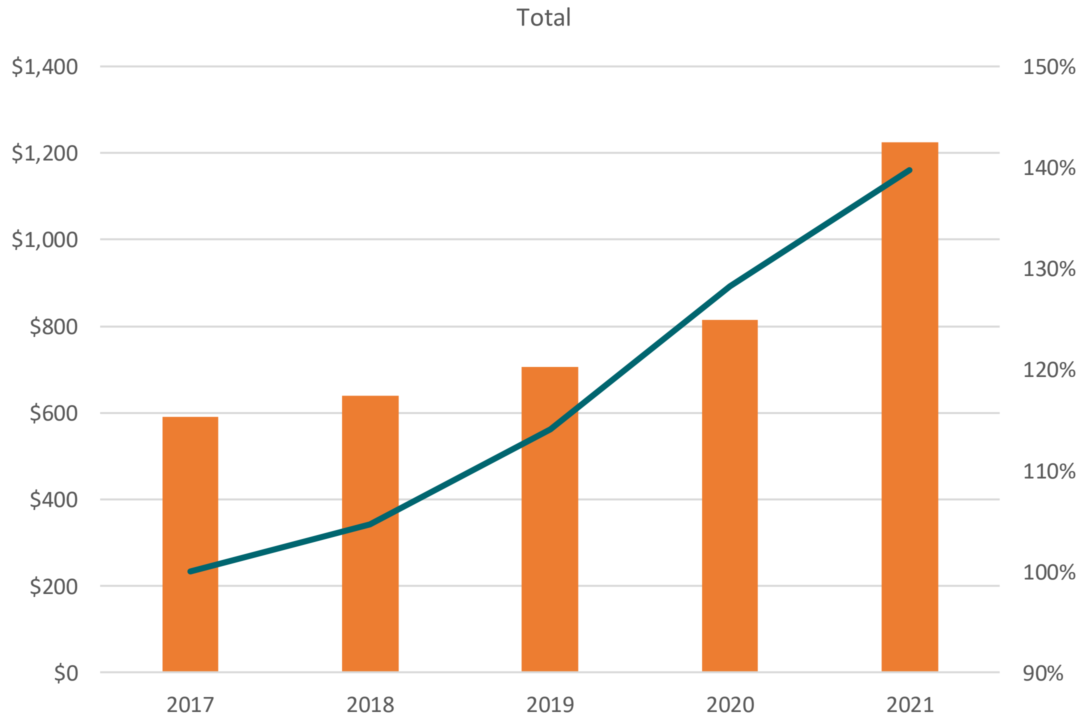
Strong premium growth in 2021

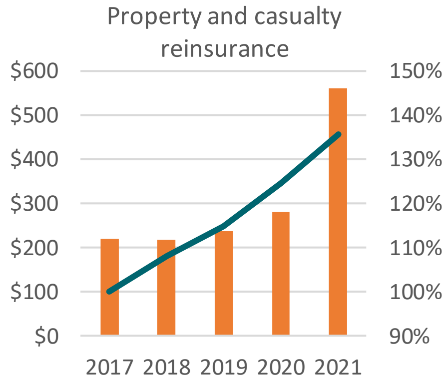
Gross premiums written ($m) and cumulative RPI for the full year: 2017 to 2021

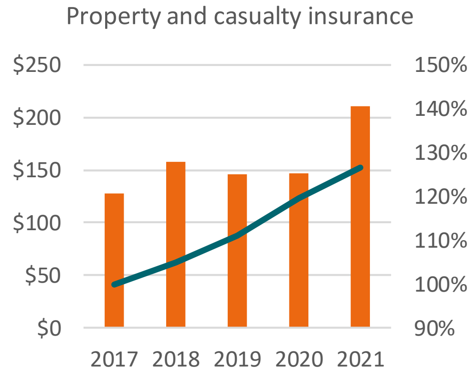


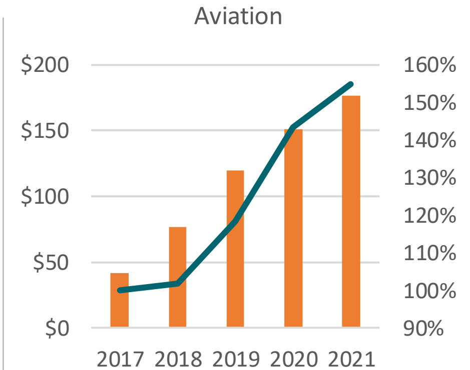
GPW increased by 50.5% year-on-year from 2020 to 2021.

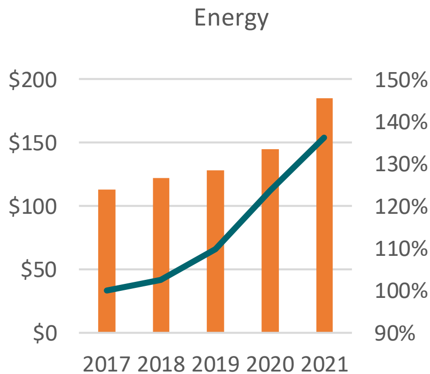
Strong premium growth in 2021

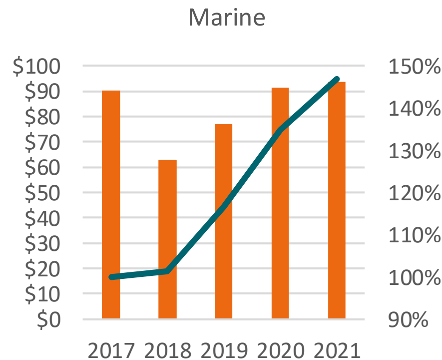
Gross premiums written ($m) and cumulative RPI for the full year: 2017 to 2021











Underwriting outlook for 2022

We anticipate a fifth year of positive rate momentum.

- 1 January property reinsurance risk-adjusted rate change in the high single to low double-digit range
- Specialty insurance expected to remain positive, albeit the rate of increase is likely to slow

We expect to grow ahead of rate in 2022 with more growth coming from capital-light products.

- New 2021 lines starting to mature
- New teams for 2022 are expected to deliver $50-60m in additional GPW

We will continue to develop our existing underwriting teams and complement with new hires should the right opportunities present themselves.

Deep dive into specialty: Lancashire Syndicate 3010 at Lloyd's

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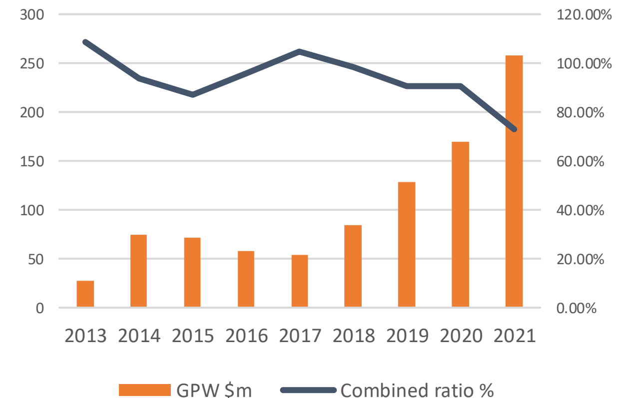
- **Lancashire has carefully built out its specialty business in s3010 since its acquisition in 2013, with the syndicate achieving 'light touch' status for 2021.**
- **The syndicate now writes a broad book of business at 'best in class' combined ratios.**
  - Market leader in niche aviation markets
  - Worldwide marine cargo and hull and liability
  - Energy account focused on upstream energy and power and utility infrastructure
  - Terrorism, political violence and political risk
  - Accident and health

Specialty business intended to be:
- FCBVS accretive
- Low capital loading
- Largely attritional
- Low volatility

'Best in class' performance at Lloyd's – light touch syndicate



Year-end 2021 loss environment

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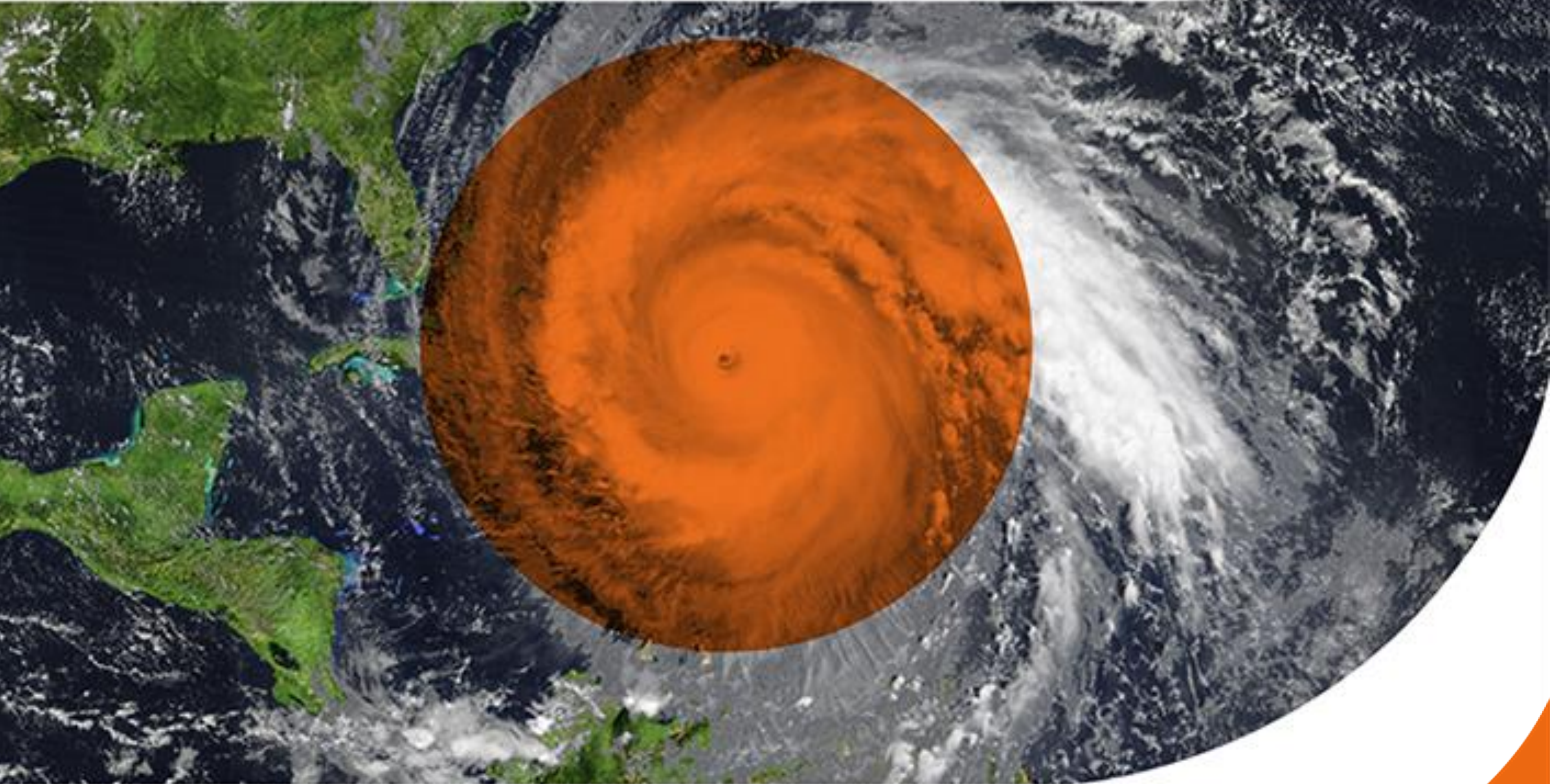

Year-end 2021 loss environment

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Accident year	PY Development ($m)
2016 AY & prior	17.7
2017 AY	18.4
2018 AY	7.1
2019 AY	8.8
2020 AY	34.5
Total	**86.5**

- Combined ratio of 107.3%, including significant weather and large loss events of $306.4 million.
- Increased premium has acted as a ballast to the 2021 loss events.
- Weather and large losses in line with our risk tolerances and expectations for such events.
- Reserve releases ahead of guidance - prior year favourable development of $86.5 million.

Weather and large loss events in 2021 mask the benefits of rate increases on underlying profitability.

No change to our reserving approach.

Catastrophe Business: volatile but profitable over time

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Insured industry losses 1997-2021

$bn

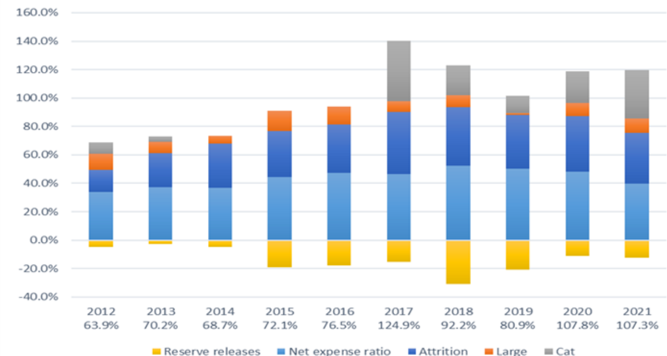
1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

Insured losses

Sources:
1997-2020 Swiss Re
2021 Munich Re

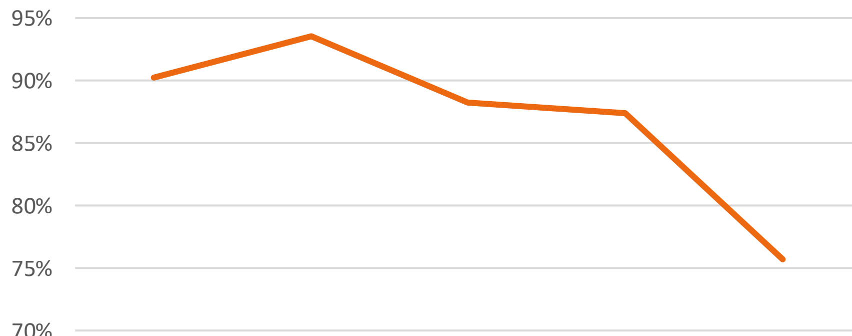
Last five years of heightened catastrophe losses, preceded by five relatively benign years.

2021 is estimated to be one of the costliest years on record for industry-wide catastrophe losses, reflected in our combined ratio.



Combined Ratio Development

Underlying combined ratio improvement since 2017



	2017	2018	2019	2020	2021
Combined ratio	124.9%	92.2%	80.9%	107.8%	107.3%

Combined ratio excluding catastrophe and large losses (>$5m) and reserve releases

Underlying combined ratio of 75.7% demonstrates benefit of expansion and recent rate increases.

Attritional loss ratio for 2021 is 36% - at lower end of previous guidance.

Strongly capitalised to take advantage of the improving market

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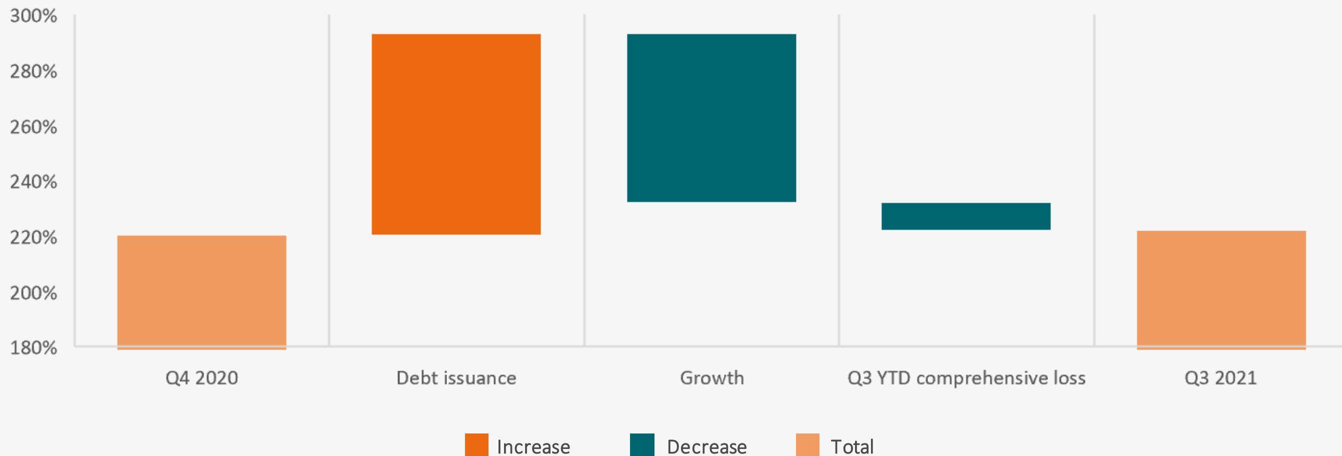

Note: We still maintain a strong regulatory capital position following the year's losses with a solvency ratio of 222% at Q3 2021. Our year end position is likely to be higher than this as we expect that our 2022 reinsurance programme will be beneficial at the regulatory loss return periods. We expect to provide the Q4 2021 regulatory position at the Q1 earnings call.

Investments: portfolio structure

Investments: conservative portfolio structure – quality focus

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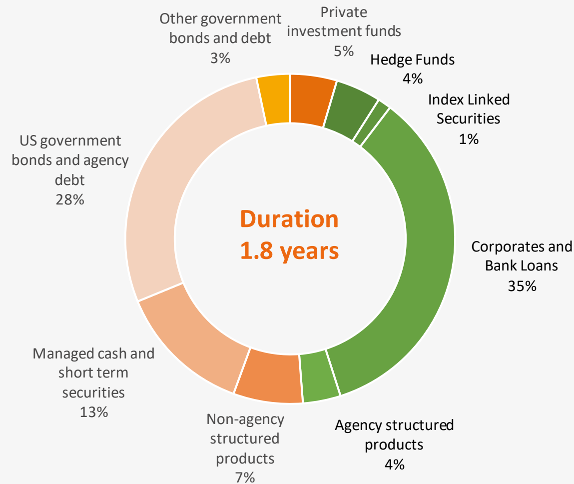
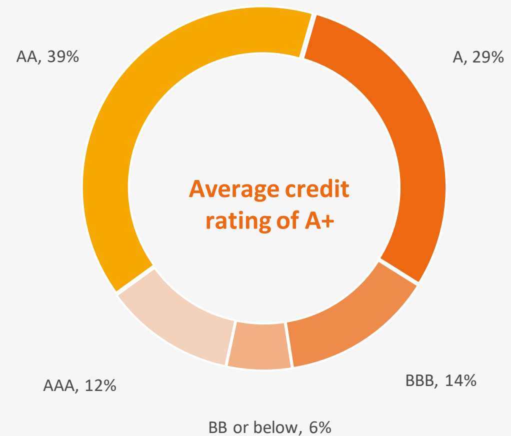
Asset Allocation
total investment portfolio and managed cash



Credit Quality
fixed maturities and managed cash



- Total investment portfolio and managed cash at 31 December 2021 = $2,308.8 million.
- Investment portfolio return, including realized and unrealized gains and losses, of 0.1% in 2021.

Outlook: positioned for growth

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Guidance for 2022

	Guidance 2021	Achieved 2021	Guidance 2022
New hires for the year GPW contribution	$40m - $60m	$95m	$50m - $60m
Attritional loss ratio	35% - 40%	36%	33% - 37%
Reserve releases	$40m - $60m	$86.5m	$70m - $80m
Acquisition cost ratio	1-2%pt benefit vs 2020	1.7%pt benefit	broadly the same as 2021
G&A expense ratio	1-2%pt benefit vs 2020	6.8%pt benefit	18%

Outlook: positioned for growth

- **We remain strongly capitalised to deliver on our strategy.** We continue to navigate the insurance cycle, manage the business for the long term, ignore the herd and be bold when we see true opportunity.
- **Our franchise has strengthened and is more resilient.** We continue to see the profitability of our non-catastrophe business providing a meaningful, positive ballast to the catastrophe results in the year.
- **We see strong opportunities for 2022**. We will continue to grow while the opportunity persists as we look to maximise returns for shareholders in an attractive rating environment. We expect further growth to be supported in 2022 from existing and new teams.
- **We will continue to build out the franchise, rating environment permitting**. Since 2018 we have brought in a number of new colleagues, who have been attracted by the strength of our franchise, our clear strategy, and our commitment to disciplined underwriting. We will continue to look at accretive opportunities.

There is no change to our long term strategy

Disciplined growth is important now to balance returns over the longer term. Growth will allow Lancashire to mitigate the weaker years through portfolio optimisation, reducing risk levels where appropriate and we expect this to enhance returns over the cycle.

Appendix

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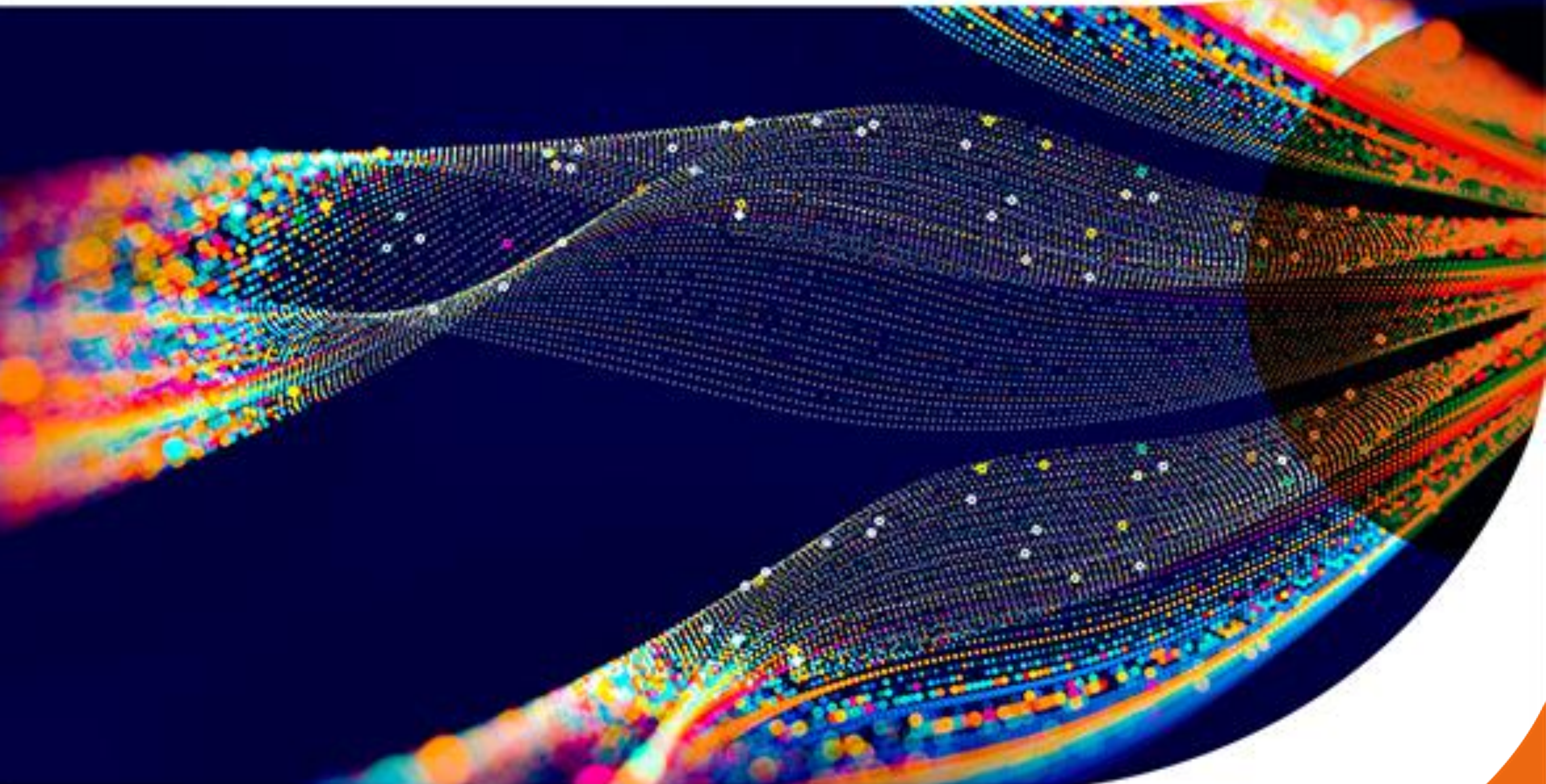
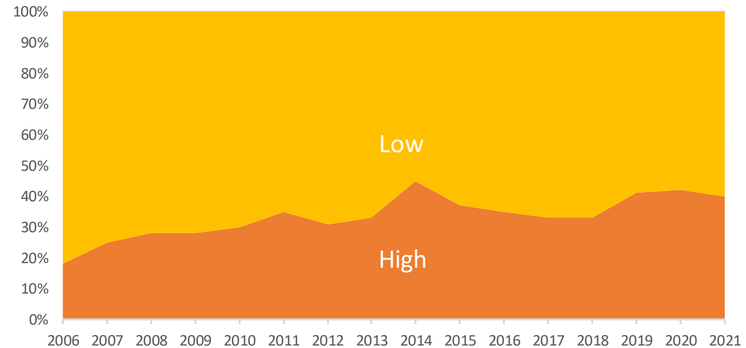


Changing business mix drives changes in the attritional loss ratio

- When Lancashire began writing business in 2005/6 around 80% of our premiums related to low attrition/high volatility risk exposure.
- As we integrated Lancashire Syndicates from 2014, the low attrition/high volatility exposure premiums reduced to approximately 60%.
- The softer part of the cycle in some specialty lines saw an increase in low attrition/high volatility exposure to approximately 70% in 2017.
- Since 2018, we have been growing products with medium/high attrition and lower volatility exposures.
- As our premiums can and have changed significantly year-on-year, the balance of higher vs lower attritional loss ratio business can also change dramatically.



The key for us remains a focus on Change in FCBVS, a measure we aim to maximise each year.

Business mix benefits

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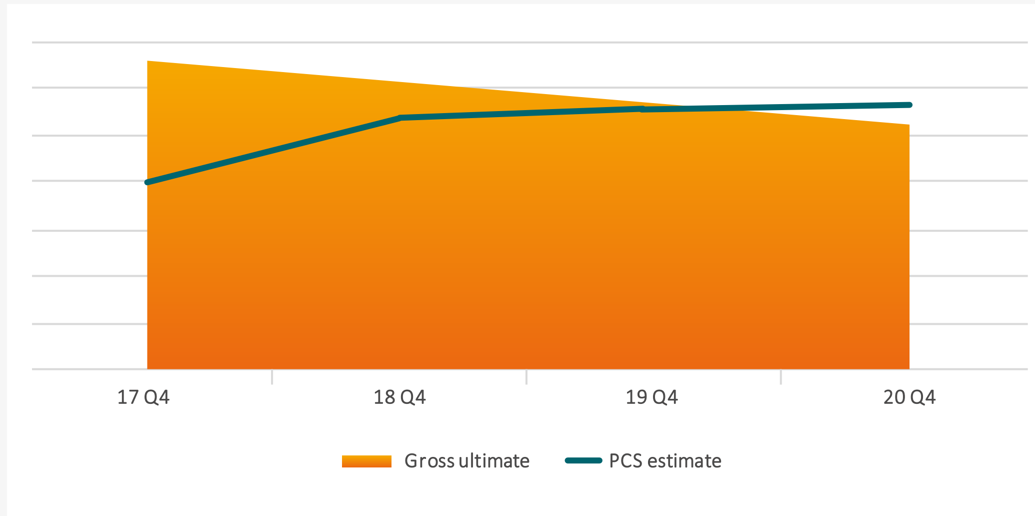
- The relative loss ratio split between attritional / large / catastrophe varies by business line.
- More attritional business generally has a lower capital requirement. The underlying combined ratio may be higher than catastrophe business, but the return on capital is positive and accretive to Change in FCBVS.
- We continue to be flexible in the balance of business between high and low attritional business, dependent on market conditions.
- We tend to reserve more conservatively on new lines while we get comfortable with underwriting and claims performance.

EXAMPLES	Property CAT exposed	Traditional specialty	New specialty lines
Product	**Property catastrophe reinsurance**	**Upstream energy construction**	**Aviation deductible**
Capital requirement	High	Medium	Low
Catastrophe exposure	High	Medium	Low
Large loss frequency	Low	High	Low
Attritional losses	Low	Medium	High
Volatility of returns	High	Medium	Low
Typical attritional loss ratio	Sub 20%	20%-50%	Above 50%

Year-end 2021 loss environment

Lancashire's AY 17 Catastrophe Gross Development vs PCS Estimate



Accident year	PY Development ($m)
2016 AY & prior	17.7
2017 AY	18.4
2018 AY	7.1
2019 AY	8.8
2020 AY	34.5
Total	**86.5**

Claims inflation is not a major concern for Lancashire

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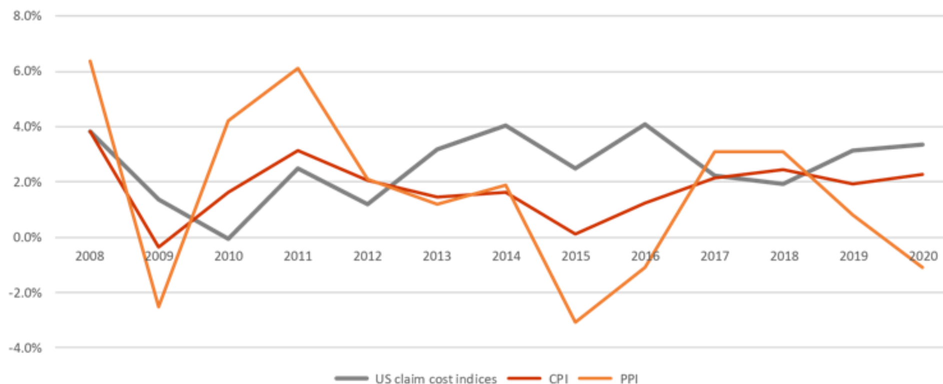
- We write a predominantly **short-tail book**, with the bulk of our policies renewing every year.
- Policies renew through the year, not just on January 1st.
- Clients provide regularly **updated schedules of insured values** where required.
- Catastrophe modelling includes (our) inflation loading.
- A weak relationship between claims inflation and economic inflation (see chart below).
- Short-term demand driven spikes in materials/labour reflected in our wider attritional loss ratio guidance.

Tenuous link between claims inflation and economic inflation



Source: WTW, Bloomberg

Our approach to capital

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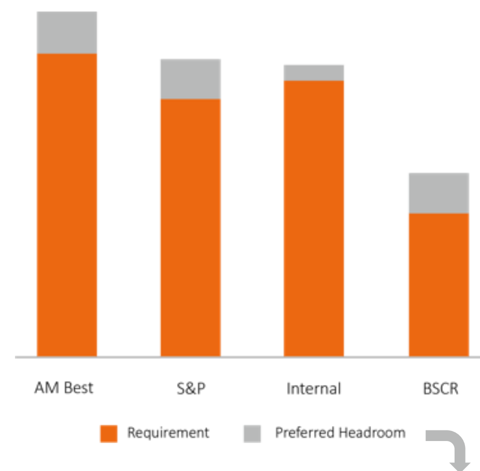
- Two of our three long-stated strategic priorities relate to capital: *Effectively Balance Risk and Return* and *Operate Nimbly Through the Cycle*
    - We have a track record of active capital management, returning or raising capital where appropriate given expected underwriting returns.
    - Since inception we have returned $2.9bn to shareholders.
    - We raised $340 million additional equity share capital in June 2020 and refinanced our long-term debt capital in H1 2021 to enable us to write more business in a hardening market.
- We monitor capital and headroom against internal, rating agency and regulatory requirements. Of these the AM Best BCAR capital requirement under their 'Cat Stress' capital model is the most restrictive.

2021 proforma capital requirement[1]



Preferred headroom is indicative. Management's preferred headroom target is flexible depending on market opportunities and conditions.

[1] 2021 proforma capital requirements are estimated on a mean loss basis. Capital requirements are as follows: AM Best VaR 99.6 'cat stress' model, S&P 'AA', BSCR – the BMA new methodology and internal, based on our forecast exposures.

Maintaining a strong capital position

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- We maintain a conservative capital position such that we can withstand a significant catastrophe event and still retain our ratings and regulatory solvency position.
- Our key capital driver is the AM Best 'cat stress' model, which is more penal than the published standard model as it reduces available capital by a 1 in 100 year All Perils Worldwide PML. We monitor headroom against the BCAR tolerance of 10% at the 99.6 confidence level to maintain our capital assessment as "strongest" by AM Best.
- Our successful H1 2021 debt issuance has increased the efficiency of our capital position as our new Tier 2 subordinated debt is fully allowable as regulatory and S&P capital.

Our new Tier 2 subordinated debt is fully allowable as regulatory and S&P capital.

"Strongest" AM Best capital assessment

99.6

Confidence level

Maintaining a strong capital position

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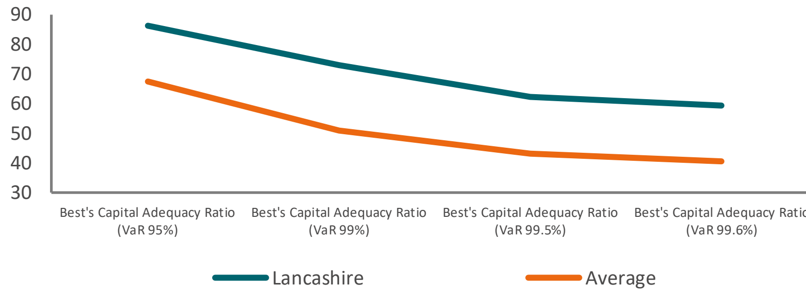

(1) Insurance industry average includes: Fidelis, Partner Re, Hamilton Insurance Group, Arch, Hiscox, Everest Re, Axis, Aspen, Hanover Insurance Group, Beazley, Greenlight, Renaissance Re, Argo and Axa

Coverage ratio of the available statutory capital and surplus. Calculated under the BMA's BSCR calculation methodology. Q4 2021 BSCR coverage ratio not yet available.

BSCR	Q3 2021	Q3 2021	2020	2020	2019	2019
	$m	%	$m	%	$m	%
Total statutory economic capital & surplus	1,830		1,470		1,117	
Enhanced capital requirement	823	222	668	220	496	225

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ESG strategy

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ESG: Our journey

Lancashire Holdings Limited

People and culture

- 2021 employee survey score of 88% (+3% on 2019)
- Named 'Top 10 Employer' in Bermuda in October 2021
- Active programme to develop internal talent into senior roles
- Permanent employees share in success through RSS awards
- Lancashire Diversity and Inclusion Group
- 50% of women in Group senior management

Sustainable insurance

- We provide risk solutions that help people recover from natural catastrophe and man-made events
- ESG is embedded in our business
- Committed to the UNEP FI Principles for Sustainable Insurance
- We understand there are no simple solutions to today's challenges and support clients as they transition from carbon-based energy

Operating responsibly

- Climate Change Working Group and ESG Committee established in 2021
- 100% off-setting of calculated own greenhouse gas emissions
- Commitment to carbon neutral to carbon net-zero by 2050 in own operations
- Commitment to a reduction in emissions per FTE of 15% by 2030 in own operations
- 100% renewable electricity in our London office

Responsible investment

- Principal investment managers signatories to UN Principles for Responsible Investment
- ESG and carbon intensity analytics being developed for investment portfolio
- Committed to managing impacts of fixed maturity portfolio through Climate VaR appetite statement. Objective for assets held (that are covered by MSCI) to have less detrimental climate impact than a benchmark portfolio linked to a 1.5C future climate scenario

Lancashire Holdings Limited

Lancashire Foundation

Since the first donation in 2007, the Foundation has given $21.8 million to charitable organisations across an ever increasing range of causes. During 2021, around $700,000 was distributed to charities.

- We believe that the success of the Foundation in making a real difference to the lives of those less fortunate is due to the enthusiasm of our people.
- Whether actively getting involved in helping others through volunteering or requesting funding for causes close to them, their support is invaluable.
- Employees raising funds for charitable organisations can also request matching funds from the Foundation.
- The annual donation made to the Foundation to fund its assistance pool is aligned to the financial performance of the business.

The Foundation receives 0.75% of Group profits with a minimum threshold of $250,000 to a maximum of $750,000.

Lancashire Holdings Limited

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