Lancashire
Holdings Limited

BUILDING OUR FUTURE

Unaudited condensed interim consolidated financial statements 30 June 2021

Contents

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2021	Six months ended 30 June 2020	Twelve months ended 31 December 2020
Highlights			
Gross premiums written	**697.2**	495.5	814.1
Net premiums written	**427.9**	282.5	519.4
Underwriting profit	**127.1**	39.4	77.0
Profit (loss) before tax	**54.1**	(23.0)	5.9
Comprehensive income (loss)[1]	**33.6**	(14.7)	24.3
Change in FCBVS[2,3]	**2.4%**	7.2%	10.2%
Financial ratios			
Total investment return	**0.3%**	1.3%	3.9%
Net loss ratio	**38.4%**	57.4%	59.6%
Combined ratio	**80.7%**	106.9%	107.8%
Per Share data			
Fully converted book value per share	**$6.33**	$6.16	$6.28
Dividends per common share for the financial year	**$0.05**	$0.05	$0.15
Diluted earnings (loss) per share	**$0.19**	($0.13)	$0.02

[1] These amount are attributable to Lancashire and exclude non-controlling interests.
[2] Defined as the change in fully converted book value per share, adjusted for dividends. See the section headed "Alternative Performance Measures".
[3] The change in FCBVS excluding the impact of the capital raise in June 2020 as at 30 June 2020 would have been (1.0%) and as at 31 December 2020 would have been 2.4%.

Alex Maloney, Group Chief Executive Officer, commented:

"I am particularly pleased with the Group's strong premium growth of 40.7% in the first half of the year. It has always been our strategy to write more business and deploy more of our capital when market conditions dictate, and these results amply demonstrate our persistent focus on delivering on our strategic aims. The Group achieved a growth in FCBVS of 2.4% for the half year, absent the one off debt redemption costs, the growth in FCBVS would have been 3.5%. The rating environment continues to be favourable for most of the products we sell, giving rise to a renewal price index of 111% and considerable organic growth. Importantly, we are starting to reap the benefit of the cumulative rate increases we have achieved over the past three years on our profitability. This is illustrated by our combined ratio of 80.7% for the half year.

My thanks go to our colleagues, who during this last year have demonstrated their ability to work flexibly at home and in the office. We are currently able to operate a flexible working model, with many of our people having returned to a "COVID secure" office environment in both London and Bermuda.

Looking ahead, we expect the rating environment to remain positive. In addition, the new teams that we have recently hired are expected to contribute to the Group's growth in the future. Our continued commitment to underwriting discipline will be central to our success."

Natalie Kershaw, Group Chief Financial Officer, commented:

"For the first half of 2021, we were very pleased to generate an underwriting profit of $127.1 million despite the impact of Winter Storm Uri in the first quarter of 2021. We did not incur any other significant losses and had positive reserve releases of $53.6 million in the period. Furthermore, the Group's loss reserves for COVID-19 remain stable.

Our overall profits were impacted by one-off costs of $18.7 million due to the successful Tier 2 debt issuance and related refinancing in the period, which has improved the capital efficiency of our balance sheet. The investment portfolio remains relatively conservative, with a significant weighting to fixed income assets. As a result, our investment returns, including unrealised gains and losses, were negatively impacted by the yield curve steepening in the first quarter of the year, resulting in a total investment return of 0.3% for the first six months of 2021.

We started the year in a strong capital position following the successful $340 million equity raise in 2020. This, together with our recent debt refinancing, has enabled us to grow our premium base substantially. Given premium pricing is still improving across the majority of our book, we would expect to retain any profits from 2021, over and above the payment of an ordinary dividend, to fund further growth.

In line with our stated ordinary dividend policy, on 27 July 2021 the Board declared an ordinary interim dividend of $0.05 per share."

UNDERWRITING RESULTS

Gross premiums written	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Change $m	Change %	RPI %
Property and casualty reinsurance	**377.0**	217.9	159.1	73.0	**111**
Property and casualty insurance	**106.5**	82.2	24.3	29.6	**107**
Aviation	**58.4**	50.2	8.2	16.3	**113**
Energy	**107.6**	91.7	15.9	17.3	**112**
Marine	**47.7**	53.5	(5.8)	(10.8)	**110**
Total	**697.2**	495.5	201.7	40.7	**111**

As disclosed in our Q1 2021 trading statement on 29 April 2021, the Group's operating segments for the purposes of segmental reporting have been revised in the current year. The prior period comparatives have been represented in conformity with the current year view.

Gross premiums written increased by 40.7% in the first six months of 2021 compared to the same period in 2020, with the most significant growth in dollar terms occurring in the property and casualty reinsurance segment. The increase in this segment was primarily driven by new business and rate increases in the property catastrophe and property retrocession classes of business as we were able to grow into the hardening market at overall RPIs of 111%. New underwriting teams in the specialty reinsurance and accident and health classes of business have also contributed to the growth in the first half of 2021 and the Group has added casualty reinsurance to its underwriting portfolio during this period.

The increase in the property and casualty insurance segment was primarily due to growth in the property direct and facultative class of business as we continued to build out our book at RPIs of 108%. We also saw opportunities to write new business in the political risk class which benefited from increasing transactions globally and opportunities in new territories

Although the first half of the year is not a major renewal period for aviation, this segment saw the highest overall RPI for the first six months of 2021 at 113%. We also added some new business in the aviation hull and liability class during this period.

The increase in the energy segment was primarily driven by new business in the downstream and liability classes, where the market was more dislocated. We have also written more business in the power market as pricing continues to improve. These increases were somewhat offset by a reduction in premium in the upstream class of business where rate adequacy was more challenging and where we had benefited from some positive exposure increases in the corresponding period of 2020.

Marine represented the only segment that experienced a reduction in premium in the first six months of 2021 compared to the same period in 2020. Although we did write some new marine business across most classes, this was offset by timing differences in the marine liability and marine hull classes where a number of policies written in 2020 on a multi-year or non-annual basis were not yet up for renewal, plus some non-renewals where terms were unsatisfactory.

Ceded reinsurance premiums increased by $56.3 million, or 26.4%, in the first six months of 2021 compared to the same period in 2020, although the percentage of premiums ceded as a proportion of premiums written decreased as we retained more risk in the improving market. The increase in spend was primarily due to the additional outwards reinsurance cover purchased for the new lines of business entered into and the overall growth in gross premiums written during the first half of 2021. The increase was also driven by a combination of rate increases, additional limits purchased and the timing of renewals.

The Group's net loss ratio for the first six months of 2021 was 38.4% compared to 57.4% for the same period in 2020. The accident year loss ratio for the first six months of 2021, including the impact of foreign exchange revaluations, was 56.3% compared to 55.4% for the same period in 2020.

Our net losses recorded in the first half of 2021 for Winter Storm Uri, including the impact of reinsurance and inwards and outwards reinstatement premiums, were $44.8 million and within the previously guided range. In the first half of 2020, our net losses from the COVID-19 pandemic, including the impact of reinsurance and inwards and outwards reinstatement premiums were $41.6 million. The Group's COVID-19 related losses remained stable in the first half of 2021.

Excluding the impact of foreign exchange revaluations, the table below shows the impact of Winter Storm Uri on the Group's net loss ratio for the first six months of 2021:

	Net losses $m	Net loss ratio $m
Reported at 30 June 2021	**121.1**	**38.4%**
Absent Winter Storm Uri	**69.9**	**22.6%**

Note: The table does not sum to a total due to the impact of reinstatement premium.

Excluding the impact of foreign exchange revaluations, the table below shows the impact of COVID-19 related losses on the Group's net loss ratio for the first six months of 2020:

	Net losses $m	Net loss ratio $m
Reported at 30 June 2020	132.4	57.4%
Absent COVID-19	93.4	40.0%

Note: The table does not sum to a total due to the impact of reinstatement premium.

Prior year favourable development for the first six months of 2021 was $53.6 million, compared to $5.1 million of unfavourable development for the same period in 2020. The favourable development in the first six months of 2021 was primarily due to general IBNR releases across most lines of business due to a lack of reported claims. The Group also experienced favourable development from reserve releases on the 2017 and prior accident years.

The unfavourable development during the first six months of 2020 was primarily driven by a number of late reported losses from the 2019 accident year, reserve deterioration on a couple of marine claims in the 2017 and 2019 accident years, in addition to adverse development on the 2010 New Zealand earthquake in the property and casualty reinsurance segment.

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

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m
Property and casualty reinsurance	**6.7**	(9.6)
Property and casualty insurance	**17.6**	5.9
Aviation	**9.4**	1.5
Energy	**17.8**	11.6
Marine	**2.1**	(14.5)
Total	**53.6**	(5.1)

Note: Positive numbers denote favourable development.

Excluding the impact of foreign exchange revaluations, previous accident years' ultimate losses developed as follows during the six months 30 June 2021 and 2020:

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m
2016 accident year and prior	**16.7**	(4.8)
2017 accident year	**12.9**	(5.2)
2018 accident year	**(1.6)**	14.8
2019 accident year	**1.8**	(9.9)
2020 accident year	**23.8**	—
Total	**53.6**	(5.1)

Note: Positive numbers denote favourable development.

INVESTMENTS

Net investment income, excluding realised and unrealised gains and losses, was $14.7 million for the first six months of 2021, a decrease of 1.3% from the same period in 2020. 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 $7.4 million for the first six months of 2021 compared to a gain of $22.0 million for the first six months of 2020.

The Group's investment portfolio, including unrealised gains and losses, returned 0.3% for the first six months of 2021. The fixed maturity portfolios had negative returns during the first quarter as the yield curve steepened between the two-year and thirty-year part of the yield curve. These losses were largely reversed in the second quarter due to a flattening of the yield curve and narrowing of credit spreads. This resulted in year-to-date fixed maturity portfolio returns that were flat to slightly negative. Positive returns from other investments, including the hedge funds and principal protected notes, allowed the overall investment portfolio to generate the slightly positive return year-to-date.

The Group's investment portfolio, including unrealised gains and losses, returned 1.3% for the first six months of 2020 where returns were driven by significant volatility as a result of the COVID-19 pandemic. Fixed maturities recouped all of the losses from the first quarter of 2020, with hedge funds, bank loans and private investment funds showing small losses on a year-to-date basis.

The managed portfolio was invested as follows:

	30 June 2021	30 June 2020	31 December 2020
Fixed maturity securities	**77.7%**	81.0%	82.8%
Cash and cash equivalents	**12.1%**	11.8%	8.5%
Hedge funds	**4.5%**	4.5%	4.0%
Private investment funds	**4.3%**	2.7%	4.7%
Index Linked securities	**1.3%**	—	—
Other investments	**0.1%**	—	—
Total	**100.0%**	100.0%	100.0%

	30 June 2021	30 June 2020	31 December 2020
Duration	**1.8 years**	1.9 years	2.0 years
Credit quality	**A+**	AA-	A+
Book yield	**1.3%**	1.8%	1.7%
Market yield	**0.8%**	1.1%	0.7%

LANCASHIRE THIRD PARTY CAPITAL MANAGEMENT

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

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m
LCM underwriting fees	**2.4**	2.7
LCM profit commission	**3.6**	—
LSL fees and profit commission	**1.0**	0.8
Total	**7.0**	3.5
Share of profit of associate	**0.3**	1.1
Total third party capital managed income	**7.3**	4.6

The amount of LCM profit commission recognised is driven by the timing of loss experience, settlement of claims and collateral release and therefore varies year on year. During the first six months of 2021 the Group recognised $3.6 million of profit commission from the 2019 underwriting cycle. The share of profit of associate reflects Lancashire's equity interest in the LCM managed vehicle.

OTHER OPERATING EXPENSES

Other operating expenses were $66.1 million in the first six months of 2021 compared to $55.1 million in the first six months of 2020. A growth in headcount has resulted in higher employee remuneration costs compared to the prior year. There has also been an increase in expenditure on project consultancy costs. The strengthening of the Sterling/U.S. Dollar exchange rate relative to the prior year also contributed to an overall increase in other operating expenses.

CAPITAL

As at 30 June 2021, total capital available to Lancashire was approximately $2.0 billion, comprising shareholders' equity of $1.6 billion and $0.4 billion of long-term debt. Tangible capital was $1.8 billion. Leverage was 22.3% on total capital and 24.2% on total tangible capital. Total capital and total tangible capital as at 30 June 2020 were $1.8 billion and $1.7 billion respectively.

LONG-TERM DEBT

In the first six months of 2021, the Group issued $450.0 million in aggregate principal amount of 5.625% fixed-rate reset junior subordinated notes due 2041. The long-term debt was issued in two tranches forming part of the same series of notes, with $400.0 million issued on 18 March 2021 and $50.0 million issued on 31 March 2021. The fixed-rate interest is payable semi annually.

The majority of the net proceeds from the long-term debt issuance were used by the Group to redeem its then-existing senior and subordinated indebtedness, with the balance being used for general corporate purposes. Included in financing costs of $30.7 million for the first six months of 2021 were $18.7 million of one-off costs associated with the refinancing of the long-term debt.

The new long-term debt was approved as "Tier 2 Ancillary Capital" by the Bermuda Monetary Authority and has further improved the Group's coverage ratio of available statutory capital and surplus over the BMA's enhanced capital requirement.

DIVIDENDS

Lancashire's Board of Directors declared on 27 July 2021 an interim dividend of $0.05 (approximately £0.04) per common share, which will result in an aggregate payment of approximately $12.2 million. The dividend will be paid in Pounds Sterling on 3 September 2021 (the "Dividend Payment Date") to shareholders of record on 6 August 2021 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date.

Shareholders interested in participating in the dividend reinvestment plan ("DRIP"), or other services including international payment, are encouraged to contact the Group's registrars, Link Asset Services, for more details.

RATINGS

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 (unchanged from 2020):

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

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

Lancashire Syndicates 3010 and 2010 benefit from Lloyd's ratings: A.M. Best: A (Excellent); S&P Global Ratings: A+ (Strong); and Fitch: AA- (Very strong).

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the six months ended 30 June 2021

	Notes	Six months 2021 $m	Six months 2020 $m	Twelve months 2020 $m
Gross premiums written	2	**697.2**	495.5	814.1
Outwards reinsurance premiums	2	**(269.3)**	(213.0)	(294.7)
Net premiums written		**427.9**	282.5	519.4
Change in unearned premiums	2	**(210.6)**	(129.3)	(51.5)
Change in unearned premiums on premiums ceded	2	**98.0**	77.6	7.9
Net premiums earned		**315.3**	230.8	475.8
Net investment income	3	**14.7**	14.9	29.0
Net other investment income (losses)	3	**1.5**	(15.5)	6.5
Net realised gains (losses) and impairments	3	**5.7**	10.6	12.8
Share of profit of associate		**0.3**	1.1	10.7
Other income		**7.0**	3.5	15.3
Net foreign exchange gains (losses)		**1.6**	(3.9)	1.4
Total net revenue		**346.1**	241.5	551.5
Insurance losses and loss adjustment expenses	2, 7	**136.2**	159.2	363.6
Insurance losses and loss adjustment expenses recoverable	2, 7	**(15.1)**	(26.8)	(79.8)
Net insurance losses		**121.1**	132.4	283.8
Insurance acquisition expenses	2	**82.3**	70.7	139.0
Insurance acquisition expenses ceded	2	**(15.2)**	(11.7)	(24.0)
Equity based compensation		**7.0**	7.0	12.3
Other operating expenses		**66.1**	55.1	114.4
Total expenses		**261.3**	253.5	525.5
Results of operating activities		**84.8**	(12.0)	26.0
Financing costs	4	**30.7**	11.0	20.1
Profit (loss) before tax		**54.1**	(23.0)	5.9
Tax charge	5	**(6.2)**	(3.0)	(1.4)
Profit (loss) after tax		**47.9**	(26.0)	4.5
Profit (loss) for the period attributable to:				
Equity shareholders of LHL		**47.7**	(26.0)	4.2
Non-controlling interests		**0.2**	—	0.3
Profit (loss) for the period		**47.9**	(26.0)	4.5
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods				
Net change in unrealised gains / losses on investments	3, 6	**(14.5)**	12.0	20.8
Tax credit (charge) on net change in unrealised gains / losses on investments	5, 6	**0.4**	(0.7)	(0.7)
Other comprehensive (loss) income		**(14.1)**	11.3	20.1
Total comprehensive income (loss) for the period		**33.8**	(14.7)	24.6
Total comprehensive income (loss) attributable to:				
Equity shareholders of LHL		**33.6**	(14.7)	24.3
Non-controlling interests		**0.2**	—	0.3
Total comprehensive income (loss) for the period		**33.8**	(14.7)	24.6
Earnings (loss) per share				
Basic	10	**$0.20**	($0.13)	$0.02
Diluted	10	**$0.19**	($0.13)	$0.02

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Notes	30 June 2021 $m	30 June 2020 $m	31 December 2020 $m
Assets				
Cash and cash equivalents		**563.4**	496.5	432.4
Accrued interest receivable		**7.2**	7.3	8.0
Investments	6	**1,977.9**	1,689.6	1,856.0
Inwards premiums receivable from insureds and cedants		**550.7**	459.1	371.9
Reinsurance assets				
- Unearned premiums on premiums ceded		**195.4**	167.1	97.4
- Reinsurance recoveries	7	**281.6**	323.1	338.7
- Other receivables		**22.3**	27.6	31.1
Other receivables		**21.0**	33.3	27.3
Investment in associate		**89.0**	81.5	127.2
Property, plant and equipment		**1.1**	0.9	0.7
Right-of-use assets		**14.8**	16.8	16.1
Deferred acquisition costs		**117.8**	96.8	89.0
Intangible assets		**154.5**	154.5	154.5
Total assets		**3,996.7**	3,554.1	3,550.3
Liabilities				
Insurance contracts				
- Losses and loss adjustment expenses	7	**978.0**	888.6	952.8
- Unearned premiums		**668.5**	535.7	457.9
- Other payables		**20.7**	26.4	22.5
Amounts payable to reinsurers		**214.6**	179.6	151.7
Deferred acquisition costs ceded		**19.9**	17.2	19.6
Other payables		**58.7**	42.0	46.1
Corporation tax payable		**2.4**	1.6	1.5
Deferred tax liability	8	**14.9**	12.2	10.9
Interest rate swap		**—**	1.3	—
Lease liability		**19.8**	19.6	20.9
Long-term debt	9	**445.5**	323.7	327.5
Total liabilities		**2,443.0**	2,047.9	2,011.4
Shareholders' equity				
Share capital		**122.0**	121.3	122.0
Own shares		**(12.1)**	(6.7)	(21.2)
Other reserves		**1,218.3**	1,202.3	1,221.6
Accumulated other comprehensive income	6	**19.5**	24.8	33.6
Retained earnings		**205.9**	164.4	182.5
Total shareholders' equity attributable to equity shareholders of LHL		**1,553.6**	1,506.1	1,538.5
Non-controlling interests		**0.1**	0.1	0.4
Total shareholders' equity		**1,553.7**	1,506.2	1,538.9
Total liabilities and shareholders' equity		**3,996.7**	3,554.1	3,550.3

The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on 27 July 2021 and signed on its behalf by:

Peter Clarke
Director/Chairman

Natalie Kershaw
Director/CFO

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2021

	Notes	Share capital	Own shares	Other reserves	Accumulated other comprehensive income	Retained earnings	Shareholders' equity attributable to equity shareholders of LHL	Non-controlling interests	Total shareholders' equity
		$m	$m	$m	$m	$m	$m	$m	$m
Balance as at 31 December 2019		**101.5**	**(13.3)**	**881.3**	**13.5**	**210.6**	**1,193.6**	**0.6**	**1,194.2**
Total comprehensive loss for the period		—	—	—	11.3	(26.0)	(14.7)	—	(14.7)
Issue of common shares		19.8	—	320.5	—	—	340.3	—	340.3
Distributed by trust		—	6.6	(7.3)	—	—	(0.7)	—	(0.7)
Dividends on common shares		—	—	—	—	(20.2)	(20.2)	—	(20.2)
Dividends paid to minority interest holders		—	—	—	—	—	—	(0.5)	(0.5)
Net deferred tax		—	—	0.4	—	—	0.4	—	0.4
Equity based compensation		—	—	7.4	—	—	7.4	—	7.4
Balance as at 30 June 2020		**121.3**	**(6.7)**	**1,202.3**	**24.8**	**164.4**	**1,506.1**	**0.1**	**1,506.2**
Total comprehensive income for the period		—	—	—	8.8	30.2	39.0	0.3	39.3
Shares purchased by the trust		0.7	(15.0)	14.3	—	—	—	—	—
Distributed by trust		—	0.5	(0.6)	—	—	(0.1)	—	(0.1)
Dividends on common shares		—	—	—	—	(12.1)	(12.1)	—	(12.1)
Equity based compensation		—	—	5.6	—	—	5.6	—	5.6
Balance as at 31 December 2020		**122.0**	**(21.2)**	**1,221.6**	**33.6**	**182.5**	**1,538.5**	**0.4**	**1,538.9**
Total comprehensive income for the period		**—**	**—**	**—**	**(14.1)**	**47.7**	**33.6**	**0.2**	**33.8**
Distributed by trust		**—**	**9.1**	**(10.1)**	**—**	**—**	**(1.0)**	**—**	**(1.0)**
Dividends on common shares		**—**	**—**	**—**	**—**	**(24.3)**	**(24.3)**	**—**	**(24.3)**
Dividends paid to minority interest holders		**—**	**—**	**—**	**—**	**—**	**—**	**(0.5)**	**(0.5)**
Net deferred tax		**—**	**—**	**(0.6)**	**—**	**—**	**(0.6)**	**—**	**(0.6)**
Equity based compensation		**—**	**—**	**7.4**	**—**	**—**	**7.4**	**—**	**7.4**
Balance as at 30 June 2021		**122.0**	**(12.1)**	**1,218.3**	**19.5**	**205.9**	**1,553.6**	**0.1**	**1,553.7**

CONDENSED INTERIM STATEMENT OF CONSOLIDATED CASH FLOWS

For the six months ended 30 June 2021

	Notes	Six months 2021 $m	Six months 2020 $m	Twelve months 2020 $m
Cash flows from (used in) operating activities				
Profit (loss) before tax		**54.1**	(23.0)	5.9
Tax paid		**(1.6)**	(1.2)	(1.6)
Depreciation		**1.6**	1.7	3.3
Interest expense on long-term debt	4	**12.6**	8.2	15.7
Interest expense on lease liabilities	4	**0.6**	0.6	1.3
Interest and dividend income	3	**(18.7)**	(17.9)	(36.9)
Net amortisation of fixed maturity securities		**3.6**	1.6	4.9
Redemption cost on senior and subordinated loan notes	4	**12.8**	—	—
Other financing cost	4	**3.4**	—	—
Equity based compensation		**7.0**	7.0	12.3
Foreign exchange (gains) losses		**(0.5)**	0.1	(3.2)
Share of profit of associate		**(0.3)**	(1.1)	(10.7)
Net other investment (income) losses		**(1.9)**	15.0	(7.4)
Net realised (gains) losses and impairments	3	**(5.7)**	(10.6)	(12.8)
Net unrealised losses (gains) on interest rate swaps		**—**	0.2	(1.1)
Changes in operational assets and liabilities				
- Insurance and reinsurance contracts		**57.3**	(10.1)	84.5
- Other assets and liabilities		**15.8**	14.3	26.7
Net cash flows from (used in) operating activities		**140.1**	(15.2)	80.9
Cash flows used in investing activities				
Interest and dividends received		**23.1**	19.0	39.9
Purchase of property, plant and equipment		**(0.7)**	—	—
Investment in associate	11	**38.5**	27.9	(8.2)
Purchase of investments		**(808.0)**	(619.3)	(1,129.7)
Proceeds on sale of investments		**672.3**	458.4	837.9
Net cash flows used in investing activities		**(74.8)**	(114.0)	(260.1)
Cash flows from financing activities				
Interest paid		**(7.6)**	(8.3)	(15.9)
Other financing cost		**(3.4)**	—	—
Lease liabilities paid		**(2.1)**	(1.8)	(3.5)
Proceeds from issue of common shares		**—**	340.3	340.3
Proceeds from issue of long-term debt		**445.4**	—	—
Redemption of long-term debt		**(339.6)**	—	—
Dividends paid		**(24.3)**	(20.2)	(32.3)
Dividend paid to minority interest holders		**(0.5)**	(0.5)	(0.5)
Distributions by trust		**(1.0)**	(0.7)	(0.8)
Net cash flows from financing activities		**66.9**	308.8	287.3
Net increase in cash and cash equivalents		**132.2**	179.6	108.1
Cash and cash equivalents at beginning of period		**432.4**	320.4	320.4
Effect of exchange rate fluctuations on cash and cash equivalents		**(1.2)**	(3.5)	3.9
Cash and cash equivalents at end of period		**563.4**	496.5	432.4

Summary of significant accounting policies

The basis of preparation, use of judgements and estimates, consolidation principles and significant accounting policies adopted in the preparation of the Group's unaudited condensed interim consolidated financial statements are those that the Group expects to apply for the year ending 31 December 2021. These are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

There are also amendments to other existing standards and interpretations that are mandatory for the first time for financial periods beginning 1 January 2021. These are not currently relevant for the Group and do not impact the annual consolidated financial statements of the Group or the unaudited condensed interim consolidated financial statements of the Group.

Basis of preparation

The Group's unaudited condensed interim consolidated financial statements are prepared on a going concern basis using accounting policies consistent with IFRS as adopted by the EU and in accordance with IAS 34, Interim Financial Reporting. The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements which are prepared in accordance with IFRS as adopted by the EU.

In assessing the Group's going concern position as at 30 June 2021, the Directors have considered a number of factors. These include the current balance sheet and liquidity position, the level and composition of the Group's capital and solvency ratios, the current market environment including consideration of the ongoing COVID-19 pandemic and climate change, the Group's ability to service its long-term debt financing arrangements, current performance against the Group's strategic and financial business plan and the Group's dividend distribution policy. In addition, the ORSA report is a key document informing the going concern assessment that is submitted to the Board on a quarterly and annual basis. The going concern assessment concluded that no material uncertainties have been identified that may cast a significant doubt over the Group's ability to continue as a going concern in the foreseeable future.

As a result of the assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence in the foreseeable future, a period of at least 12 months from the date of signing these unaudited condensed interim consolidated financial statements.

All amounts, excluding share data or where otherwise stated, are in millions of U.S. dollars.

The unaudited condensed interim consolidated balance sheet of the Group is presented in order of decreasing liquidity.

Use of judgements and estimates

The preparation of the unaudited condensed interim consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of revenue, expenses, assets, liabilities and the accompanying financial statement disclosures. In the course of preparing the unaudited condensed interim consolidated financial statements no key judgements have been made in the process of applying the Group's accounting policies that do not include a related element of estimation uncertainty.

The key assumptions and other sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next 12 months are described below.

The most significant judgements and estimates made by management are in relation to losses and loss adjustment expenses, both gross and net of outwards reinsurance recoverables. These are discussed within note 7, as well as pages 127 and 138 of the 2020 Annual Report and Accounts.

Less significant estimates are made in determining the estimated fair value of certain financial instruments and management judgment is applied in determining any impairment charges on these instruments.The estimation of the fair value, specifically of "Level (iii)" investments is discussed in Note 6 and pages 128 and 129 of the 2020 Annual Report and Accounts.

Whilst not significant, estimates are also utilised in the valuation of intangible assets. The fair value of intangible assets recognised on the acquisition of a subsidiary is largely based on the estimated expected cash flows of the business acquired and the contractual rights of that business. The assumptions made by management in performing annual impairment tests of intangible assets are subject to estimation uncertainty.

Assumptions and estimates are based on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change or circumstances may arise that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Seasonality of operations

The Group underwrites worldwide, mostly short tail insurance and reinsurance contracts that transfer insurance risk, including risks exposed to both natural and man-made catastrophes.

The Group has exposure to large losses arising from non-seasonal natural catastrophes, such as earthquakes, and also from risk and casualty losses throughout the year. On certain lines of business the Group's most significant exposures to catastrophe losses are greater during the second half of the fiscal year. There is therefore potential for significantly greater volatility in earnings during that period. This is broadly in line with the most active period of the North American windstorm season which is typically June to November. The Group is also exposed to Japanese and European windstorm seasons which are typically June to November and November to March, respectively.

Details of annual gross premiums written for the previous two years are as follows:

	2020		2019	
	$m	%	$m	%
January to June	495.5	60.9	429.6	60.8
July to December	318.6	39.1	277.1	39.2
Total	814.1	100.0	706.7	100.0

Risk disclosures

The Group is exposed to risks from several sources, classified into six primary risk categories. These are insurance risk, market risk, liquidity risk, credit risk, operational risk and strategic risk. The primary risk to the Group is insurance risk. The six risk categories are discussed in detail on pages 131 to 152 in the Group's Annual Report and Accounts for the year ended 31 December 2020. These remain the most relevant risks and uncertainties for the Group.

CATASTROPHE MANAGEMENT

The Group's exposures to peak zone elemental losses, as a percentage of tangible capital, including long-term debt, are shown below. Net loss estimates are before income tax and net of reinstatement premiums and outwards reinsurance. The exposure to catastrophe losses that would result in an impairment in the investment in associate is included in the figures below.

		30 June 2021		30 June 2020		31 December 2020	
Zones	Perils	**$m**	**% of tangible capital**	$m	% of tangible capital	$m	% of tangible capital
		100 year return period estimated net loss					
Gulf of Mexico[1]	Hurricane	**295.8**	**16.0**	183.8	11.0	166.5	9.7
Non-Gulf of Mexico - U.S.	Hurricane	**193.7**	**10.5**	108.4	6.5	108.9	6.4
California	Earthquake	**167.4**	**9.1**	110.2	6.6	111.9	6.5
Japan	Earthquake	**162.4**	**8.8**	58.1	3.5	63.7	3.7
Pan-European	Windstorm	**143.3**	**7.8**	66.3	4.0	71.8	4.2
Japan	Typhoon	**113.1**	**6.1**	60.9	3.6	60.4	3.5
Pacific North West	Earthquake	**24.1**	**1.3**	15.9	0.9	20.1	1.2

[1)] Landing hurricane from Florida to Texas.

		30 June 2021		30 June 2020		31 December 2020	
Zones	Perils	**$m**	**% of tangible capital**	$m	% of tangible capital	$m	% of tangible capital
		250 year return period estimated net loss					
Gulf of Mexico[1]	Hurricane	**531.4**	**28.8**	327.9	19.6	323.0	18.9
Non-Gulf of Mexico - U.S.	Hurricane	**544.2**	**29.5**	370.3	22.1	361.2	21.1
California	Earthquake	**309.4**	**16.8**	151.5	9.0	151.2	8.8
Japan	Earthquake	**232.1**	**12.6**	94.3	5.6	105.9	6.2
Pan-European	Windstorm	**208.8**	**11.3**	87.0	5.2	85.7	5.0
Japan	Typhoon	**126.8**	**6.9**	72.0	4.3	71.7	4.2
Pacific North West	Earthquake	**134.1**	**7.3**	76.6	4.6	85.0	5.0

(1) Landing hurricane from Florida to Texas.

There can be no guarantee that the modelled assumptions and techniques deployed in calculating these figures are accurate. There could also be an unmodelled loss which exceeds these figures. In addition, any modelled loss scenario could cause a larger loss to capital than the modelled expectation.

Risk disclosures - current events

COVID-19

The Group continues to monitor the impact of the COVID-19 pandemic on our business.

The Group's total ultimate loss estimate net of reinsurance and the impact of inwards and outwards reinstatement premiums for COVID-19 related losses remained largely unchanged during the first six months of 2021. The current ultimate best estimate, net of inwards and outwards reinstatement premiums, is $40.9 million (30 June 2020 - $41.6 million; 31 December 2020 - $42.2 million). As at 30 June 2021, this constitutes 5.9% of our total net loss reserves and 2.6% of our total net assets and relates primarily to our property and casualty reinsurance and insurance segments. The Group does not write the following lines of business: travel insurance, trade credit and long-term life and prior to the COVID-19 pandemic did not write Director's and Officers' liability or medical malpractice. The Group underwrites a small number of event cancellation contracts and has minimal exposure to COVID-19 losses through mortgage and accident and health business. Reserving for the impacts of the COVID-19 pandemic is exceptionally difficult, both in estimating the direct impacts of the pandemic itself and also in allowing for additional reserves related to the secondary impacts of lockdowns on the costs of settling claims across all lines of business. Given the uncertainty noted above and the continuation of the impacts of the pandemic for the remainder of 2021 our final COVID-19-related losses may be materially different from those booked to date.

CLIMATE CHANGE

The Group is exposed to both climate-related risks and opportunities. The two major categories of risk being transition and physical risk. Transition risks are those relating to the transition to a lower carbon economy and include risks such as policy and legal risk, technology risk, market risk and reputation risk. Physical risks are those relating to the physical impacts of climate change which can be acute (those from increased frequency and severity of climate related events) or chronic (due to longer-term shifts in climate patterns). As a (re)insurance company, the Group is more significantly affected by physical risk through its exposure to acute and chronic climate change. However, consideration must be, and is, given to transition and climate-related litigation risks. In our underwriting operations, we manage this risk effectively by supplementing our internal systems, data and procedures with external vendor models. We have clear tolerances and preferences in place to actively manage exposures, and the Board regularly monitors our PMLs. The risks to the asset side of our balance sheet from exposure to climate change are mitigated in part through regular reviews of our third party asset managers, our asset allocation, and the underlying securities within our portfolio.

Since Lancashire's formation in 2005, we have monitored and controlled our exposures to a range of natural catastrophe and weather-related risks. There is now a strong scientific consensus that climate change is a risk factor which drives many of the catastrophe events that can impact our business. We have the underwriting and actuarial modelling skills to understand and price for them on a very nimble basis.

We have also started to evaluate the resilience of our investment portfolio to climate change sensitivities. All of the Group's fixed maturity managers and private investment managers are signatories of the UNPRI, which approximates to 87.5% of the Group's managed assets.

Climate change, its related risks and opportunities and their financial impact are a key focus of the Board at their quarterly meetings. The stress and scenario tests performed as part of the business planning process include a climate-related scenario. The work performed to date has not resulted in any material impact on our business strategy or change to our understanding of the risks' impacts to our business.

GLOBAL TAX REFORM

The Group is monitoring recent proposals by the G7 to introduce a global minimum tax rate of at least 15% and will continue to assess the potential impacts of any future tax reforms.

1. GENERAL INFORMATION

The Group is a provider of global specialty insurance and reinsurance products with operations in Bermuda and London. LHL was incorporated under the laws of Bermuda on 12 October 2005. On 16 March 2009, LHL was added to the official list and its common shares were admitted to trading on the main market of the LSE; previously LHL's shares were listed on AIM, a subsidiary market of the LSE. Since 21 May 2007 LHL's shares have had a secondary listing on the BSX. LHL's head office and registered office is Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

2. SEGMENTAL REPORTING

Management and the Board of Directors review the Group's business primarily by its five principal segments: property and casualty reinsurance, property and casualty insurance, aviation, energy and marine. These segments are therefore deemed to be the Group's operating segments for the purposes of segmental reporting. Further sub-classes of business are underwritten within each operating segment. Operating segment performance is measured by the net underwriting profit or loss and the combined ratio.

All amounts reported are transactions with external parties and associates. There are no significant inter-segmental transactions and there are no significant insurance or reinsurance contracts that insure or reinsure domestic risks in Bermuda, the Group's country of domicile.

The Group's operating segments for the purposes of segmental reporting have been revised in the current year. The revenue and expenses previously reported within the property segment are now reported within the property and casualty reinsurance and the property and casualty insurance operating segments. The aviation, energy and marine segments remain unchanged. Comparative figures for the six months ended 30 June 2020 and the year ended 31 December 2020 have been re-presented in conformity with the current year view.

REVENUE AND EXPENSE BY OPERATING SEGMENT

For the six months ended 30 June 2021	Property and casualty reinsurance $m	Property and casualty insurance $m	Aviation $m	Energy $m	Marine $m	Total $m
Gross premiums written by geographic area						
U.S. and Canada	195.0	58.1	3.4	27.4	4.0	287.9
Worldwide - multi territory	99.4	10.4	30.7	63.5	38.1	242.1
Europe	39.4	19.2	7.9	4.8	3.0	74.3
Rest of the world	43.2	18.8	16.4	11.9	2.6	92.9
Total	377.0	106.5	58.4	107.6	47.7	697.2
Outwards reinsurance premiums	(131.1)	(51.6)	(25.0)	(46.8)	(14.8)	(269.3)
Change in unearned premiums	(173.3)	(16.9)	12.6	(28.7)	(4.3)	(210.6)
Change in unearned premiums on premiums ceded	56.5	21.1	(8.3)	22.3	6.4	98.0
Net premiums earned	129.1	59.1	37.7	54.4	35.0	315.3
Insurance losses and loss adjustment expenses	(81.0)	(5.3)	(13.4)	(21.0)	(15.5)	(136.2)
Insurance losses and loss adjustment expenses recoverable	1.1	(2.3)	9.1	6.9	0.3	15.1
Insurance acquisition expenses	(26.6)	(17.0)	(11.6)	(14.3)	(12.8)	(82.3)
Insurance acquisition expenses ceded	5.4	1.9	7.1	0.7	0.1	15.2
Net underwriting profit	28.0	36.4	28.9	26.7	7.1	127.1
Net unallocated income and expenses						(73.0)
Profit before tax						54.1
Net loss ratio	61.9%	12.9%	11.4%	25.9%	43.4%	38.4%
Net acquisition cost ratio	16.4%	25.5%	11.9%	25.0%	36.3%	21.3%
Expense ratio	—	—	—	—	—	21.0%
Combined ratio	78.3%	38.4%	23.3%	50.9%	79.7%	80.7%

REVENUE AND EXPENSE BY OPERATING SEGMENT

For the six months ended 30 June 2020	Property and casualty reinsurance $m	Property and casualty insurance $m	Aviation $m	Energy $m	Marine $m	Total $m
Gross premiums written by geographic area						
U.S. and Canada	136.8	43.6	2.7	18.8	3.2	205.1
Worldwide - multi territory	27.7	9.7	28.9	58.3	43.7	168.3
Europe	18.7	11.5	6.2	4.5	3.6	44.5
Rest of the world	34.7	17.4	12.4	10.1	3.0	77.6
Total	217.9	82.2	50.2	91.7	53.5	495.5
Outwards reinsurance premiums	(97.8)	(35.8)	(19.6)	(44.5)	(15.3)	(213.0)
Change in unearned premiums	(97.9)	(5.6)	14.1	(25.5)	(14.4)	(129.3)
Change in unearned premiums on premiums ceded	47.5	10.6	(9.0)	21.3	7.2	77.6
Net premiums earned	69.7	51.4	35.7	43.0	31.0	230.8
Insurance losses and loss adjustment expenses	(36.7)	(38.9)	(29.6)	(28.8)	(25.2)	(159.2)
Insurance losses and loss adjustment expenses recoverable	(19.8)	20.6	14.0	12.5	(0.5)	26.8
Insurance acquisition expenses	(14.9)	(15.2)	(12.8)	(15.4)	(12.4)	(70.7)
Insurance acquisition expenses ceded	3.1	1.7	6.0	0.8	0.1	11.7
Net underwriting profit (loss)	1.4	19.6	13.3	12.1	(7.0)	39.4
Net unallocated income and expenses						(62.4)
Loss before tax						(23.0)
Net loss ratio	81.1%	35.6%	43.7%	37.9%	82.9%	57.4%
Net acquisition cost ratio	16.9%	26.3%	19.0%	34.0%	39.7%	25.6%
Expense ratio	—	—	—	—	—	23.9%
Combined ratio	98.0%	61.9%	62.7%	71.9%	122.6%	106.9%

REVENUE AND EXPENSE BY OPERATING SEGMENT

For the year ended 31 December 2020	Property and casualty reinsurance $m	Property and casualty insurance $m	Aviation $m	Energy $m	Marine $m	Total $m
Gross premiums written by geographic area						
U.S. and Canada	165.1	85.3	10.9	33.2	6.3	300.8
Worldwide - multi territory	36.8	13.9	80.0	81.0	72.8	284.5
Europe	25.8	20.5	19.4	9.1	6.1	80.9
Rest of world	52.1	27.4	40.7	21.4	6.3	147.9
Total	279.8	147.1	151.0	144.7	91.5	814.1
Outwards reinsurance premiums	(106.4)	(51.5)	(71.3)	(47.7)	(17.8)	(294.7)
Change in unearned premiums	(21.3)	5.6	(18.1)	(6.7)	(11.0)	(51.5)
Change in unearned premiums on premiums ceded	(0.1)	(1.6)	8.8	1.0	(0.2)	7.9
Net premiums earned	152.0	99.6	70.4	91.3	62.5	475.8
Insurance losses and loss adjustment expenses	(91.0)	(68.4)	(79.6)	(85.1)	(39.5)	(363.6)
Insurance losses and loss adjustment expenses recoverable	(9.6)	24.2	47.5	18.3	(0.6)	79.8
Insurance acquisition expenses	(31.8)	(30.5)	(25.8)	(28.0)	(22.9)	(139.0)
Insurance acquisition expenses ceded	6.4	3.7	12.4	1.2	0.3	24.0
Net underwriting profit (loss)	26.0	28.6	24.9	(2.3)	(0.2)	77.0
Net unallocated income and expenses						(71.1)
Profit before tax						5.9
Net loss ratio	66.2%	44.4%	45.6%	73.2%	64.2%	59.6%
Net acquisition cost ratio	16.7%	26.9%	19.0%	29.4%	36.2%	24.2%
Expense ratio	—	—	—	—	—	24.0%
Combined ratio	82.9%	71.3%	64.6%	102.6%	100.4%	107.8%

3. INVESTMENT RETURN

The total investment return for the Group is as follows:

For the six months ended 30 June 2021	Net investment income and net other investment income (losses)[1] $m	Net realised gains (losses) and impairments $m	Net change in unrealised gains/losses on AFS $m	Total investment return excluding foreign exchange $m	Net foreign exchange gains (losses) $m	Total investment return including foreign exchange $m
Fixed maturity securities - AFS	**13.6**	**1.7**	**(14.5)**	**0.8**	**(0.5)**	**0.3**
Fixed maturity securities - at FVTPL	**1.2**	**—**	**—**	**1.2**	**—**	**1.2**
Hedge funds - at FVTPL	**(0.1)**	**3.9**	**—**	**3.8**	**—**	**3.8**
Private investment funds - at FVTPL	**0.1**	**—**	**—**	**0.1**	**—**	**0.1**
Other investments	**0.3**	**0.1**	**—**	**0.4**	**0.9**	**1.3**
Cash and cash equivalents	**1.1**	**—**	**—**	**1.1**	**0.3**	**1.4**
Total investment return	**16.2**	**5.7**	**(14.5)**	**7.4**	**0.7**	**8.1**

(1) Net unrealised gains/losses on our FVTPL investments are included within net investment income and net other investment income(losses).

For the six months ended 30 June 2020	Net investment income and net other investment income (losses)[1] $m	Net realised gains (losses) and impairments $m	Net change in unrealised gains/losses on AFS $m	Total investment return excluding foreign exchange $m	Net foreign exchange gains (losses) $m	Total investment return including foreign exchange $m
Fixed maturity securities - AFS	14.0	1.7	12.0	27.7	(1.7)	26.0
Fixed maturity securities - at FVTPL	(1.7)	3.1	—	1.4	—	1.4
Hedge funds - at FVTPL	(12.1)	3.9	—	(8.2)	—	(8.2)
Private investment funds - at FVTPL	(2.2)	—	—	(2.2)	—	(2.2)
Other investments	0.5	1.9	—	2.4	0.8	3.2
Cash and cash equivalents	0.9	—	—	0.9	(0.6)	0.3
Total investment return	(0.6)	10.6	12.0	22.0	(1.5)	20.5

(1) Net unrealised gains/losses on our FVTPL investments are included within net investment income and net other investment income (losses).

For the year ended 31 December 2020	Net investment income and net other investment income (losses)[1] $m	Net realised gains (losses) and impairments $m	Net change in unrealised gains/losses on AFS $m	Total investment return excluding foreign exchange $m	Net foreign exchange gains (losses) $m	Total investment return including foreign exchange $m
Fixed maturity securities - AFS	26.8	2.0	20.8	49.6	7.2	56.8
Fixed maturity securities - at FVTPL	(0.3)	3.2	—	2.9	—	2.9
Hedge funds - at FVTPL	(1.0)	5.7	—	4.7	—	4.7
Private investment funds - at FVTPL	7.3	—	—	7.3	—	7.3
Other investments	0.5	1.9	—	2.4	(0.1)	2.3
Cash and cash equivalents	2.2	—	—	2.2	(2.2)	—
Total investment return	35.5	12.8	20.8	69.1	4.9	74.0

(1) Net unrealised gains/losses on our FVTPL investments are included within net investment income and net other investment income (losses).

Net investment income includes $18.7 million (30 June 2020 - $17.9 million; 31 December 2020 - $36.9 million) of interest income on our AFS investment portfolio and cash and cash equivalents. Net realised gains (losses) and impairments includes impairment losses of $nil (30 June 2020 - $nil; 31 December 2020 - $0.7 million) recognised on fixed maturity securities. Realised gains and losses on futures, options contracts and swaps are included in net realised gains (losses) and impairments. Included in net investment income and net other investment income (losses) is $2.1 million (30 June 2020 - $2.1 million; 31 December 2020 - $4.3 million) of investment management, accounting and custodian fees.

4. FINANCING COST

	Six months 2021 $m	Six months 2020 $m	Twelve months 2020 $m
Interest expense on long-term debt	**12.6**	8.2	15.7
Redemption cost on senior and subordinated loan notes	**12.8**	—	—
Interest expense on lease liabilities	**0.6**	0.6	1.3
Other financing cost	**4.7**	2.2	3.1
Total	**30.7**	11.0	20.1

In the first six months of 2021, the Group issued $450.0 million 5.625% fixed-rate reset junior subordinated notes (see note 9). $339.6 million of the net proceeds from the debt issuance were used to redeem in whole, prior to the respective maturity dates, the outstanding senior and subordinated loan notes, with the balance being used for general corporate purposes.

5. TAX

BERMUDA

LHL, LICL and LCM have received an undertaking from the Bermuda government exempting them from all Bermuda local income, withholding and capital gains taxes until 31 March 2035. At the present time no such taxes are levied in Bermuda.

UNITED KINGDOM

The UK subsidiaries of LHL are subject to normal UK corporation tax on all their taxable profits.

	Six months 2021 $m	Six months 2020 $m	Twelve months 2020 $m
Corporation tax charge for the period	**2.5**	0.1	0.5
Adjustments in respect of prior period corporation tax	—	0.5	0.1
Deferred tax credit for the period	—	0.8	(0.3)
Adjustments in respect of prior period deferred tax	—	—	(0.3)
Tax rate change adjustment	**3.7**	1.6	1.4
Total tax charge	**6.2**	3.0	1.4

Tax reconciliation[1]	Six months 2021 $m	Six months 2020 $m	Twelve months 2020 $m
Profit (loss) before tax	**54.1**	(23.0)	5.9
Tax calculated at the standard corporation tax rate applicable in Bermuda 0%	—	—	—
Effect of income taxed at a higher rate	**3.1**	0.7	(0.9)
Adjustments in respect of prior period	—	0.5	(0.2)
Differences related to equity based compensation	**0.3**	0.6	0.8
Other expense permanent differences	**(0.9)**	(0.4)	0.3
Tax rate change adjustment	**3.7**	1.6	1.4
Total tax charge	**6.2**	3.0	1.4

(1) All tax reconciling balances have been classified as recurring items.

The current tax charge as a percentage of the Group's profit (loss) before tax is 11.5% (30 June 2020 - negative 13.0%; 31 December 2020 - 23.7%). Non taxable income relates to profits of companies within the Group that are non-tax resident in the UK and the share of profit of associate.

Refer to note 6 for details of the tax provision related to the net change in unrealised gains and losses on investments that are included in accumulated other comprehensive income within shareholders' equity.

6. INVESTMENTS

As at 30 June 2021	Cost or amortised cost $m	Unrealised gain[1] $m	Unrealised loss[1] $m	Estimated fair value $m
Fixed maturity securities - AFS				
- Short-term investments	45.1	—	—	45.1
- Fixed maturity funds	17.7	—	—	17.7
- U.S. treasuries	415.2	1.4	(0.8)	415.8
- Other government bonds	71.5	1.6	(0.5)	72.6
- U.S. municipal bonds	18.2	0.5	—	18.7
- U.S. government agency debt	52.0	1.9	—	53.9
- Asset backed securities	89.3	1.2	(0.2)	90.3
- U.S. government agency mortgage backed securities	106.9	1.6	(0.6)	107.9
- Non-agency mortgage backed securities	27.5	0.6	—	28.1
- Agency commercial mortgage backed securities	0.3	—	—	0.3
- Non-agency commercial mortgage backed securities	13.3	0.1	—	13.4
- Bank loans	113.8	1.0	(0.6)	114.2
- Corporate bonds	696.8	17.1	(0.7)	713.2
Total fixed maturity securities - AFS	1,667.6	27.0	(3.4)	1,691.2
- Fixed maturity securities - at FVTPL	53.0	5.2	(0.6)	57.6
- Private investment funds - at FVTPL	96.3	2.1	(0.9)	97.5
- Hedge funds - at FVTPL	90.6	14.5	(4.8)	100.3
- Index linked securities - at FVTPL	30.0	—	—	30.0
- Other investments	(0.1)	1.4	—	1.3
Total investments	1,937.4	50.2	(9.7)	1,977.9

[1] Includes unrealised foreign exchange gains/(losses) recognised in profit and loss on AFS securities.

As at 30 June 2020	Cost or amortised cost $m	Unrealised gain[(1)] $m	Unrealised loss[(1)] $m	Estimated fair value $m
Fixed maturity securities - AFS				
- Short-term investments	110.5	0.2	—	110.7
- Fixed maturity funds	15.6	—	—	15.6
- U.S. treasuries	283.4	4.0	—	287.4
- Other government bonds	41.6	0.6	(0.5)	41.7
- U.S. municipal bonds	8.0	0.7	—	8.7
- U.S. government agency debt	98.0	3.7	—	101.7
- Asset backed securities	122.1	0.5	(4.7)	117.9
- U.S. government agency mortgage backed securities	131.3	3.4	—	134.7
- Non-agency mortgage backed securities	14.2	0.1	(0.2)	14.1
- Agency commercial mortgage backed securities	0.9	—	(0.2)	0.7
- Non-agency commercial mortgage backed securities	3.8	0.1	—	3.9
- Bank loans	110.6	0.3	(6.1)	104.8
- Corporate bonds	560.3	21.7	(1.4)	580.6
Total fixed maturity securities - AFS	1,500.3	35.3	(13.1)	1,522.5
- Fixed maturity securities - at FVTPL	25.7	2.5	—	28.2
- Private investment funds - at FVTPL	55.0	—	(2.8)	52.2
- Hedge funds - at FVTPL	89.1	5.5	(7.7)	86.9
- Other investments	—	—	(0.2)	(0.2)
Total investments	1,670.1	43.3	(23.8)	1,689.6

(1) Includes unrealised foreign exchange gains/(losses) recognised in profit and loss on AFS securities.

As at 31 December 2020	Cost or amortised cost $m	Unrealised gain[(1)] $m	Unrealised loss[(1)] $m	Estimated fair value $m
Fixed maturity securities - AFS				
- Short-term investments	86.9	—	—	86.9
- Fixed maturity funds	16.4	—	—	16.4
- U.S. treasuries	291.0	2.9	(0.1)	293.8
- Other government bonds	64.4	1.5	—	65.9
- U.S. municipal bonds	12.3	0.7	—	13.0
- U.S. government agency debt	98.7	3.4	—	102.1
- Asset backed securities	121.9	4.0	(0.5)	125.4
- U.S. government agency mortgage backed securities	128.9	3.0	(0.1)	131.8
- Non-agency mortgage backed securities	18.2	0.6	—	18.8
- Agency commercial mortgage backed securities	0.4	—	(0.1)	0.3
- Non-agency commercial mortgage backed securities	5.6	0.2	—	5.8
- Bank loans	110.6	1.0	(1.1)	110.5
- Corporate bonds	654.1	24.6	(0.1)	678.6
Total fixed maturity securities - AFS	1,609.4	41.9	(2.0)	1,649.3
- Fixed maturity securities - at FVTPL	25.7	3.6	—	29.3
- Private investment funds - at FVTPL	91.7	5.6	(1.2)	96.1
- Hedge funds - at FVTPL	72.7	13.4	(4.1)	82.0
- Other investments	—	—	(0.7)	(0.7)
Total investments	1,799.5	64.5	(8.0)	1,856.0

(1) Includes unrealised foreign exchange gains/(losses) recognised in profit and loss on AFS securities.

Accumulated other comprehensive income in relation to the Group's AFS fixed maturity portfolio is as follows:

	30 June 2021	30 June 2020	31 December 2020
	$m	$m	$m
Unrealised gains	**27.0**	35.3	41.9
Unrealised losses	**(3.4)**	(13.1)	(2.0)
Net unrealised foreign exchange (gains) losses on fixed maturity securities - AFS	**(3.2)**	3.9	(5.0)
Tax provision	**(0.9)**	(1.3)	(1.3)
Accumulated other comprehensive income	**19.5**	24.8	33.6

The Group determines the estimated fair value of each individual security utilising the highest-level inputs available. Prices for the Group's investment portfolio are provided via a third-party investment accounting firm whose pricing processes and the controls thereon are subject to an annual audit on both the operation and the effectiveness of those controls. Various recognised reputable pricing sources are used including pricing vendors and broker-dealers. The pricing sources use bid prices where available, otherwise indicative prices are quoted based on observable market trade data. The prices provided are compared to the investment managers' pricing.

The Group has not made any adjustments to any pricing provided by independent pricing services or its third-party investment managers for the six months ended 30 June 2021 and 30 June 2020 and the year ended 31 December 2020.

The fair value of securities in the Group's investment portfolio is estimated using the following techniques:

LEVEL (I)

Level (i) investments are securities with quoted prices in active markets. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

LEVEL (II)

Level (ii) investments are securities with quoted prices in active markets for similar assets or liabilities or securities valued using other valuation techniques for which all significant inputs are based on observable market data. Instruments included in Level (ii) are valued via independent external sources using directly observable inputs to models or other valuation methods. The valuation methods used are typically industry accepted standards and include broker-dealer quotes and pricing models including present values and future cash flows with inputs such as yield curves, interest rates, prepayment speeds and default rates.

LEVEL (III)

Level (iii) investments are securities for which valuation techniques are not based on observable market data and require significant management judgement. The Group determines securities classified as Level (iii) to include hedge funds, private investment funds and loans to the Lloyd's central fund.

The estimated fair values of the Group's hedge funds are determined using a combination of the most recent NAVs provided by each fund's independent administrator and the estimated performance provided by each hedge fund manager. Independent administrators provide monthly reported NAVs with up to a one-month delay in valuation. The most recent NAV available for each hedge fund is adjusted for the estimated performance, as provided by the fund manager, between the NAV date and the reporting date. Historically estimated fair values incorporating these performance estimates have not been significantly different from subsequent NAVs. Given the Group's knowledge of the underlying investments and the size of the Group's investment therein, we would not anticipate any material variance between estimated valuations and the final NAVs reported by the administrators.

The estimated fair value of the Group's private investment funds are determined using statements received from each fund's investment managers on either a monthly or quarterly in arrears basis. In addition these valuations will be compared with benchmarks or other indices to assess the reasonableness of the estimates fair value of each fund. Given the Group's knowledge of the underlying investments and the size of the Group's investment therein, we would not anticipate any material variance between estimated valuations and the final NAV's reported by the investment managers.

The Group determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorisation at the end of each reporting period. Transfers between Level (i) to (ii) securities amounted to $80.0 million and transfers from Level (ii) to (i) securities amounted to $197.7 million during the six months ended 30 June 2021.

The fair value hierarchy of the Group's investment holdings is as follows:

As at 30 June 2021	Level (i) $m	Level (ii) $m	Level (iii) $m	Total $m
Fixed maturity securities - AFS				
- Short-term investments	45.1	—	—	45.1
- Fixed maturity funds	—	17.7	—	17.7
- U.S. treasuries	415.8	—	—	415.8
- Other government bonds	28.1	44.5	—	72.6
- U.S. municipal bonds	—	18.7	—	18.7
- U.S. government agency debt	42.6	11.3	—	53.9
- Asset backed securities	7.3	83.0	—	90.3
- U.S. government agency mortgage backed securities	—	107.9	—	107.9
- Non-agency mortgage backed securities	—	28.1	—	28.1
- Agency commercial mortgage backed securities	—	0.3	—	0.3
- Non-agency commercial mortgage backed securities	—	13.4	—	13.4
- Bank loans	10.7	103.5	—	114.2
- Corporate bonds	447.1	266.1	—	713.2
Total fixed maturity securities - AFS	**996.7**	**694.5**	**—**	**1,691.2**
- Fixed maturity securities - at FVTPL	28.4	24.5	4.7	57.6
- Private investment funds - at FVTPL	—	—	97.5	97.5
- Hedge funds - at FVTPL	—	—	100.3	100.3
- Index linked securities - at FVTPL	—	30.0	—	30.0
- Other investments	—	1.3	—	1.3
Total investments	**1,025.1**	**750.3**	**202.5**	**1,977.9**

As at 30 June 2020	Level (i) $m	Level (ii) $m	Level (iii) $m	Total $m
Fixed maturity securities - AFS				
- Short-term investments	110.2	0.5	—	110.7
- Fixed maturity funds	—	15.6	—	15.6
- U.S. treasuries	287.4	—	—	287.4
- Other government bonds	2.0	39.7	—	41.7
- U.S. municipal bonds	—	8.7	—	8.7
- U.S. government agency debt	91.0	10.7	—	101.7
- Asset backed securities	0.7	117.2	—	117.9
- U.S. government agency mortgage backed securities	—	134.7	—	134.7
- Non-agency mortgage backed securities	—	14.1	—	14.1
- Agency commercial mortgage backed securities	—	0.7	—	0.7
- Non-agency commercial mortgage backed securities	—	3.9	—	3.9
- Bank loans	17.0	87.8	—	104.8
- Corporate bonds	362.8	217.8	—	580.6
Total fixed maturity securities - AFS	871.1	651.4	—	1,522.5
- Fixed maturity securities - at FVTPL	—	28.2	—	28.2
- Private investment funds - at FVTPL	—	—	52.2	52.2
- Hedge funds - at FVTPL	—	—	86.9	86.9
- Other investments	—	(0.2)	—	(0.2)
Total investments	871.1	679.4	139.1	1,689.6

As at 31 December 2020	Level (i) $m	Level (ii) $m	Level (iii) $m	Total $m
Fixed maturity securities - AFS				
- Short-term investments	83.7	3.2	—	86.9
- Fixed maturity funds	—	16.4	—	16.4
- U.S. treasuries	293.8	—	—	293.8
- Other government bonds	25.9	40.0	—	65.9
- U.S. municipal bonds	—	13.0	—	13.0
- U.S. government agency debt	91.0	11.1	—	102.1
- Asset backed securities	—	125.4	—	125.4
- U.S. government agency mortgage backed securities	—	131.8	—	131.8
- Non-agency mortgage backed securities	—	18.8	—	18.8
- Agency commercial mortgage backed securities	—	0.3	—	0.3
- Non-agency commercial mortgage backed securities	—	5.8	—	5.8
- Bank loans	8.3	102.2	—	110.5
- Corporate bonds	262.1	416.5	—	678.6
Total fixed maturity securities - AFS	764.8	884.5	—	1,649.3
- Fixed maturity securities - at FVTPL	—	29.3	—	29.3
- Private investment funds - at FVTPL	—	—	96.1	96.1
- Hedge funds - at FVTPL	—	—	82.0	82.0
- Other investments	—	(0.7)	—	(0.7)
Total investments	764.8	913.1	178.1	1,856.0

The table below analyses the movements in Level (iii) investments during the six months ended 30 June 2021 and 30 June 2020 and for the year ended 31 December 2020:

	Private investment funds $m	Hedge funds $m	Fixed maturity securities[1] $m	Total $m
As at 31 December 2019	15.5	150.0	—	165.5
Purchases	39.5	2.5	—	42.0
Sales	—	(57.9)	—	(57.9)
Total net realised and unrealised losses recognised in profit or loss	(2.8)	(7.7)	—	(10.5)
As at 30 June 2020	52.2	86.9	—	139.1
Purchases	42.7	3.3	—	46.0
Sales	(6.0)	(21.5)	—	(27.5)
Total net realised and unrealised gains recognised in profit or loss	7.2	13.3	—	20.5
As at 31 December 2020	96.1	82.0	—	178.1
Purchases	**4.6**	**26.9**	**5.3**	**36.8**
Sales	**—**	**(12.9)**	**—**	**(12.9)**
Total net realised and unrealised (losses) gains recognised in profit or loss	**(3.2)**	**4.3**	**(0.6)**	**0.5**
As at 30 June 2021	**97.5**	**100.3**	**4.7**	**202.5**

1 Included within fixed maturity securities are central fund loans classified at Level (iii) within the fair value hierarchy.

Total net unrealised gains (losses) on level 3 investments included within net realised and unrealised gains losses in the table above was an unrealised loss of $3.4 million (30 June 2020 - unrealised loss of $14.4 million; 31 December 2020 - unrealised gain of $4.3 million).

7. LOSSES AND LOSS ADJUSTMENT EXPENSES

	Losses and loss adjustment expense $m	Reinsurance recoveries $m	Net losses and loss adjustment expenses $m
As at 31 December 2019	874.5	(327.5)	547.0
Net incurred losses for:			
Prior years	(8.1)	13.2	5.1
Current year	167.3	(40.0)	127.3
Exchange adjustments	(4.5)	2.2	(2.3)
Incurred losses and loss adjustment expenses	154.7	(24.6)	130.1
Net paid losses for:			
Prior years	130.1	(26.7)	103.4
Current year	10.5	(2.3)	8.2
Paid losses and loss adjustment expenses	140.6	(29.0)	111.6
As at 30 June 2020	888.6	(323.1)	565.5
Net incurred losses for:			
Prior years	(56.1)	(1.0)	(57.1)
Current year	260.5	(52.0)	208.5
Exchange adjustments	16.4	(3.5)	12.9
Incurred losses and loss adjustment expenses	220.8	(56.5)	164.3
Net paid losses for:			
Prior years	91.7	(22.4)	69.3
Current year	64.9	(18.5)	46.4
Paid losses and loss adjustment expenses	156.6	(40.9)	115.7
As at 31 December 2020	952.8	(338.7)	614.1
Net incurred losses for:			
Prior years	**(66.0)**	**12.4**	**(53.6)**
Current year	**202.2**	**(27.5)**	**174.7**
Exchange adjustments	**(2.9)**	**(0.3)**	**(3.2)**
Incurred losses and loss adjustment expenses	**133.3**	**(15.4)**	**117.9**
Net paid losses for:			
Prior years	**95.8**	**(69.4)**	**26.4**
Current year	**12.3**	**(3.1)**	**9.2**
Paid losses and loss adjustment expenses	**108.1**	**(72.5)**	**35.6**
As at 30 June 2021	**978.0**	**(281.6)**	**696.4**

The split of gross losses and loss adjustment expenses between notified outstanding losses, ACRs assessed by management and IBNR is shown below:

	30 June 2021		30 June 2020		31 December 2020	
	$m	**%**	$m	%	$m	%
Outstanding losses	**353.7**	**36.2**	366.1	41.2	354.0	37.1
Additional case reserves	**160.2**	**16.4**	122.2	13.8	176.1	18.5
Losses incurred but not reported	**464.1**	**47.4**	400.3	45.0	422.7	44.4
Total	**978.0**	**100.0**	888.6	100.0	952.8	100.0

The Group's ceded IBNR balance as at 30 June 2021 amounted to $152.1 million (30 June 2020 - $203.3 million; 31 December 2020 - $211.6 million). The Group's reserve for unpaid losses and loss adjustment expenses for all periods had an estimated duration of approximately two years.

CLAIMS DEVELOPMENT

The inherent uncertainty in reserving gives rise to favourable or unfavourable development on the established reserves. The total favourable or unfavourable development on net losses and loss adjustment expenses from prior years, excluding the impact of foreign exchange revaluations, was as follows:

Favourable (unfavourable) development	30 June 2021 $m	30 June 2020 $m	31 December 2020 $m
2016 accident year and prior	**16.7**	(4.8)	(0.9)
2017 accident year	**12.9**	(5.2)	20.7
2018 accident year	**(1.6)**	14.8	25.3
2019 accident year	**1.8**	(9.9)	6.9
2020 accident year	**23.8**	—	—
Total favourable (unfavourable) development	**53.6**	(5.1)	52.0

8. PROVISION FOR DEFERRED TAX

	30 June 2021 $m	30 June 2020 $m	31 December 2020 $m
Equity based compensation	**(4.5)**	(4.5)	(5.1)
Claims equalisation reserves	**1.1**	3.0	2.1
Syndicate underwriting profits	**0.1**	(0.1)	(0.5)
Syndicate participation rights	**18.8**	14.2	14.4
Other temporary differences	**(0.6)**	(0.4)	—
Net deferred tax liability	**14.9**	12.2	10.9

Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is likely. It is anticipated that sufficient taxable profits will be available within the Group in 2021 and subsequent years to utilise the deferred tax assets recognised when the underlying temporary differences reverse.

For the periods ended 30 June 2021, 30 June 2020 and 31 December 2020 the Group has no uncertain tax positions.

Changes to the UK main rate of corporation tax have been enacted under the Finance Act 2021 increasing the tax rate to 25% from 19%, effective 1 April 2023. As at 30 June 2021, this has resulted in the recognition of deferred tax assets and liabilities at 25% on items where the tax reversal is expected to take effect on 1 April 2023, with a related tax expense of $3.7 million.

All deferred tax assets and liabilities are classified as non-current.

A deferred tax charge of $0.6 million (30 June 2020 - credit of $0.4 million; 31 December 2020 - credit of $0.4 million) was recognised in other reserves which relates primarily to deferred tax credits for unexercised equity based compensation awards where the estimated market value is in excess of the cumulative expense at the reporting date.

9. LONG-TERM DEBT

In the first six months of 2021, the Group issued $450.0 million in aggregate principal amount of 5.625% fixed-rate reset junior subordinated notes, repayable on 18 September 2041. The long-term debt was issued in two tranches forming part of the same series of notes, with $400.0 million issued on 18 March 2021 and $50.0 million issued on 31 March 2021. The fixed-rate interest is payable semi-annually in arrears on 18 March and 18 September of each year, beginning on 18 September 2021. The fixed interest rate will reset on 18 September 2031 at a rate per annum equal to the prevailing five year treasury rate plus a credit spread of 4.08% and a relevant 100 basis point step up.

Long-term debt is recognised initially at fair value, net of transaction costs incurred. Thereafter it is held at amortised cost, with the amortisation calculated using the effective interest rate method. Derecognition occurs when the obligation has been extinguished.

The majority of the net proceeds from the long-term debt issuance were used to redeem in whole, prior to the respective maturity dates, the outstanding senior and subordinated loan notes, with the balance being used for general corporate purposes. The table below outlines the early redemption dates and also the carrying value of the reset junior subordinated notes as at 30 June 2021.

	30 June 2021	30 June 2020	31 December 2020
	$m	$m	$m
Reset junior subordinated notes			
$450.0 million 5.625% fixed rate notes issued March 2021, due September 2041	**445.5**	—	—
Senior notes			
$130.0 million 5.7% unsecured notes due October 2022, redeemed 13 May 2021	—	130.0	130.0
Subordinated notes, floating rate			
$97.0 million loan notes due December 2035, redeemed 15 June 2021	—	97.0	97.0
€24.0 million loan notes due June 2035, redeemed 15 June 2021	—	27.0	29.5
€12.0 million loan notes due September 2034, redeemed 24 May 2021	—	12.3	13.6
$10.0 million loan notes due September 2034, redeemed 15 June 2021	—	10.0	10.0
$25.0 million loan notes due June 2035, redeemed 15 June 2021	—	23.7	23.7
$25.0 million loan notes due December 2035, redeemed 15 June 2021	—	23.7	23.7
Carrying value	**445.5**	323.7	327.5

The fair value of the long-term debt is estimated as $511.5 million (30 June 2020 - $371.5 million; 31 December 2020 - $374.6 million). The fair value measurement is classified within level (ii) of the fair value hierarchy. The fair value is estimated as discounted cash flows based on observable data.

The interest accrued on the long-term debt was $7.2 million (30 June 2020 - $2.1 million; 31 December 2020 - $2.2 million) at the balance sheet date and is included within other payables.

The Group has the option to redeem some or all of the reset junior subordinated notes, in whole or in part, prior to the maturity date.

See note 4 for details of the long term-debt financing costs.

10. EARNINGS (LOSS) PER SHARE

The following reflects the profit and share data used in the basic and diluted earnings (loss) per share computations:

	Six months	Six months	Twelve months
	2021 $m	2020 $m	2020 $m
Profit (loss) for the period attributable to equity shareholders of LHL	**47.7**	(26.0)	4.2

	Six months	Six months	Twelve months
	2021	2020	2020
	Number of shares	Number of shares	Number of shares
Basic weighted average number of shares	**242,327,144**	205,229,304	223,611,114
Dilutive effect of RSS	**3,128,260**	2,570,975	3,232,649
Diluted weighted average number of shares	**245,455,404**	207,800,279	226,843,763

	Six months	Six months	Twelve months
Earnings (loss) per share	**2021**	2020	2020
Basic	**$0.20**	($0.13)	$0.02
Diluted[1]	**$0.19**	($0.13)	$0.02

1.Diluted EPS excludes dilutive effect of RSS when in a loss making position.

Equity based compensation awards are only treated as dilutive when their conversion to common shares would decrease earnings per share or increase loss per share from continuing operations. Unvested restricted shares without performance criteria are therefore included in the number of potentially dilutive shares. Incremental shares from ordinary restricted share options, where relevant performance criteria have not been met, are not included in the calculation of dilutive shares.

11. RELATED PARTY DISCLOSURES

KEY MANAGEMENT COMPENSATION

Remuneration for key management (the Group's Executive Directors and Non-Executive Directors) was as follows:

	Six months 2021 $m	Six months 2020 $m	Twelve months 2020 $m
Short-term compensation	**1.5**	2.2	5.2
Equity based compensation	**1.5**	2.2	3.0
Directors' fees and expenses	**1.1**	1.1	2.2
Total	**4.1**	5.5	10.4

Non-Executive Directors do not receive any benefits in addition to their agreed fees and expenses and do not participate in any of the Group's incentive, performance or pension plans.

TRANSACTIONS WITH ASSOCIATE

In 2013 LCM entered into an underwriting services agreement with KRL and KHL to provide various services relating to underwriting, actuarial, premium payments and relevant deductions, acquisition expenses and receipt of claims. For the period ended 30 June 2021 the Group recognised $6.0 million (30 June 2020 - $2.7 million; 31 December 2020 - $11.8 million) of service fees and profit commissions in other income in relation to this agreement.

During the period ended 30 June 2021, the Group committed $13.3 million (30 June 2020 - $15.7 million; 31 December 2020 - $67.3 million) of capital to KHL. During the period ended 30 June 2021, KHL returned $51.8 million of capital to the Group (30 June 2020 - $43.6 million; 31 December 2020 - $59.1 million).

12. COMMITMENTS

CREDIT FACILITY FUND

As at 30 June 2021 the Group has a commitment of $100.0 million (30 June 2020 - $100.0 million; 31 December 2020 - $100.0 million) relating to two credit facility funds.

PRIVATE INVESTMENT FUNDS

On 9 December 2020, the Group entered into an agreement to invest in a private investment fund, with an initial commitment of $25.0 million. As at 30 June 2021, there was a remaining undrawn commitment in the amount of $13.9 million. The remaining capital commitment is expected to be drawn in the second half of 2021.

On 5 November 2019, the Group entered into an agreement to invest in a private investment fund, with an initial commitment of $25.0 million. As at 30 June 2021, there was a remaining undrawn commitment in the amount of $1.0 million. The remaining capital commitment is expected to be drawn in the second half of 2021.

LEGAL PROCEEDINGS AND REGULATIONS

The Group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to estimate or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

13. SUBSEQUENT EVENTS

DIVIDEND

On 28 July 2021 the Board of Directors declared the payment of an interim ordinary dividend of $0.05 per common share (approximately £0.04 pence per common share) to shareholders of record on 6 August 2021, with a settlement date of 3 September 2021. The total dividend payable, will be approximately $12.2 million. An amount equivalent to the dividend accrues on all RSS options and is paid at the time of exercise, pro-rata according to the number of RSS options that vest.

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge, that the unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the EU and where IFRS is silent, as it is in respect of certain aspects relating to the measurement of insurance products, U.S GAAP have been considered and the interim management report herein includes a fair review of the information required by sections 4.2.7R and 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, being:

- an indication of important events during the first six months of 2021 and their impact on the unaudited condensed interim consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- related party transactions that have taken place in the first six months of 2021 and that have materially affected the consolidated financial position or performance of the Group during that period, and any changes in the related party transactions described in the last Annual Report and Accounts that could have such a material effect.

The Directors also confirm that, in view of the unaudited condensed interim consolidated financial statements and the information contained within the interim management report, the business is a going concern. The Directors of the Company are listed on pages 62-63 of the Group's 2020 Annual Report and Accounts. The individuals responsible for authorising the responsibility statement on behalf of the Board on 27 July 2021 are:

Peter Clarke
Director/Chairman

Natalie Kershaw
Director/CFO

INDEPENDENT REVIEW REPORT TO LANCASHIRE HOLDINGS LIMITED

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed interim consolidated statement of comprehensive income (loss), the condensed interim consolidated balance sheet, the condensed interim consolidated statement of changes in shareholders' equity, the condensed interim statement of consolidated cash flows, the risk and other disclosures and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in the basis of preparation on page 11 the latest annual financial statements of the Company were prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Rees Aronson

Rees Aronson

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

E14 5GL

27 July 2021

GLOSSARY

Accident year loss ratio

The accident year loss ratio is calculated using the accident year ultimate liability revalued at the current balance sheet date, divided by net premium earned

Additional case reserves (ACR)

Additional reserves deemed necessary by management

AFS

Available for sale

AIM

A sub-market of the LSE

A.M. Best Company (A.M. Best)

A.M Best is a full-service credit rating organisation dedicated to serving the financial services industries, focusing on the insurance sector

Board of Directors, Board

Unless otherwise stated refers to the LHL Board of Directors

Book value per share (BVS)

Calculated by dividing the value of the total shareholders' equity by the sum of all common voting shares outstanding

BSX

Bermuda Stock Exchange

Ceded

To transfer insurance risk from a direct insurer to a reinsurer and/or from a reinsurer to a retrocessionaire

CEO

Chief Executive Officer

CFO

Chief Financial Officer

Change in FCBVS

The IRR of the change in FCBVS in the period plus accrued dividends

Combined ratio

Ratio, in per cent, of the sum of net insurance losses, net acquisition expenses and other operating expenses to net premiums earned

Deferred acquisition costs

Costs incurred for the acquisition or the renewal of insurance policies (e.g. brokerage and premium taxes) which are deferred and amortised over the term of the insurance contracts to which they relate

Diluted earnings per share

Calculated by dividing the net profit for the period attributable to shareholders by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares that would be issued on the conversion of all potentially dilutive equity based compensation awards into common shares under the treasury stock method

Directors fees and expenses

Unless otherwise stated includes fees and expenses of all Directors across the Group

Duration

Duration is the weighted average maturity of a security's cash flows, where the present values of the cash flows serve as the weights. The effect of the convexity, or sensitivity, of the portfolio's response to changes in interest rates is also factored in to the calculation

Earnings per share (EPS)

Calculated by dividing net profit for the period attributable to shareholders by the weighted average number of common shares outstanding during the period, excluding treasury shares and shares held by the EBT

EBT

Lancashire Holdings Employee Benefit Trust

EU

European Union

FAL

Funds at Lloyd's

Fully converted book value per share (FCBVS)

Calculated based on the value of the total shareholders' equity attributable to the Group and dilutive restricted stock units as calculated under the treasury method, divided by the sum of all shares and dilutive restricted stock units, assuming all are exercised

FVTPL

Fair value through profit or loss

Gross premiums written

Amounts payable by the insured, excluding any taxes or duties levied on the premium, including any brokerage and commission deducted by intermediaries

Gross premiums written under management

The gross premiums written under management equals the total of the Group's consolidated gross premiums written plus the external Name's portion of gross premiums written in Syndicate 2010 plus the gross premiums written in LCM on behalf of KRL.

The Group or the Lancashire Group

LHL and its subsidiaries

IFRS

International Financial Reporting Standard(s)

Incurred but not reported (IBNR)

These are anticipated or likely losses that may result from insured events which have taken place, but for which no losses have yet been reported. IBNR also includes a reserve for possible adverse development of previously reported losses

International Accounting Standard(s) (IAS)

Standards, created by the IASB, for the preparation and presentation of financial statements

International Accounting Standards Board (IASB)

An international panel of accounting experts responsible for developing IAS and IFRS

IRR

Internal rate of return

KHL

Kinesis Holdings I Limited

GLOSSARY

LCM

Lancashire Capital Management Limited

LCMMSL

LCM Marketing Services Limited

Kinesis

The Group's third party capital management division encompassing LCM, LCMMSL and the management of KHL and KRL

LHL

Lancashire Holdings Limited

LICL

Lancashire Insurance Company Limited

Lloyd's

The Society of Lloyd's

Losses

Demand by an insured for indemnity under an insurance contract

LSE

London Stock Exchange

LSL

Lancashire Syndicates Limited

LUK

Lancashire Insurance Company (UK) Limited

Moody's Investor Service (Moody's)

Moody's Corporation is the parent company of Moody's Investor Service, which provides credit rating and research covering debt instruments and securities, and Moody's Analytics, which offers software, advisory services and research for credit and economic analysis and financial risk management

NAV

Net asset value

Net acquisition cost ratio

Ratio, in per cent, of net insurance acquisition expenses to net premiums earned

Net expense ratio

Ratio, in per cent, of other operating expenses to net premiums earned

Net loss ratio

Ratio, in per cent, of net insurance losses to net premiums earned

Net premiums written

Net premiums written is equal to gross premiums written less outwards reinsurance premiums written

ORSA

Own Risk and Solvency Assessment

OTC

Over the counter

RPI

Renewal Price Index

RSS

Restricted share scheme

S&P Global Ratings (S&P)

S&P Global Ratings is a worldwide insurance rating and information agency whose ratings are recognised as an ideal benchmark for assessing the financial strength of insurance related organisations

Syndicate 2010

Lloyd's Syndicate 2010, managed by LSL. The Group provides capital to support approximately 58.1% of the stamp

Syndicate 3010

Lloyd's Syndicate 3010, managed by LSL. The Group provides capital to support 100.0% of the stamp

Unearned premiums

The portion of premium income that is attributable to periods after the balance sheet date is deferred and amortised to future accounting periods

UK

United Kingdom

U.S.

United States of America

U.S. GAAP

Accounting principles generally accepted in the United States

Alternative Performance Measures (APMs)

As is customary in the insurance industry, the Group also utilises certain non-GAAP measures in order to evaluate, monitor and manage the business and to aid users' understanding of the Group. Management believes that the APMs included in the Financial Statements are important for understanding the Group's overall results of operations and may be helpful to investors and other interested parties who may benefit from having a consistent basis for comparison with other companies within the industry. However, these measures may not be comparable to similarly labelled measures used by companies inside or outside the insurance industry. In addition, the information contained herein should not be viewed as superior to, or a substitute for, the measures determined in accordance with the accounting principles used by the Group for its audited consolidated financial statements or in accordance with GAAP.

In compliance with the Guidelines on APMs of the European Securities and Markets Authority, as applied by the FCA, information on APMs which the Group uses is described below. This information has not been audited.

All amounts, excluding share data, ratios, percentage or where otherwise stated, are in millions of U.S. dollars.

Net loss ratio: Ratio, in per cent, of net insurance losses to net premiums earned. This ratio gives an indication of the amount of claims expected to be paid out per $1.00 of net premium earned in the financial year.

	30 June 2021	30 June 2020	31 December 2020
Net insurance losses	**121.1**	132.4	283.8
Divided by net premiums earned	**315.3**	230.8	475.8
Net loss ratio	**38.4%**	57.4%	59.6%

Net acquisition cost ratio: Ratio, in per cent, of net insurance acquisition expenses to net premiums earned. This ratio gives an indication of the amount expected to be paid out to insurance brokers and other insurance intermediaries per $1.00 of net premium earned in the financial year.

	30 June 2021	30 June 2020	31 December 2020
Net acquisition expense	**67.1**	59.0	115.0
Divided by net premiums earned	**315.3**	230.8	475.8
Net acquisition cost ratio	**21.3%**	25.6%	24.2%

Net expense ratio: Ratio, in per cent, of other operating expenses, excluding restricted stock expenses, to net premiums earned. This ratio gives an indication of the amount of operating expenses expected to be paid out per $1.00 of net premium earned in the financial year.

	30 June 2021	30 June 2020	31 December 2020
Other operating expenses	**66.1**	55.1	114.4
Divided by net premiums earned	**315.3**	230.8	475.8
Net expense ratio	**21.0%**	23.9%	24.0%

Combined ratio (KPI): Ratio, in per cent, of the sum of net insurance losses, net acquisition expenses and other operating expenses to net premiums earned. The Group aims to price its business to ensure that the combined ratio across the cycle is less than 100%.

	30 June 2021	30 June 2020	31 December 2020
Net loss ratio	**38.4%**	57.4%	59.6%
Net acquisition cost ratio	**21.3%**	25.6%	24.2%
Net expense ratio	**21.0%**	23.9%	24.0%
Combined Ratio	**80.7%**	106.9%	107.8%

Accident year loss ratio: The accident year loss ratio is calculated using the accident year ultimate liability revalued at the current balance sheet date, divided by net premiums earned. This ratio shows the amount of claims expected to be paid out per $1.00 of net premium earned in an accident year.

	30 June 2021	30 June 2020	31 December 2020
Net insurance losses current accident year	**175.2**	128.3	339.1
Net premiums earned current accident year*	**311.0**	231.6	474.9
Accident year loss ratio	**56.3%**	55.4%	71.4%

*For the accident year loss ratio, net premiums earned excludes inwards and outwards reinstatement premium from prior accident years.

Fully converted book value per share ('FCBVS') attributable to the Group: Calculated based on the value of the total shareholders' equity attributable to the Group and dilutive restricted stock units as calculated under the treasury method, divided by the sum of all shares and dilutive restricted stock units, assuming all are exercised. Shows the Group net asset value on a diluted per share basis for comparison to the market value per share.

	30 June 2021	30 June 2020	31 December 2020
Shareholders' equity attributable to the Group	**1,553,600,727**	1,506,073,852	1,538,466,664
Common voting shares outstanding*	**242,754,618**	241,756,207	241,811,908
Shares relating to dilutive restricted stock	**2,859,880**	2,868,612	3,333,356
Fully converted book value denominator	**245,614,498**	244,624,819	245,145,264
Fully converted book value per share	**$6.33**	$6.16	$6.28

*Common voting shares outstanding comprise issued share capital less amounts held in trust.

Change in FCBVS (KPI): The internal rate of return of the change in FCBVS in the period plus accrued dividends. Sometimes referred to as ROE. The Group's aim is to maximise risk-adjusted returns for shareholders across the cycle through a purposeful and sustainable business culture.

	30 June 2021	30 June 2020	31 December 2020
Opening FCBVS	**($6.28)**	($5.84)	($5.84)
Q1 dividend per share	**—**	—	—
Q2 dividend per share	**$0.10**	$0.10	$0.10
Q3 dividend per share	**—**	—	$0.05
Q4 dividend per share	**—**	—	—
Closing FCBVS	**$6.33**	$6.16	$6.28
Change in FCBVS*	**2.4%**	7.2%	10.2%

*Calculated using the internal rate of return.

Total investment return (KPI): Total investment return in percentage terms, is calculated by dividing the total investment return excluding foreign exchange by the investment portfolio net asset value, including managed cash on a daily basis. These daily returns are then annualized through geometric linking of daily returns. The return can be approximated by dividing the total investment return excluding foreign exchange by the average portfolio net asset value, including managed cash. The Group's primary investment objectives are to preserve capital and provide adequate liquidity to support the Group's payment of claims and other obligations. Within this framework we aim for a degree of investment portfolio return.

	30 June 2021	30 June 2020	31 December 2020
Total investment return	**7.4**	22.0	69.1
Average invested assets*	**2,139.3**	1,818.3	1,873.9
Approximate total investment return	**0.3%**	1.2%	3.7%
Reported total investment return	**0.3%**	1.3%	3.9%

*Calculated as the average between the opening and closing investments as per note 6 and our externally managed cash.

Gross premiums written under management (KPI): The gross premiums written under management equals the total of the Group's's consolidated gross premiums written plus the external names portion of the gross premiums written in LSL syndicate 2010 plus the gross premiums written in LCM. The Group aims to operate nimbly through the cycle. We will grow in existing and new classes where favourable and improving market conditions exist, whilst monitoring and managing our risk exposures and not seek top-line growth for the sake of it in markets where we do not believe the right opportunities exist.

	30 June 2021	30 June 2020	31 December 2020
Gross premiums written by the group	**697.2**	495.5	814.1
LSL Syndicate 2010 - external Names portion of gross premiums written (unconsolidated)	**90.8**	81.5	126.6
LCM gross premiums written (unconsolidated)	**124.5**	119.4	126.4
Total gross premiums written under management	**912.5**	696.4	1,067.1

Note regarding forward-looking statements

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELLED 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", "AIMS", "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 FINANCIAL POSITION OF THE COMPANY AND ITS SUBSIDIARIES (THE "GROUP"), THE GROUP'S TAX RESIDENCY, 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 ACTUAL DEVELOPMENT OF LOSSES AND EXPENSES IMPACTING ESTIMATES FOR CLAIMS WHICH ARISE AS A RESULT OF THE COVID-19 PANDEMIC WHICH IS AN ONGOING EVENT AS AT THE DATE OF THIS RELEASE, WINTER STORM URI WHICH OCCURRED DURING THE FIRST QUARTER OF 2021, HURRICANES LAURA AND SALLY, MIDWEST DERECHO STORM AND THE WILDFIRES IN CALIFORNIA WHICH OCCURRED DURING THE THIRD QUARTER OF 2020, TYPHOON HAGIBIS WHICH OCCURRED IN THE FOURTH QUARTER OF 2019, HURRICANE DORIAN AND TYPHOON FAXAI WHICH OCCURRED IN THE THIRD QUARTER OF 2019, THE CALIFORNIAN WILDFIRES AND HURRICANE MICHAEL WHICH OCCURRED IN THE FOURTH QUARTER OF 2018, HURRICANE FLORENCE AND THE TYPHOONS THAT OCCURRED IN THE THIRD QUARTER OF 2018; THE IMPACT OF COMPLEX AND UNIQUE CAUSATION AND COVERAGE ISSUES ASSOCIATED WITH ATTRIBUTION OF LOSSES TO WIND OR FLOOD DAMAGE OR OTHER PERILS SUCH AS FIRE OR BUSINESS INTERRUPTION RELATING TO SUCH EVENTS; POTENTIAL UNCERTAINTIES RELATING TO REINSURANCE RECOVERIES, REINSTATEMENT PREMIUMS AND OTHER FACTORS INHERENT IN LOSS ESTIMATIONS; 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' RATINGS 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; CYCLICAL DOWNTURNS 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 AND THE TIMING AND EXTENT OF ANY SUCH CHANGES; 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; LANCASHIRE HOLDINGS LIMITED OR ANY OF THE GROUP'S BERMUDIAN SUBSIDIARIES BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR IN THE UNITED KINGDOM; THE IMPACT OF THE CHANGE IN TAX RESIDENCE ON STAKEHOLDERS OF THE COMPANY; THE IMPACT OF THE EXPIRATION OF THE TRANSITION PERIOD ON 31 DECEMBER 2020 FOLLOWING THE UK'S WITHDRAWAL FROM THE EUROPEAN UNION ON THE GROUP'S BUSINESS, REGULATORY RELATIONSHIPS, UNDERWRITING PLATFORMS OR THE INDUSTRY GENERALLY. THE FOCUS AND SCRUTINY ON ESG-RELATED MATTERS REGARDING THE INSURANCE INDUSTRY FROM KEY STAKEHOLDERS OF THE GROUP, AND ANY ADVERSE ASSET, CREDIT, FINANCING OR DEBT CAPITAL MARKET CONDITIONS GENERALLY, WHICH MAY AFFECT THE ABILITY OF THE GROUP TO MANAGE ITS LIQUIDITY.

ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE HOLDINGS LIMITED 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 RELEASE WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.

Note regarding forward-looking statements

NOTE REGARDING COVID-19 LOSS:

OUR COVID-19 LOSS PRIMARILY RELATES TO EXPOSURES WITHIN OUR PROPERTY AND CASUALTY REINSURANCE AND INSURANCE SEGMENTS. GIVEN THE ONGOING NATURE OF THE COVID-19 PANDEMIC AND THE UNCERTAIN IMPACT ON THE INSURANCE INDUSTRY, THE GROUP'S ACTUAL ULTIMATE LOSS MAY VARY, PERHAPS MATERIALLY, FROM THE CURRENT ESTIMATE. THE FINAL SETTLEMENT OF ALL OF THESE CLAIMS IS LIKELY TO TAKE PLACE OVER A CONSIDERABLE PERIOD OF TIME. LANCASHIRE DOES NOT WRITE THE FOLLOWING LINES OF BUSINESS: TRAVEL INSURANCE; TRADE CREDIT; AND LONG-TERM LIFE AND PRIOR TO THE COVID-19 PANDEMIC DID NOT WRITE DIRECTORS' AND OFFICERS' LIABILITY OR MEDICAL MALPRACTICE. THE GROUP UNDERWRITES A SMALL NUMBER OF EVENT CANCELLATION CONTRACTS AND HAS MINIMAL EXPOSURE THROUGH MORTGAGE, ACCIDENT AND HEALTH BUSINESS.