Lancashire
Holdings Limited

Unaudited condensed interim consolidated financial statements 30 June 2022

THE LANCASHIRE WAY

Finding the right solutions

Contents

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2022	Six months ended 30 June 2021	Twelve months ended 31 December 2021
Highlights			
Gross premiums written	**938.1**	697.2	1,225.2
Net premiums written	**622.6**	427.9	816.1
Underwriting profit	**164.5**	127.1	69.0
Profit (loss) before tax	**78.0**	54.1	(56.8)
Comprehensive (loss) income[1]	**(7.1)**	33.6	(92.9)
Change in FCBVS[2]	**0.0%**	2.4%	(5.8%)
Financial ratios			
Total investment return	**(3.8%)**	0.3%	0.1%
Net loss ratio	**37.9%**	38.4%	67.6%
Combined ratio	**78.2%**	80.7%	107.3%
Per Share data			
Fully converted book value per share	**$5.67**	$6.33	$5.77
Dividends per common share for the financial year	**$0.05**	$0.05	$0.15
Diluted earnings (loss) per share	**$0.30**	$0.19	($0.26)

[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".

Alex Maloney, Group Chief Executive Officer, commented:

"The Group delivered strong premium growth in the first half of the year with a 34.6% increase in gross premiums written year-on-year to $938.1 million. We continue to see attractive rate increases across a number of business lines with a renewal price index for the first six months of 106%.

Over the past few years, we have successfully diversified our underwriting portfolio. I am pleased that we are seeing a strong performance from a number of these newer classes of business while we are also continuing to benefit from those products where we have longer-standing expertise. This has resulted in an excellent underwriting performance for the first half of 2022 with a combined ratio of 78.2% and profit before tax of $78.0 million.

We previously gave a range of $20 million to $30 million for potential incurred losses within Ukraine. Our ultimate net losses incurred within Ukraine since the start of the conflict are towards the lower end of our initial range at $22.0 million (excluding the impact of reinstatement premiums).

We continue to closely monitor our exposure with regards to Russia, which remains a complex and fluid situation. We believe that any potential losses would be within our risk tolerances, and would not impact our strategy or our ability to deliver on our ambitious growth plans.

While broader macro-economic issues are impacting the outlook for the global economy, we believe that the strong rate environment for many of our products is the best we have seen for more than a decade and that it will continue through the second half of 2022 and into 2023. This includes risk-adjusted rate rises and attractive opportunities across lines impacted by the conflict in Ukraine.

During the first half of 2022, the investment environment has proved volatile and the upwards trend in US interest rates has resulted in a negative investment performance of 3.8% or in dollar terms an investment loss of $85.8 million. This includes $83.0 million of unrealised losses on our fixed maturity AFS portfolio due to market value changes. Overall, our investment strategy remains conservative and the return to a higher interest rate environment should boost future earnings in our portfolio.

We continue to be strongly capitalised giving us the firepower to execute our long-term strategy to grow premiums where we believe there are attractive returns while retaining our strict focus on underwriting discipline.

In June we were pleased to announce a number of senior underwriting appointments, all of which were promotions from within our existing teams. Ensuring we have the right talent in the right roles is critical to our success as we look to maximise the Group's underwriting prospects. Lancashire has always attracted some of the best people in the industry and we continue to develop our employees, wherever they work in the business, and give them opportunities to thrive in our positive and vibrant corporate culture.

As always, I would like to thank all our colleagues for their hard work and commitment and our brokers, clients and shareholders for their continued support."

UNDERWRITING RESULTS

Gross premiums written	Six months ended 30 June 2022 $m	Six months ended 30 June 2021 $m	Change $m	Change %	RPI %
Property and casualty reinsurance	**548.0**	377.0	171.0	45.4	**107**
Property and casualty insurance	**149.6**	106.5	43.1	40.5	**105**
Aviation	**58.3**	58.4	(0.1)	(0.2)	**106**
Energy	**115.4**	107.6	7.8	7.2	**103**
Marine	**66.8**	47.7	19.1	40.0	**106**
Total	**938.1**	697.2	240.9	34.6	**106**

Property and casualty reinsurance

The substantial growth in the property and casualty reinsurance segment was mainly due to new business in the casualty reinsurance and financial lines classes of business, which also benefitted from significant written premium being recognised from new policies bound in 2021. The RPI for this segment also remained strong at 107% further contributing to the premium increase.

Property and casualty insurance

The growth in the property and casualty insurance segment reflects the continued build-out of the property direct and facultative book of business, including our recent expansion in Australia and new business in property construction. This class had an overall RPI of 106%.

Aviation

The first half of the year was not a major renewal period for the aviation segment and, as a result, the gross premium written remained comparable to the prior year.

Energy

Most of our energy classes of business grew through the addition of new underwriting teams and product expansion across underwriting platforms to take advantage of the improving market conditions. Our decision to exit the Gulf of Mexico class resulted in a reduction in premium that was more than offset by new business in other classes.

Marine

Growth in the marine segment was primarily driven by new business particularly in the marine cargo and marine liability classes of business. The marine liability class also had a strong RPI of 115% compared to the same period in the prior year.

Outwards reinsurance premiums

Although the proportion of outwards reinsurance premiums to gross written premium has decreased year-on-year, in dollar terms the spend increased by $46.2 million or 17.2% compared to the first six months of 2021.

Net insurance losses

The Group's net loss ratio for the six months ended 30 June 2022 was 37.9% compared to 38.4% in 2021. The accident year loss ratio for the six months ended 30 June 2022, including the impact of foreign exchange revaluations, was 53.5% compared to 56.3% in the same period in 2021.

During the first six months of 2022, the Group experienced net losses from the ongoing events in Ukraine and the Australian floods, as well as a number of smaller weather and risk losses. None of these events was individually material for the Group

The first half of 2021 included $51.2 million of net losses for Winter Storm Uri, excluding the impact of reinstatement premiums. Absent Winter Storm Uri our net loss ratio would have been 22.6% in the same period.

Prior year favourable development for the first six months of 2022 was $64.4 million, compared to $53.6 million of favourable development in 2021. The favourable development in 2022 was primarily due to general IBNR releases on the 2021 accident year across most lines of business due to a lack of reported claims as well as favourable development on some large claims from the 2018 and 2017 accident years.

In the prior half year, the Group benefited from 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 table below provides further detail of prior years' loss development by class, excluding the impact of foreign exchange revaluations:

	Six months ended 30 June 2022 $m	Six months ended 30 June 2021 $m
Property and casualty reinsurance	**23.1**	6.7
Property and casualty insurance	**16.7**	17.6
Aviation	**7.5**	9.4
Energy	**12.0**	17.8
Marine	**5.1**	2.1
Total	**64.4**	53.6

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 2022 and 2021:

	Six months ended 30 June 2022 $m	Six months ended 30 June 2021 $m
2017 accident year and prior	**19.1**	29.6
2018 accident year	**10.6**	(1.6)
2019 accident year	**4.9**	1.8
2020 accident year	**8.6**	23.8
2021 accident year	**21.2**	—
Total	**64.4**	53.6

Note: Positive numbers denote favourable development.

INVESTMENTS

Net investment income, excluding realised and unrealised gains and losses, was $17.3 million for the first six months of 2022, an increase of 17.7% compared to 2021.

The Group's investment portfolio, including unrealised gains and losses, returned a negative investment performance of 3.8% or in dollar terms an investment loss of $85.8 million. This includes $83.0 million of unrealised losses on our fixed maturity AFS portfolio for the first six months of 2022. The losses were primarily driven by the Federal Reserve's response to inflation and volatile financial markets. The yield curve flattened significantly, and spreads widened for investment grade corporate debt and bank loans.

The Group's investment portfolio, including unrealised gains and losses, returned 0.3% (gain of $7.4 million) for the first six months of 2021. Fixed maturity portfolio returns were flat to slightly negative offset by positive returns from other investments, including the hedge funds and principal protected notes.

The managed portfolio was invested as follows:

	30 June 2022	30 June 2021	31 December 2021
Fixed maturity securities	**85.2%**	77.7%	78.4%
Cash and cash equivalents	**4.7%**	12.1%	11.2%
Private investment funds	**4.6%**	4.3%	4.6%
Hedge funds	**4.3%**	4.5%	4.5%
Index Linked securities	**1.3%**	1.3%	1.3%
Other investments	**(0.1%)**	0.1%	—
Total	**100.0%**	100.0%	100.0%

Key investment portfolio statistics for our fixed maturities and managed cash were:

	30 June 2022	30 June 2021	31 December 2021
Duration	**1.8 years**	1.8 years	1.8 years
Credit quality	**A+**	A+	A+
Book yield	**1.9%**	1.3%	1.3%
Market yield	**3.5%**	0.8%	1.0%

LANCASHIRE THIRD PARTY CAPITAL MANAGEMENT

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

	Six months ended 30 June 2022 $m	Six months ended 30 June 2021 $m
LCM underwriting fees	**0.9**	2.4
LCM profit commission	**0.1**	3.6
LSL fees and profit commission	**1.3**	1.0
Total	**2.3**	7.0
Share of profit of associate	**2.4**	0.3
Total third party capital managed income	**4.7**	7.3

The amount of Lancashire Capital Management profit commission recognised is driven by the timing of loss experience, settlement of claims and collateral release and therefore varies year on year. The share of profit of associate reflects Lancashire's equity interest in the Lancashire Capital Management managed vehicle.

OTHER OPERATING EXPENSES

Other operating expenses were $68.4 million in the first six months of 2022 compared to $66.1 million in the first six months of 2021. A growth in headcount has resulted in higher underlying employee remuneration costs compared to the prior year alongside an increase in audit fees, travel costs and fees and subscriptions. The weakening Sterling/U.S. Dollar exchange rate relative to the prior year partly offset this increase in the underlying cost base.

CAPITAL

As at 30 June 2022, total capital available to Lancashire was approximately $1.8 billion, comprising shareholders' equity of $1.4 billion and $0.4 billion of long-term debt. Tangible capital was $1.7 billion. Leverage was 24.5% on total capital and 26.9% on total tangible capital. Total capital and total tangible capital as at 30 June 2021 were $2.0 billion and $1.8 billion respectively.

SHARE REPURCHASES

During the six months ended 30 June 2022, Lancashire repurchased 2,431,517 of its common shares (out of a maximum Board-approved limit for this share repurchase of 3,000,000 common shares). These repurchases were made pursuant to and in accordance with the general authority granted by shareholders at Lancashire's Annual General Meeting held on 27 April 2022 and will be used to satisfy a number of future exercises of awards under the Company's Restricted Share Scheme.

FURTHER INTENTION TO PURCHASE OWN SHARES

Pursuant to and in accordance with the general authority granted by shareholders at Lancashire's Annual General Meeting held on 27 April 2022, Lancashire intends to purchase up to a further 3,000,000 of its common shares of $0.50 each in order to satisfy a number of future exercises of awards under its Restricted Share Scheme. A further announcement in accordance with Listing Rule 12.4 will be made in due course.

DIVIDENDS

Lancashire's Board of Directors declared on 26 July 2022 an interim dividend of $0.05 (approximately £0.04) per common share, which will result in an aggregate payment of approximately $12.0 million. The dividend will be paid in Pounds Sterling on 2 September 2022 (the "Dividend Payment Date") to shareholders of record on 5 August 2022 (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 2021):

	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 (LOSS) INCOME

For the six months ended 30 June 2022

	Notes	**Six months 2022 $m**	Six months 2021 $m	Twelve months 2021 $m
Gross premiums written	2	**938.1**	697.2	1,225.2
Outwards reinsurance premiums	2	**(315.5)**	(269.3)	(409.1)
Net premiums written		**622.6**	427.9	816.1
Change in unearned premiums	2	**(300.5)**	(210.6)	(140.0)
Change in unearned premiums on premiums ceded	2	**118.4**	98.0	20.4
Net premiums earned		**440.5**	315.3	696.5
Net investment income	3	**17.3**	14.7	23.0
Net other investment (losses) income	3	**(9.4)**	1.5	3.8
Net realised (losses) gains and impairments	3	**(10.7)**	5.7	6.1
Share of profit (loss) of associate		**2.4**	0.3	(3.9)
Other income		**2.3**	7.0	18.2
Net foreign exchange (losses) gains		**(1.6)**	1.6	3.5
Total net revenue		**440.8**	346.1	747.2
Insurance losses and loss adjustment expenses	2, 6	**207.5**	136.2	667.6
Insurance losses and loss adjustment expenses recoverable	2, 6	**(40.6)**	(15.1)	(197.1)
Net insurance losses		**166.9**	121.1	470.5
Insurance acquisition expenses	2	**127.2**	82.3	188.6
Insurance acquisition expenses ceded	2	**(18.1)**	(15.2)	(31.6)
Equity based compensation		**3.7**	7.0	11.1
Other operating expenses		**68.4**	66.1	119.6
Total expenses		**348.1**	261.3	758.2
Results of operating activities		**92.7**	84.8	(11.0)
Financing costs		**14.7**	30.7	45.8
Profit (loss) before tax		**78.0**	54.1	(56.8)
Tax charge	4	**(3.6)**	(6.2)	(4.8)
Profit (loss) after tax		**74.4**	47.9	(61.6)
Profit (loss) for the period attributable to:				
Equity shareholders of LHL		**74.4**	47.7	(62.2)
Non-controlling interests		**—**	0.2	0.6
Profit (loss) for the period		**74.4**	47.9	(61.6)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods				
Net change in unrealised losses on investments	3, 5	**(83.0)**	(14.5)	(31.6)
Tax credit on net change in unrealised losses on investments	4, 5	**1.5**	0.4	0.9
Other comprehensive loss		**(81.5)**	(14.1)	(30.7)
Total comprehensive (loss) income for the period		**(7.1)**	33.8	(92.3)
Total comprehensive (loss) income attributable to:				
Equity shareholders of LHL		**(7.1)**	33.6	(92.9)
Non-controlling interests		**—**	0.2	0.6
Total comprehensive (loss) income for the period		**(7.1)**	33.8	(92.3)
Earnings (loss) per share				
Basic	9	**$0.31**	$0.20	($0.26)
Diluted	9	**$0.30**	$0.19	($0.26)

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

As at 30 June 2022

	Notes	**30 June 2022** $m	30 June 2021 $m	31 December 2021 $m
Assets				
Cash and cash equivalents		**390.6**	563.4	517.7
Accrued interest receivable		**8.3**	7.2	7.1
Investments	5	**2,132.8**	1,977.9	2,048.1
Inwards premiums receivable from insureds and cedants		**755.5**	550.7	490.6
Reinsurance assets				
- Unearned premiums on premiums ceded		**236.2**	195.4	117.8
- Reinsurance recoveries	6	**428.8**	281.6	418.8
- Other receivables		**41.5**	22.3	38.2
Other receivables		**32.0**	21.0	18.8
Investment in associate		**87.6**	89.0	118.7
Property, plant and equipment		**0.6**	1.1	0.8
Right-of-use assets		**12.1**	14.8	13.4
Deferred acquisition costs		**173.9**	117.8	121.6
Intangible assets		**162.3**	154.5	157.9
Total assets		**4,462.2**	3,996.7	4,069.5
Liabilities				
Insurance contracts				
- Losses and loss adjustment expenses	6	**1,311.4**	978.0	1,291.1
- Unearned premiums		**898.4**	668.5	597.9
- Other payables		**30.6**	20.7	20.3
Amounts payable to reinsurers		**295.3**	214.6	205.6
Deferred acquisition costs ceded		**25.9**	19.9	27.0
Other payables		**51.9**	58.7	37.4
Corporation tax payable		**1.7**	2.4	1.6
Deferred tax liability	7	**12.8**	14.9	12.2
Lease liability		**15.1**	19.8	17.9
Long-term debt		**445.9**	445.5	445.7
Total liabilities		**3,089.0**	2,443.0	2,656.7
Shareholders' equity				
Share capital	8	**122.0**	122.0	122.0
Own shares	8	**(23.5)**	(12.1)	(18.1)
Other reserves	8	**1,218.8**	1,218.3	1,221.6
Accumulated other comprehensive (loss) income	5	**(78.6)**	19.5	2.9
Retained earnings		**134.0**	205.9	83.9
Total shareholders' equity attributable to equity shareholders of LHL		**1,372.7**	1,553.6	1,412.3
Non-controlling interests		**0.5**	0.1	0.5
Total shareholders' equity		**1,373.2**	1,553.7	1,412.8
Total liabilities and shareholders' equity		**4,462.2**	3,996.7	4,069.5

The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on 26 July 2022 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 2022

	Notes	Share capital $m	Own shares $m	Other reserves $m	Accumulated other comprehensive (loss) income $m	Retained earnings $m	Shareholders' equity attributable to equity shareholders of LHL $m	Non-controlling interests $m	Total shareholders' equity $m
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	8	—	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**
Total comprehensive loss for the period		—	—	—	(16.6)	(109.9)	(126.5)	0.4	(126.1)
Share repurchases	8	—	(6.9)	—	—	—	(6.9)	—	(6.9)
Distributed by trust	8	—	0.8	(0.8)	—	—	—	—	—
Shares donated to the trust	8	—	0.1	(0.1)	—	—	—	—	—
Dividends on common shares		—	—	—	—	(12.1)	(12.1)	—	(12.1)
Net deferred tax		—	—	0.1	—	—	0.1	—	0.1
Equity based compensation		—	—	4.1	—	—	4.1	—	4.1
Balance as at 31 December 2021		**122.0**	**(18.1)**	**1,221.6**	**2.9**	**83.9**	**1,412.3**	**0.5**	**1,412.8**
Total comprehensive loss for the period		—	—	—	**(81.5)**	**74.4**	**(7.1)**	—	**(7.1)**
Share repurchases	8	—	**(11.7)**	—	—	—	**(11.7)**	—	**(11.7)**
Distributed by trust	8	—	**6.0**	**(6.4)**	—	—	**(0.4)**	—	**(0.4)**
Shares donated to the trust	8	—	**0.3**	**(0.3)**	—	—	—	—	—
Dividends on common shares		—	—	—	—	**(24.3)**	**(24.3)**	—	**(24.3)**
Equity based compensation		—	—	**3.9**	—	—	**3.9**	—	**3.9**
Balance as at 30 June 2022		**122.0**	**(23.5)**	**1,218.8**	**(78.6)**	**134.0**	**1,372.7**	**0.5**	**1,373.2**

CONDENSED INTERIM STATEMENT OF CONSOLIDATED CASH FLOWS

For the six months ended 30 June 2022

	Notes	**Six months 2022 $m**	Six months 2021 $m	Twelve months 2021 $m
Cash flows from operating activities				
Profit (loss) before tax		**78.0**	54.1	(56.8)
Tax paid		**(1.3)**	(1.6)	(3.2)
Depreciation		**1.5**	1.6	3.3
Interest expense on long-term debt		**12.9**	12.6	25.8
Interest expense on lease liabilities		**0.5**	0.6	1.1
Interest income	3	**(17.2)**	(18.7)	(34.1)
Net amortisation of fixed maturity securities		**1.4**	3.6	7.0
Redemption cost on senior and subordinated loan notes		**—**	12.8	12.8
Net realised / unrealised losses on interest rate swaps		**—**	3.4	3.4
Equity based compensation		**3.7**	7.0	11.1
Foreign exchange gains		**(2.4)**	(0.5)	(0.4)
Share of (profit) loss of associate		**(2.4)**	(0.3)	3.9
Net other investment losses (income)		**9.2**	(1.9)	(4.7)
Net realised losses (gains) and impairments	3	**10.7**	(5.7)	(6.1)
Changes in operational assets and liabilities				
- Insurance and reinsurance contracts		**(18.7)**	57.3	285.6
- Other assets and liabilities		**(0.6)**	15.8	(4.9)
Net cash flows from operating activities		**75.3**	140.1	243.8
Cash flows used in investing activities				
Interest received		**19.5**	23.1	42.7
Purchase of property, plant and equipment		**—**	(0.7)	(0.7)
Purchase of underwriting capacity		**—**	—	(0.2)
Internally generated intangible asset		**(4.4)**	—	(3.2)
Investment in associate	10	**33.5**	38.5	4.6
Purchase of investments		**(700.7)**	(808.0)	(1,348.5)
Proceeds on sale of investments		**507.7**	672.3	1,118.5
Net cash flows used in investing activities		**(144.4)**	(74.8)	(186.8)
Cash flows (used in) from financing activities				
Interest paid		**(12.9)**	(7.6)	(20.8)
Interest rate swap		**—**	(3.4)	(3.4)
Lease liabilities paid		**(1.8)**	(2.1)	(4.0)
Proceeds from issue of long-term debt		**—**	445.4	445.4
Redemption of long-term debt		**—**	(339.6)	(339.6)
Dividends paid		**(24.3)**	(24.3)	(36.4)
Dividend paid to minority interest holders		**—**	(0.5)	(0.5)
Share repurchases	8	**(11.7)**	—	(6.9)
Distributions by trust		**(0.4)**	(1.0)	(1.0)
Net cash flows (used in) from financing activities		**(51.1)**	66.9	32.8
Net (decrease) increase in cash and cash equivalents		**(120.2)**	132.2	89.8
Cash and cash equivalents at beginning of period		**517.7**	432.4	432.4
Effect of exchange rate fluctuations on cash and cash equivalents		**(6.9)**	(1.2)	(4.5)
Cash and cash equivalents at end of period		**390.6**	563.4	517.7

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 2022. These are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021.

There are also amendments to other existing standards and interpretations that are mandatory for the first time for financial periods beginning 1 January 2022. 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 2022, 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 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, and the current market environment including consideration of climate change and the ongoing conflict in Ukraine/Russia. 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.

Based on the going concern assessment performed as at 30 June 2022, the Directors consider there to be no material uncertainties that may cast significant doubt over the Group's ability to continue as a going concern. The Directors have formed a judgement that there is 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 as at 30 June 2022 that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next twelve months are described below. Assumptions and estimates are based on parameters available when the unaudited condensed interim consolidated 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.

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 6, as well as pages 132 and 137 of the 2021 Annual Report and Accounts.

Less significant estimates are made in determining the 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 5 and pages 133 of the 2021 Annual Report and Accounts.

The consolidated balance sheet includes indefinite life intangible assets and internally generated intangible assets. Whilst less significant, estimates are utilised in the valuation of these intangible assets and the assumptions made by management in performing annual impairment tests of these intangible assets are also subject to estimation uncertainty see note 17 of the 2021 Annual Report and Accounts.

A portion of gross premiums written is based on estimates of the ultimate premiums expected to be received (see the premium and acquisition costs accounting policy on page 132 of the 2021 Annual Report and Accounts). Judgement is involved in determining the ultimate estimates in order to establish the appropriate premium value and, ultimately, the cash to be received.

Future accounting standards

IFRS 17, Insurance Contracts

IFRS 17, issued in May 2017, including amendments issued in June 2020, specifies the financial reporting for insurance contracts and supersedes IFRS 4, Insurance Contracts. IFRS 17 will be effective for accounting periods beginning on or after 1 January 2023.

The Group is currently in the parallel testing phase of its IFRS 17 project. The standard includes a number of significant changes regarding the measurement and disclosure of insurance contracts both in terms of liability measurement and profit recognition.

The IFRS 17 general measurement model requires insurance contract liabilities to be measured using:

- probability-weighted estimates of future cash flows;
- discounting;

- a risk adjustment for non-financial risk; and
- a contractual service margin representing the unearned profit that will be recognised over the coverage period.

IFRS 17 is a principles-based accounting standard. There are a number of accounting policy choices that are allowed under the standard and this will require the application of judgement and an increased use of estimation techniques.

The Group has performed an assessment and currently anticipates that it will be eligible to apply the simplified model (PAA) to its portfolios and groups of contracts as the measurement of the liability for remaining coverage is not expected to differ materially from that calculated under the general measurement model. This will continue to be assessed throughout 2022.

For contracts measured under the PAA, acquisition cash flows can be recognised as an expense when incurred or included in the cash flows in the measurement of the liability for remaining coverage. The Group anticipates including the cash flows in the measurement of the liability for remaining coverage.

The Group also anticipates presenting changes in the impact of discounting as insurance finance income or expenses in profit or loss.

The two largest valuation adjustments that the Group expects to see when adopting IFRS 17 include:

- establishing a directly attributable expense reserve. This is due to the IFRS 17 requirement that all future cash flows related to the fulfilment of insurance contracts be captured within portfolios and applied to groups of insurance contracts. This will replace, at an increased amount, the existing ULAE provision. After initial recognition this reserve should stabilise; and
- discounting the liability for incurred claims. As not all cash flows are expected to be paid or received in one year or less from the date claims are incurred, the Group is required to discount the estimate of future cash flows included in the liability for incurred claims. As current discount rates are applied this is subject to a degree of volatility.

The Group anticipates applying the bottom-up approach when discounting the liability for incurred claims. This approach requires the use of an appropriate (liquid) risk-free yield curve plus a specific illiquidity premium above the risk-free yield curve. Yield curve information will be sourced from a third-party service provider. The Group has not identified any significant financing component in the liability for remaining coverage and has therefore applied judgement to determine that there is no requirement to discount these balances.

Other, smaller, individually immaterial valuation adjustments on adoption of IFRS 17 will arise from:

- the requirement to revalue all component parts of insurance contract assets and liabilities at current foreign exchange rates. Under IFRS 4 unearned premium and deferred acquisition costs are considered non-monetary assets and are not currently revalued at the balance sheet date;
- including expected premiums in the estimates of future cashflows. Under IFRS 4, for the majority of the Group's excess of loss contracts, premiums written are recorded based on the minimum and deposit or flat premium, as defined in the contract. Subsequent adjustments to the minimum and deposit premium are recognised in the period in which they are determined; and
- the requirement to recognise immediately an onerous loss component on the initial recognition of an onerous group of contracts.

Under IFRS 17, insurance contracts that are subject to similar risks and that are managed together are classified into a portfolio of insurance contracts. Each portfolio of insurance contracts is then divided into a minimum of three groups:

- A group of contracts that are onerous at initial recognition;
- A group of contracts that at initial recognition have no significant possibility of becoming onerous; and
- A group of the remaining contracts in the portfolio.

A group of contracts that are considered onerous at initial recognition will result in a loss being recognised immediately in the consolidated statement of comprehensive (loss) income. In the consolidated balance sheet, we would be required to recognise a loss component in the liability for remaining coverage. The Group is currently reviewing its portfolios and groups of contracts to determine if there are any onerous contracts that may result in a transition adjustment on adoption of IFRS 17.

IFRS 17 will result in a number of presentation differences compared to the existing IFRS 4 consolidated financial statements:

- The insurance service result will comprise insurance revenue, insurance service expense and insurance finance income or expense;
- Reinsurance contracts held are required to be presented separately from insurance contracts issued;
- Reinstatement premiums will be considered contingent on claims and therefore recognised against insurance service expense while commissions paid to cedants will be recognised as a deduction from insurance revenue;
- Non-distinct investment components, which are defined as amounts that are repayable in all circumstances, are required to be excluded from insurance revenue and expenses;
- A portion of operating expenses will be included in insurance service expense; and
- On the face of the balance sheet there will be less information presented with all re(insurance) related balances rolling into either insurance liabilities/assets or reinsurance assets/liabilities.

The Group currently anticipates that it will apply the fully retrospective transition approach when adopting IFRS 17.

IFRS 17 has been endorsed by the EU.

The Group will continue to assess the impact that IFRS 17 will have on its results and its presentation and disclosure requirements.

IFRS 9, Financial Instruments: Classification and Measurement

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The amendments to IFRS 4, Insurance Contracts, issued in 2016, provide a temporary exemption from applying IFRS 9. The Group continues to qualify for, and has elected to apply, the temporary exemption available to companies whose predominant activity is to issue insurance contracts. The exemption lasts until the implementation date of IFRS 17 and addresses the accounting consequences of applying IFRS 9 to insurers prior to the adoption of IFRS 17. In addition, the Group elected, under the amendments of the initial application of IFRS 17 and IFRS 9 - Comparative Information issued in December 2021, to apply the classification overlay to all financial assets. The Group aims to apply this narrow scope amendment using the classification and measurement categories the Group expects to apply on the initial application date of IFRS 9, being 1 January 2023 and has also elected to apply the impairment requirements of IFRS 9 for comparative periods.

The Group will therefore apply IFRS 9 retrospectively and restate comparative information for financial instruments in scope of IFRS 9, except for the the determination of the business model within which a financial asset is held. The assessment will be made on the basis of the facts and circumstances that exist as at 1 January 2023.

IFRS 9 introduces new classification and measurement requirements for financial instruments, an expected credit loss impairment model that replaces the IAS 39 incurred loss model and new hedge accounting requirements. Applying the new requirements of IFRS 9, the Group currently anticipates that all investments held by the Group will be classified as at FVTPL mandatory, because they are managed on a fair value basis. As a result, all investments currently disclosed in note 5 as AFS will be reclassified as at FVTPL mandatory with changes in unrealised gains (losses) currently recorded within other comprehensive (loss) income to be reclassified and recorded within net investment income in profit or loss. The reclassification from AFS to FVTPL mandatory will not result in a change in the carrying value of the investments disclosed in note 5. The change in classification from AFS to FVTPL mandatory will result in balances within accumulated other comprehensive income being reclassified to retained earnings on the date of transition.

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. For the Group's property and casualty reinsurance segment higher premium volumes are underwritten during the first half of the year prior to wind season.

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:

	2021		2020	
	$m	%	$m	%
January to June	697.2	56.9	495.5	60.9
July to December	528.0	43.1	318.6	39.1
Total	1,225.2	100.0	814.1	100.0

Details of annual net insurance losses for the previous two years are as follows:

	2021		2020	
	$m	%	$m	%
January to June	121.1	25.7	132.4	46.7
July to December	349.4	74.3	151.4	53.3
Total	470.5	100.0	283.8	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 136 to 155 in the Annual Report and Accounts for the year ended 31 December 2021. These remain the most relevant risks and uncertainties for the Group.

CATASTROPHE MANAGEMENT

The Group actively monitors risk levels and manages catastrophe risk accumulations using reinsurance and PML based risk tolerances, which are monitored as part of our climate-related risks as outlined on page 61 of 2021 Annual Report and Accounts. 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.

Zones	Perils	30 June 2022 $m	30 June 2022 % of tangible capital	30 June 2021 $m	30 June 2021 % of tangible capital	31 December 2021 $m	31 December 2021 % of tangible capital
		100 year return period estimated net loss					
Gulf of Mexico[1]	Hurricane	**328.0**	**19.8**	295.8	16.0	309.0	18.2
Non-Gulf of Mexico - U.S.	Hurricane	**246.4**	**14.9**	193.7	10.5	206.8	12.2
California	Earthquake	**209.0**	**12.6**	167.4	9.1	160.5	9.4
Pan-European	Windstorm	**201.7**	**12.2**	143.3	7.8	154.1	9.1
Japan	Typhoon	**164.3**	**9.9**	113.1	6.1	118.3	7.0
Japan	Earthquake	**114.8**	**6.9**	162.4	8.8	89.9	5.3
Pacific North West	Earthquake	**31.2**	**1.9**	24.1	1.3	26.8	1.6

(1) Landing hurricane from Florida to Texas.

Zones	Perils	30 June 2022 $m	30 June 2022 % of tangible capital	30 June 2021 $m	30 June 2021 % of tangible capital	31 December 2021 $m	31 December 2021 % of tangible capital
		250 year return period estimated net loss					
Gulf of Mexico[1]	Hurricane	**392.9**	**23.7**	531.4	28.8	558.2	32.8
Non-Gulf of Mexico - U.S.	Hurricane	**478.5**	**28.9**	544.2	29.5	600.5	35.3
California	Earthquake	**246.9**	**14.9**	309.4	16.8	325.4	19.1
Pan-European	Windstorm	**253.7**	**15.3**	208.8	11.3	228.5	13.4
Japan	Typhoon	**193.9**	**11.7**	126.8	6.9	131.7	7.7
Japan	Earthquake	**193.4**	**11.7**	232.1	12.6	143.3	8.4
Pacific North West	Earthquake	**180.0**	**10.9**	134.1	7.3	139.0	8.2

(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.

CLIMATE CHANGE

The Group is exposed to both climate-related risk 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. The potential financial impact from these climate-related risks is assessed through scenario testing and mitigated by the Group's strategic and risk management decisions around managing these risks. The risk assessment also considers the products currently offered by the Group and how these might change over time during the transition to a lower carbon economy. The Group's current assessment of risk in relation to climate change is discussed in more detail within the ESG section on pages 60 to 63 of the 2021 Annual Report and Accounts.

In our underwriting operations, we manage this risk effectively by supplementing our internal systems, data and procedures with external vendor models. Underwriting guidelines were implemented in 2021 to support the underwriting process and provide guidance to assist underwriters in their decision making. Performance against guidelines is monitored via the UMCC and related reporting. 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 the balance sheet from climate change are monitored through the use of a Climate VaR which is monitored versus the MSCI benchmark in part through regular reviews of our third-party asset managers, our asset allocation, and the underlying securities within our portfolio.

GLOBAL TAX REFORM

The Group continues to monitor and assess the implications arising from the Organisation for Economic Co-operation and Development's inclusive framework agreement that aims to implement a global minimum tax rate of 15%, along with the potential impacts of other global tax reforms that are relevant to the Group's business operations.

1. GENERAL INFORMATION

The Group is a provider of global specialty insurance and reinsurance products with operations in Bermuda, London and Australia. 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. 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.

REVENUE AND EXPENSE BY OPERATING SEGMENT

For the six months ended 30 June 2022	Property and casualty reinsurance $m	Property and casualty insurance $m	Aviation $m	Energy $m	Marine $m	Total $m
Gross premiums written by geographic area						
Worldwide - multi territory	**219.6**	**16.2**	**24.5**	**69.3**	**46.9**	**376.5**
U.S. and Canada	**247.0**	**81.9**	**2.5**	**27.2**	**12.1**	**370.7**
Europe	**40.3**	**24.6**	**8.7**	**5.4**	**3.1**	**82.1**
Rest of the world	**41.1**	**26.9**	**22.6**	**13.5**	**4.7**	**108.8**
Total	**548.0**	**149.6**	**58.3**	**115.4**	**66.8**	**938.1**
Outwards reinsurance premiums	**(163.9)**	**(59.7)**	**(26.3)**	**(49.7)**	**(15.9)**	**(315.5)**
Change in unearned premiums	**(249.8)**	**(36.4)**	**24.2**	**(24.0)**	**(14.5)**	**(300.5)**
Change in unearned premiums on premiums ceded	**85.6**	**23.7**	**(16.8)**	**20.0**	**5.9**	**118.4**
Net premiums earned	**219.9**	**77.2**	**39.4**	**61.7**	**42.3**	**440.5**
Insurance losses and loss adjustment expenses	**(94.2)**	**(14.1)**	**(28.0)**	**(41.3)**	**(29.9)**	**(207.5)**
Insurance losses and loss adjustment expenses recoverable	**(6.0)**	**1.0**	**14.4**	**15.1**	**16.1**	**40.6**
Insurance acquisition expenses	**(61.0)**	**(22.9)**	**(16.3)**	**(13.8)**	**(13.2)**	**(127.2)**
Insurance acquisition expenses ceded	**2.7**	**3.0**	**11.2**	**1.0**	**0.2**	**18.1**
Net underwriting profit	**61.4**	**44.2**	**20.7**	**22.7**	**15.5**	**164.5**
Net unallocated income and expenses						**(86.5)**
Profit before tax						**78.0**
Net loss ratio	**45.6%**	**17.0%**	**34.5%**	**42.5%**	**32.6%**	**37.9%**
Net acquisition cost ratio	**26.5%**	**25.8%**	**12.9%**	**20.7%**	**30.7%**	**24.8%**
Expense ratio	**—**	**—**	**—**	**—**	**—**	**15.5%**
Combined ratio	**72.1%**	**42.8%**	**47.4%**	**63.2%**	**63.3%**	**78.2%**

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						
Worldwide - multi territory	99.4	10.4	30.7	63.5	38.1	242.1
U.S. and Canada	195.0	58.1	3.4	27.4	4.0	287.9
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 year ended 31 December 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						
Worldwide - multi territory	162.3	19.3	80.7	90.6	71.9	424.8
U.S. and Canada	281.6	106.2	13.0	53.1	11.3	465.2
Europe	52.9	42.7	29.1	10.2	3.9	138.8
Rest of world	63.2	42.3	53.6	30.9	6.4	196.4
Total	560.0	210.5	176.4	184.8	93.5	1,225.2
Outwards reinsurance premiums	(177.6)	(75.0)	(85.6)	(53.8)	(17.1)	(409.1)
Change in unearned premiums	(82.2)	(20.4)	(20.8)	(11.4)	(5.2)	(140.0)
Change in unearned premiums on premiums ceded	(3.1)	6.9	13.5	3.2	(0.1)	20.4
Net premiums earned	297.1	122.0	83.5	122.8	71.1	696.5
Insurance losses and loss adjustment expenses	(433.9)	(114.9)	(38.4)	(46.4)	(34.0)	(667.6)
Insurance losses and loss adjustment expenses recoverable	160.8	11.3	19.8	4.2	1.0	197.1
Insurance acquisition expenses	(66.5)	(36.0)	(28.2)	(32.0)	(25.9)	(188.6)
Insurance acquisition expenses ceded	9.0	4.2	16.5	1.6	0.3	31.6
Net underwriting (loss) profit	(33.5)	(13.4)	53.2	50.2	12.5	69.0
Net unallocated income and expenses						(125.8)
Loss before tax						(56.8)
Net loss ratio	91.9%	84.9%	22.3%	34.4%	46.4%	67.6%
Net acquisition cost ratio	19.4%	26.1%	14.0%	24.8%	36.0%	22.5%
Expense ratio	—	—	—	—	—	17.2%
Combined ratio	111.3%	111.0%	36.3%	59.2%	82.4%	107.3%

3. INVESTMENT RETURN

The total investment return for the Group is as follows:

For the six months ended 30 June 2022	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	**17.8**	**(8.9)**	**(83.0)**	**(74.1)**	**(1.9)**	**(76.0)**
Fixed maturity securities - at FVTPL	**(0.8)**	—	—	**(0.8)**	—	**(0.8)**
Index linked securities - at FVTPL	**(2.3)**	—	—	**(2.3)**	—	**(2.3)**
Hedge funds - at FVTPL	**(2.0)**	**(1.1)**	—	**(3.1)**	—	**(3.1)**
Private investment funds - at FVTPL	**(3.6)**	—	—	**(3.6)**	—	**(3.6)**
Other investments	**(0.7)**	**(0.7)**	—	**(1.4)**	**1.5**	**0.1**
Cash and cash equivalents	**(0.5)**	—	—	**(0.5)**	**0.6**	**0.1**
Total investment return	**7.9**	**(10.7)**	**(83.0)**	**(85.8)**	**0.2**	**(85.6)**

[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 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 year ended 31 December 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	22.9	2.7	(31.6)	(6.0)	(2.9)	(8.9)
Fixed maturity securities - at FVTPL	1.7	(0.1)	—	1.6	—	1.6
Index linked securities - at FVTPL	0.5	—	—	0.5	—	0.5
Hedge funds - at FVTPL	(0.6)	3.7	—	3.1	—	3.1
Private investment funds - at FVTPL	2.3	—	—	2.3	—	2.3
Other investments	(0.1)	(0.2)	—	(0.3)	0.7	0.4
Cash and cash equivalents	0.1	—	—	0.1	1.7	1.8
Total investment return	26.8	6.1	(31.6)	1.3	(0.5)	0.8

[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 $17.2 million (30 June 2021 - $18.7 million; 31 December 2021 - $34.1 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 2021 - $nil; 31 December 2021 - $nil) 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 $2.0 million (30 June 2021 - $2.1 million; 31 December 2021 - $4.8 million) of investment management, accounting and custodian fees.

4. 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 2022 $m	Six months 2021 $m	Twelve months 2021 $m
Corporation tax charge for the period	**1.6**	2.5	2.9
Adjustments in respect of prior period corporation tax	—	—	0.2
Deferred tax charge (credit) for the period	**1.2**	—	(2.5)
Adjustments in respect of prior period deferred tax	**0.8**	—	0.8
Tax rate change adjustment	—	3.7	3.4
Total tax charge	**3.6**	6.2	4.8

Tax reconciliation[(1)]	**Six months 2022 $m**	Six months 2021 $m	Twelve months 2021 $m
Profit (loss) before tax	**78.0**	54.1	(56.8)
Tax calculated at the standard corporation tax rate applicable in Bermuda 0%	—	—	—
Effect of income taxed at a higher rate	**3.4**	3.1	0.8
Adjustments in respect of prior period	**0.8**	—	1.0
Differences related to equity based compensation	**0.9**	0.3	1.0
Other expense permanent differences	**(1.5)**	(0.9)	(1.4)
Tax rate change adjustment	—	3.7	3.4
Total tax charge	**3.6**	6.2	4.8

(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 4.6% (30 June 2021 - 11.5%; 31 December 2021 - negative 8.5%).

Refer to note 5 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 (loss) income within shareholders' equity.

5. INVESTMENTS

As at 30 June 2022	Cost or amortised cost $m	Unrealised gain[1] $m	Unrealised loss[1] $m	Fair value(2) $m
Fixed maturity securities - AFS				
- Short-term investments	**32.8**	—	—	**32.8**
- Fixed maturity funds	**17.9**	—	—	**17.9**
- U.S. treasuries	**657.9**	—	**(24.8)**	**633.1**
- Other government bonds	**40.2**	**0.1**	**(3.2)**	**37.1**
- U.S. municipal bonds	**23.9**	—	**(0.9)**	**23.0**
- U.S. government agency debt	**43.3**	—	**(1.2)**	**42.1**
- Asset backed securities	**154.7**	—	**(6.6)**	**148.1**
- U.S. government agency mortgage backed securities	**69.9**	—	**(4.3)**	**65.6**
- Non-agency mortgage backed securities	**23.4**	—	**(2.0)**	**21.4**
- Non-agency commercial mortgage backed securities	**27.5**	—	**(1.1)**	**26.4**
- Bank loans	**129.9**	**0.1**	**(6.3)**	**123.7**
- Corporate bonds	**739.5**	**0.1**	**(31.4)**	**708.2**
Total fixed maturity securities - AFS	**1,960.9**	**0.3**	**(81.8)**	**1,879.4**
- Fixed maturity securities - at FVTPL	**23.6**	**4.9**	**(2.1)**	**26.4**
- Private investment funds - at FVTPL	**110.2**	**1.1**	**(8.2)**	**103.1**
- Hedge funds - at FVTPL	**89.2**	**13.2**	**(5.4)**	**97.0**
- Index linked securities - at FVTPL	**30.0**	—	**(1.8)**	**28.2**
- Other investments	**(1.3)**	**0.9**	**(0.9)**	**(1.3)**
Total investments	**2,212.6**	**20.4**	**(100.2)**	**2,132.8**

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

(2) When IFRS 9, Financial Instruments: Classification and Measurement, is implemented, all investments held above will be classified as FVTPL (mandatory), with no resulting changes in the estimated fair value.

As at 30 June 2021	Cost or amortised cost $m	Unrealised gain[(1)] $m	Unrealised loss[(1)] $m	Fair value(2) $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.

(2) When IFRS 9, Financial Instruments: Classification and Measurement, is implemented, all investments held above will be classified as FVTPL (mandatory), with no resulting changes in the estimated fair value.

As at 31 December 2021	Cost or amortised cost $m	Unrealised gain[1] $m	Unrealised loss[1] $m	Fair value(2) $m
Fixed maturity securities - AFS				
- Short-term investments	44.5	—	—	44.5
- Fixed maturity funds	17.6	—	—	17.6
- U.S. treasuries	566.9	0.6	(3.3)	564.2
- Other government bonds	59.5	0.3	(1.0)	58.8
- U.S. municipal bonds	24.0	0.4	(0.1)	24.3
- U.S. government agency debt	54.2	1.1	(0.1)	55.2
- Asset backed securities	104.8	0.3	(1.0)	104.1
- U.S. government agency mortgage backed securities	85.5	1.1	(1.1)	85.5
- Non-agency mortgage backed securities	33.1	0.3	(0.2)	33.2
- Agency commercial mortgage backed securities	0.2	—	(0.1)	0.1
- Non-agency commercial mortgage backed securities	20.2	—	(0.1)	20.1
- Bank loans	110.1	0.7	(0.6)	110.2
- Corporate bonds	657.4	8.6	(3.6)	662.4
Total fixed maturity securities - AFS	1,778.0	13.4	(11.2)	1,780.2
- Fixed maturity securities - at FVTPL	24.8	5.5	(1.4)	28.9
- Private investment funds - at FVTPL	106.0	1.1	(1.4)	105.7
- Hedge funds - at FVTPL	93.3	14.8	(5.2)	102.9
- Index linked securities - at FVTPL	30.0	0.5	—	30.5
- Other investments	0.3	0.1	(0.5)	(0.1)
Total investments	2,032.4	35.4	(19.7)	2,048.1

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

(2) When IFRS 9, Financial Instruments: Classification and Measurement, is implemented, all investments held above will be classified as FVTPL (mandatory), with no resulting changes in the estimated fair value.

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

	30 June 2022	30 June 2021	31 December 2021
	$m	$m	$m
Unrealised gains	**0.3**	27.0	13.4
Unrealised losses	**(81.8)**	(3.4)	(11.2)
Net unrealised foreign exchange (gains) losses on fixed maturity securities - AFS	**1.8**	(3.2)	1.1
Tax provision	**1.1**	(0.9)	(0.4)
Accumulated other comprehensive (loss) income	**(78.6)**	19.5	2.9

The Group determines the 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 2022 and 30 June 2021 and the year ended 31 December 2021.

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 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 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 $84.7 million and transfers from Level (ii) to (i) securities amounted to $166.6 million during the six months ended 30 June 2022.

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

As at 30 June 2022	Level (i) $m	Level (ii) $m	Level (iii) $m	Total $m
Fixed maturity securities - AFS				
- Short-term investments	29.3	3.5	—	32.8
- Fixed maturity funds	—	17.9	—	17.9
- U.S. treasuries	633.1	—	—	633.1
- Other government bonds	8.5	28.6	—	37.1
- U.S. municipal bonds	—	23.0	—	23.0
- U.S. government agency debt	20.8	21.3	—	42.1
- Asset backed securities	1.4	146.7	—	148.1
- U.S. government agency mortgage backed securities	—	65.6	—	65.6
- Non-agency mortgage backed securities	—	21.4	—	21.4
- Non-agency commercial mortgage backed securities	—	26.4	—	26.4
- Bank loans	17.0	106.7	—	123.7
- Corporate bonds	377.5	330.7	—	708.2
Total fixed maturity securities - AFS	1,087.6	791.8	—	1,879.4
- Fixed maturity securities - at FVTPL	—	23.1	3.3	26.4
- Private investment funds - at FVTPL	—	—	103.1	103.1
- Hedge funds - at FVTPL	—	—	97.0	97.0
- Index linked securities - at FVTPL	—	28.2	—	28.2
- Other investments	—	(1.3)	—	(1.3)
Total investments	1,087.6	841.8	203.4	2,132.8

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 31 December 2021	Level (i) $m	Level (ii) $m	Level (iii) $m	Total $m
Fixed maturity securities - AFS				
- Short-term investments	42.2	2.3	—	44.5
- Fixed maturity funds	—	17.6	—	17.6
- U.S. treasuries	564.2	—	—	564.2
- Other government bonds	31.5	27.3	—	58.8
- U.S. municipal bonds	—	24.3	—	24.3
- U.S. government agency debt	33.5	21.7	—	55.2
- Asset backed securities	—	104.1	—	104.1
- U.S. government agency mortgage backed securities	—	85.5	—	85.5
- Non-agency mortgage backed securities	—	33.2	—	33.2
- Agency commercial mortgage backed securities	—	0.1	—	0.1
- Non-agency commercial mortgage backed securities	—	20.1	—	20.1
- Bank loans	5.0	105.2	—	110.2
- Corporate bonds	197.7	464.7	—	662.4
Total fixed maturity securities - AFS	874.1	906.1	—	1,780.2
- Fixed maturity securities - at FVTPL	—	25.0	3.9	28.9
- Private investment funds - at FVTPL	—	—	105.7	105.7
- Hedge funds - at FVTPL	—	—	102.9	102.9
- Index linked securities - at FVTPL	—	30.5	—	30.5
- Other investments	—	(0.1)	—	(0.1)
Total investments	874.1	961.5	212.5	2,048.1

The table below analyses the movements in Level (iii) investments during the six months ended 30 June 2022 and 30 June 2021 and for the year ended 31 December 2021:

	Private investment funds $m	Hedge funds $m	Fixed maturity securities[1] $m	Total $m
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)
Net realised gains (losses) recognised in profit or loss	—	4.0	—	4.0
Net unrealised gains (losses) in profit or loss	(3.2)	0.3	(0.6)	(3.5)
As at 30 June 2021	97.5	100.3	4.7	202.5
Purchases	12.5	13.0	—	25.5
Sales	(2.8)	(10.1)	—	(12.9)
Net realised gains (losses) recognised in profit or loss	—	(0.3)	—	(0.3)
Net unrealised gains (losses) in profit or loss	(1.5)	—	(0.8)	(2.3)
As at 31 December 2021	105.7	102.9	3.9	212.5
Purchases	**11.2**	**7.5**	**—**	**18.7**
Sales	**(6.9)**	**(10.5)**	**—**	**(17.4)**
Net realised gains (losses) recognised in profit or loss	**—**	**(1.1)**	**—**	**(1.1)**
Net unrealised gains (losses) in profit or loss	**(6.9)**	**(1.8)**	**(0.6)**	**(9.3)**
As at 30 June 2022	**103.1**	**97.0**	**3.3**	**203.4**

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

The Group continues to focus on the most significant risks in our investment portfolio which are market risk, credit risk and liquidity risk. These risk are also discussed in more detail on pages 143 to 152 of the 2021 Annual Report and Accounts. In light of the current market conditions and conflict within Ukraine, the impacts on the Group's investment portfolio is discussed below.

Market risk

The value of our investment portfolio has been negatively impacted by the significant increase in interest rates during the first six months of 2022, the high inflation numbers being recorded worldwide and the ongoing uncertainty and volatility in financial markets caused by the conflict within Ukraine.

The FED has increased the Federal Funds target by 150bps in the first six months of 2022. This has resulted in $83.0 million of fixed maturity AFS mark-to-market unrealised investment losses being recognised within other comprehensive (loss) income during the first six months of 2022. The increase in interest rates has resulted in a much higher yield for the Group's fixed maturity portfolio of 3.5% as at 30 June 2022 (30 June 2021 - 0.8%, 31 December 2021 - 1.0%. The Group will benefit from this in the form of increased interest income over the coming months.

During the first six months of 2022 the investment portfolio's asset allocation has remained broadly unchanged from our position as at 31 December 2021.

As at 30 June 2022 the Group's investment portfolio did not include any direct exposure to either Russia or Ukraine. No impairments were recorded within the Group's AFS fixed maturity portfolio for the six months ended 30 June 2022.

Credit risk

The Group is exposed to credit risk on its fixed maturity investment portfolio and derivative instruments. As at 30 June 2022, the average credit quality of the fixed maturity portfolio was A+ (30 June 2021 - A+, 31 December 2021 - A+).

Liquidity risk

Our investment strategy is to hold high quality, liquid securities sufficient to meet insurance liabilities and other near-term liquidity requirements. As at 30 June 2022, the Group considers that it has more than adequate liquidity to pay its obligations as they fall due. The Group held cash and cash equivalents of $390.6 million and fixed maturity investments with maturity dates of less than one year of $389.3 million. In addition to the cash and investment portfolio, the Group also has access to a number of LOC and revolving credit facilities.

6. 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 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
Net incurred losses for:			
Prior years	(52.8)	19.9	(32.9)
Current year	584.2	(201.9)	382.3
Exchange adjustments	(14.3)	1.8	(12.5)
Incurred losses and loss adjustment expenses	517.1	(180.2)	336.9
Net paid losses for:			
Prior years	96.7	(37.3)	59.4
Current year	107.3	(5.7)	101.6
Paid losses and loss adjustment expenses	204.0	(43.0)	161.0
As at 31 December 2021	1,291.1	(418.8)	872.3
Net incurred losses for:			
Prior years	**(115.8)**	**51.4**	**(64.4)**
Current year	**323.3**	**(92.0)**	**231.3**
Exchange adjustments	**(25.6)**	**4.4**	**(21.2)**
Incurred losses and loss adjustment expenses	**181.9**	**(36.2)**	**145.7**
Net paid losses for:			
Prior years	**155.4**	**(25.7)**	**129.7**
Current year	**6.2**	**(0.5)**	**5.7**
Paid losses and loss adjustment expenses	**161.6**	**(26.2)**	**135.4**
As at 30 June 2022	**1,311.4**	**(428.8)**	**882.6**

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

	Losses and loss adjustment expenses $m	Reinsurance recoveries $m	Net losses and loss adjustment expenses $m
Outstanding losses	353.7	(100.1)	253.6
Additional case reserves	160.2	(29.4)	130.8
Losses incurred but not reported	464.1	(152.1)	312.0
As at 30 June 2021	978.0	(281.6)	696.4
Outstanding losses	402.6	(86.9)	315.7
Additional case reserves	224.3	(31.8)	192.5
Losses incurred but not reported	664.2	(300.1)	364.1
As at 31 December 2021	1,291.1	(418.8)	872.3
Outstanding losses	**448.4**	**(105.1)**	**343.3**
Additional case reserves	**186.8**	**(30.9)**	**155.9**
Losses incurred but not reported	**676.2**	**(292.8)**	**383.4**
As at 30 June 2022	**1,311.4**	**(428.8)**	**882.6**

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 2022 $m	30 June 2021 $m	31 December 2021 $m
2017 accident year and prior	**19.1**	29.6	36.1
2018 accident year	**10.6**	(1.6)	7.1
2019 accident year	**4.9**	1.8	8.8
2020 accident year	**8.6**	23.8	34.5
2021 accident year	**21.2**	—	—
Total favourable development	**64.4**	53.6	86.5

From a business perspective, we continue to monitor events across Ukraine and Russia with respect to potential exposure to losses in our political violence, aviation and marine insurance classes, as well as our aviation and specialty reinsurance classes.

We continue to closely monitor our exposure with regards to Russia, which remains a complex and fluid situation. We believe that any potential losses would be within our risk tolerances, and would not impact our strategy or our ability to deliver on our ambitious growth plans.

7. PROVISION FOR DEFERRED TAX

	30 June 2022 $m	30 June 2021 $m	31 December 2021 $m
Equity based compensation	**(3.0)**	(4.5)	(4.2)
Claims equalisation reserves	—	1.1	—
Syndicate underwriting profits	**(0.6)**	0.1	(0.7)
Syndicate participation rights	**18.8**	18.8	18.8
Other temporary differences	**(2.4)**	(0.6)	(1.7)
Net deferred tax liability	**12.8**	14.9	12.2

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 2022 and subsequent years to utilise the deferred tax assets recognised when the underlying temporary differences reverse.

For the periods ended 30 June 2022, 30 June 2021 and 31 December 2021 the Group has no uncertain tax positions.

During 2021, changes to the UK main rate of corporation tax were enacted under the Finance Act 2021 increasing the tax rate to 25% from 19%, effective 1 April 2023. As at 30 June 2022, 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 or after 1 April 2023, with a related tax charge of $nil (30 June 2021 - charge of $3.7 million; 31 December 2021 - charge of $3.4 million).

A deferred tax credit of $1.5 million (30 June 2021 - credit of $0.4 million; 31 December 2021 - credit of $0.9 million) was recognised in accumulated other comprehensive (loss) income in relation to the Group's AFS fixed maturity securities.

A deferred tax charge of $nil (30 June 2021 - $0.6 million; 31 December 2021 - $0.5 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.

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

8. SHARE CAPITAL AND OTHER RESERVES

Authorised common shares of $0.50 each	Number	$m
As at 30 June 2022, 30 June 2021 and 31 December 2021	**3,000,000,000**	**1,500.0**

Allocated, called up and fully paid	Number	$m
As at 30 June 2022, 30 June 2021 and 31 December 2021	**244,010,007**	**122.0**

Own shares	Number held in treasury	$m	Number held in Trust	$m	Total number of own shares	$m
As at 31 December 2020	—	—	2,198,099	21.2	2,198,099	21.2
Shares distributed	—	—	(942,710)	(9.1)	(942,710)	(9.1)
As at 30 June 2021	—	—	1,255,389	12.1	1,255,389	12.1
Shares distributed	—	—	(84,491)	(0.8)	(84,491)	(0.8)
Shares repurchased	1,000,000	6.9	—	—	1,000,000	6.9
Shares donated to trust	(1,000,000)	(6.9)	1,000,000	6.8	—	(0.1)
As at 31 December 2021	—	—	2,170,898	18.1	2,170,898	18.1
Shares distributed	**—**	**—**	**(715,029)**	**(6.0)**	**(715,029)**	**(6.0)**
Shares repurchased	**2,431,517**	**11.7**	**—**	**—**	**2,431,517**	**11.7**
Shares donated to trust	**(1,707,036)**	**(8.3)**	**1,707,036**	**8.0**	**—**	**(0.3)**
As at 30 June 2022	**724,481**	**3.4**	**3,162,905**	**20.1**	**3,887,386**	**23.5**

The number of common shares in issue with voting rights (issued share capital less shares held in a custody account and treated as treasury shares) at 30 June 2022 was 243,285,526 (30 June 2021 - 244,010,007, 31 December 2021 - 244,010,007).

SHARE REPURCHASES

At the AGM held on 27 April 2022, LHL's shareholders approved a renewal of the Company's Repurchase Programme authorising the repurchase of a maximum of 24,401,000 common shares, with such authority to expire on the conclusion of the 2023 AGM or, if earlier, 15 months from the date the resolution approving the Repurchase Programme was passed. Under the Repurchase Programme, the Board authorised management to repurchase up to 3,000,000 common shares during the period commencing 16 May 2022 and ending no later than 27 July 2022.

During the six months ended 30 June 2022, 2,431,517 common shares were repurchased by the Company under its Repurchase Programme, at a weighted average share price of £3.90. The last of the repurchases under the aforementioned Board-approved limit of 3,000,000 common shares were made on 6 July 2022.

During the year ended 31 December 2021, 1,000,000 common shares were repurchased by the Company under its previous Repurchase Programme approved by shareholders at the 2021 AGM, at a weighted average share price of £5.11. There were no common shares repurchased during the first six months of 2021.

As at 30 June 2022, the Company's current Repurchase Programme had 21,969,483 common shares remaining (30 June 2021 - 24,401,000 common shares, 31 December 2021 - 23,401,000 common shares).

9. 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 2022 $m	Six months 2021 $m	Twelve months 2021 $m
Profit (loss) for the period attributable to equity shareholders of LHL	**74.4**	47.7	(62.2)

	Six months 2022 Number of shares	Six months 2021 Number of shares	Twelve months 2021 Number of shares
Basic weighted average number of shares	**241,972,964**	242,327,144	242,447,761
Dilutive effect of RSS	**2,156,091**	3,128,260	3,151,016
Diluted weighted average number of shares	**244,129,055**	245,455,404	245,598,777

Earnings (loss) per share	**Six months 2022**	Six months 2021	Twelve months 2021
Basic	**$0.31**	$0.20	($0.26)
Diluted[1]	**$0.30**	$0.19	($0.26)

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.

10. RELATED PARTY DISCLOSURES

KEY MANAGEMENT COMPENSATION

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

	Six months 2022 $m	Six months 2021 $m	Twelve months 2021 $m
Short-term compensation	**1.5**	1.5	2.0
Equity based compensation	**0.4**	1.5	1.8
Directors' fees and expenses	**1.1**	1.1	2.4
Total	**3.0**	4.1	6.2

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 2022 the Group recognised $1.0 million (30 June 2021 - $6.0 million; 31 December 2021 - $15.8 million) of service fees and profit commissions in other income in relation to this agreement.

During the period ended 30 June 2022, the Group committed $nil (30 June 2021 - $13.3 million; 31 December 2021 - $60.8 million) of capital to KHL. During the period ended 30 June 2022, KHL returned $33.5 million of capital to the Group (30 June 2021 - $51.8 million; 31 December 2021 - $65.4 million).

11. COMMITMENTS

CREDIT FACILITY FUND

As at 30 June 2022 the Group has a commitment of $100.0 million (30 June 2021 - $100.0 million; 31 December 2021 - $100.0 million) relating to two credit facility funds.

PRIVATE INVESTMENT FUNDS

The table below shows the dates on which the Group committed to invest in three different private investment funds and the amount of the total commitment that remains undrawn as at 30 June 2022.

Date of commitment to invest in private investment fund	total commitment $m	undrawn commitment $m
28 July 2021	**34.0**	**18.7**
9 December 2020	**25.0**	**8.5**
5 November 2019	**25.0**	**1.0**
Total	**84.0**	**28.2**

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.

12. SUBSEQUENT EVENTS

DIVIDEND

On 26 July 2022 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 5 August 2022, with a settlement date of 2 September 2022. The total dividend payable, will be approximately $12.0 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.

FURTHER INTENTION TO PURCHASE OWN SHARES

Pursuant to and in accordance with the general authority granted by shareholders at Lancashire's Annual General Meeting held on 27 April 2022, Lancashire intends to purchase up to a further 3,000,000 of its common shares of $0.50 each in order to satisfy a number of future exercises of awards under its Restricted Share Scheme. A further announcement in accordance with Listing Rule 12.4 will be made in due course.

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 has 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 2022 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 2022 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 they consider it appropriate to adopt the going concern basis of accounting in preparing these unaudited condensed interim consolidated financial statements. The Directors of the Company are listed on pages 68-70 of the Group’s 2021 Annual Report and Accounts. The individuals responsible for authorising the responsibility statement on behalf of the Board on 26 July 2022 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 consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the condensed interim consolidated statement of comprehensive (loss) income, 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 2022 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").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued 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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the Directors have inappropriately adopted the going concern basis of accounting, or that the Directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

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 10 the latest annual consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of consolidated financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

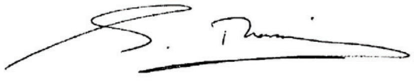
In preparing the condensed set of consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

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.



Salim Tharani

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

E14 5GL

26 July 2022

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

ESG

Environmental, Social and Governance matters

EBT

Lancashire Holdings Employee Benefit Trust

EU

European Union

FAL

Funds at Lloyd's

FED

Federal Reserve Board

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

GLOSSARY

IRR

Internal rate of return

KHL

Kinesis Holdings I Limited

KRL

Kinesis Reinsurance I Limited

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

MSCI

A provider of tools and services for the global investment community

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

PAA

Premium Allocation Approach

PML

Probable maximum loss. The Group's exposure to certain peak zone elemental losses

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 62.3% of the stamp

Syndicate 3010

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

UMCC

Underwriting Marketing Conference Call

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

Value at Risk (VaR)

A measure of the risk of loss of a specific portfolio of financial assets

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 unaudited condensed interim consolidated financial statements or in accordance with GAAP.

In compliance with the Guidelines on APMs of the European Securities and Markets Authority and as suggested by the FRC, 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. The net loss ratio may also be presented with net insurance losses absent catastrophe and other large losses.

	30 June 2022	30 June 2021	31 December 2021
Net insurance losses	**166.9**	121.1	470.5
Divided by net premiums earned	**440.5**	315.3	696.5
Net loss ratio	**37.9%**	38.4%	67.6%

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 2022	30 June 2021	31 December 2021
Net acquisition expense	**109.1**	67.1	157.0
Divided by net premiums earned	**440.5**	315.3	696.5
Net acquisition cost ratio	**24.8%**	21.3%	22.5%

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 2022	30 June 2021	31 December 2021
Other operating expenses	**68.4**	66.1	119.6
Divided by net premiums earned	**440.5**	315.3	696.5
Net expense ratio	**15.5%**	21.0%	17.2%

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 2022	30 June 2021	31 December 2021
Net loss ratio	**37.9%**	38.4%	67.6%
Net acquisition cost ratio	**24.8%**	21.3%	22.5%
Net expense ratio	**15.5%**	21.0%	17.2%
Combined Ratio	**78.2%**	80.7%	107.3%

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 2022	30 June 2021	31 December 2021
Net insurance losses current accident year	**231.3**	175.2	557.0
Divided by net premiums earned current accident year*	**432.2**	311.0	687.9
Accident year loss ratio	**53.5%**	56.3%	81.0%

*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 2022	30 June 2021	31 December 2021
Shareholders' equity attributable to the Group	**1,372,753,750**	1,553,600,727	1,412,308,553
Common voting shares outstanding*	**240,122,621**	242,754,618	241,839,109
Shares relating to dilutive restricted stock	**1,949,260**	2,859,880	2,805,365
Fully converted book value denominator	**242,071,881**	245,614,498	244,644,474
Fully converted book value per share	**$5.67**	$6.33	$5.77

*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 2022	30 June 2021	31 December 2021
Opening FCBVS	**($5.77)**	($6.28)	($6.28)
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	**$5.67**	$6.33	$5.77
Change in FCBVS*	**—%**	2.4%	(5.8%)

*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 2022	30 June 2021	31 December 2021
Total investment return	**(85.8)**	7.4	1.3
Average invested assets*	**2,271.7**	2,139.3	2,167.5
Approximate total investment return	**(3.8%)**	0.3%	0.1%
Reported total investment return	**(3.8%)**	0.3%	0.1%

*Calculated as the average between the opening and closing investments as per note 5 and our externally managed cash.

Gross premiums written under management (KPI): The gross premiums written under management equals the total of the Group's consolidated gross premiums written plus the external names portion of the gross premiums written in Syndicate 2010 plus the gross premiums written in LCM on behalf of KRL. 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 2022	30 June 2021	31 December 2021
Gross premiums written by the group	**938.1**	697.2	1,225.2
LSL Syndicate 2010 - external Names portion of gross premiums written (unconsolidated)	**100.0**	90.8	142.3
LCM gross premiums written (unconsolidated)	**38.4**	124.5	135.9
Total gross premiums written under management	**1,076.5**	912.5	1,503.4

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", "AIMS", "ANTICIPATES", "PLANS", "PROJECTS", "FORECASTS", "GUIDANCE", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "CAN", "LIKELY", "WILL", "SEEKS", "SHOULD", OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE GROUP TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. FOR A DESCRIPTION OF SOME OF THESE FACTORS, SEE THE GROUP'S ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021. IN ADDITION TO THOSE FACTORS CONTAINED IN THE GROUP'S 2021 ANNUAL REPORT AND ACCOUNTS, ANY FORWARD-LOOKING STATEMENTS CONTAINED IN THIS RELEASE MAY BE AFFECTED BY: THE IMPACT OF THE ONGOING CONFLICT IN UKRAINE, INCLUDING ANY ESCALATION OR EXPANSION THEREOF, ON THE GROUP'S CLIENTS, RESERVES, THE CONTINUED UNCERTAINTY OF THE SITUATION IN RUSSIA, INCLUDING ISSUES RELATING TO COVERAGE AND THE IMPACT OF SANCTIONS, THE SECURITIES IN OUR INVESTMENT PORTFOLIO AND ON GLOBAL FINANCIAL MARKETS GENERALLY, AS WELL AS ANY GOVERNMENTAL OR REGULATORY CHANGES, ARISING THEREFROM; AND A CONTINUATION IN FINANCIAL MARKET VOLATILITY AND OTHER ADVERSE MARKET CONDITIONS GENERALLY. ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE OR OTHERWISE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE GROUP OR INDIVIDUALS ACTING ON BEHALF OF THE GROUP ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THIS NOTE. PROSPECTIVE INVESTORS SHOULD SPECIFICALLY CONSIDER THE FACTORS IDENTIFIED IN THIS RELEASE AND THE REPORT AND ACCOUNTS NOTED ABOVE WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.