

LANCASHIRE HOLDINGS LIMITED

27 April 2023
Hamilton, Bermuda

Lancashire Holdings Limited (“Lancashire” or “the Group”) today announces its trading statement for the three months ended 31 March 2023.

Trading statement highlights

- Gross premiums written increased by 22.7% year-on-year to \$586.2 million.
- Group Renewal Price Index (RPI) of 117%.
- IFRS 17 insurance revenue increased by 31.6% year-on-year to \$338.7 million.
- Total net investment return, including unrealised gains and losses, of 1.5%.
- Regulatory ECR ratio of approximately 308% as at 31 December 2022.

Alex Maloney, Group Chief Executive Officer, commented:

“I am pleased to report that Lancashire has continued to execute its strategy to take advantage of the significantly improved market conditions.

In the first three months of 2023 we maintained the momentum we built during 2022 with an increase in gross premiums written of 22.7% to \$586.2 million, the highest the Group has delivered in a first quarter.

Strong rate rises in a number of our product lines have persisted, particularly in property catastrophe business where the supply and demand gap for capacity which we saw at the January 1 renewals remains.

For most other lines, 2023 is the sixth year of consecutive rate increases and we will continue to grow, where it makes sense, in this positive underwriting environment.

As for our investments, they delivered a positive total net investment return for the quarter of 1.5%.

Our track record of navigating the insurance cycle through disciplined risk selection and capital management gives us confidence in delivering on our strategic priorities for the remainder of 2023.

We look forward to making the most of these exciting underwriting opportunities supported by our robust capital position and talented teams.”

Business update

Gross premiums written and IFRS 17 insurance revenue

	Three months ended				
	31 March 2023	31 March 2022	Change	Change	RPI
	\$m	\$m	\$m	%	%
Reinsurance	369.3	310.3	59.0	19.0	124
Insurance	216.9	167.6	49.3	29.4	109
Gross premium written	586.2	477.9	108.3	22.7	117
Reinsurance	155.1	107.5	47.6	44.3	
Insurance	183.6	149.8	33.8	22.6	
IFRS 17 insurance revenue	338.7	257.3	81.4	31.6	

Insurance revenue on an IFRS 17 basis comprises gross earned premium less reinstatement premium and is net of commission costs. Lancashire will continue to report gross premiums written as a growth metric and non-GAAP alternative performance measure.

Gross premiums written increased by \$108.3 million or 22.7% and IFRS 17 insurance revenue increased by \$81.4 million or 31.6% in the first three months of 2023 compared to the same period in 2022. The Group's two principal segments, and the key market factors impacting them, are discussed below.

Reinsurance

The continued development of our casualty reinsurance classes was the most significant contributor to growth in the reinsurance segment. Within property reinsurance, Lancashire saw significant rate increases in property catastrophe treaty whilst new business drove increases in specialty reinsurance.

Insurance

The growth in the insurance segment was primarily driven by property insurance, where the Group continues to build out its property construction book of business. We also saw substantial rate increases in the property direct and facultative class. Additionally, there was strong growth in energy and marine insurance driven by exposure increases in energy liabilities and new business in cargo and specie.

Loss environment

The first quarter of 2023 saw natural catastrophe loss activity across a number of events including U.S. convective storms, the Turkey earthquake and flooding in New Zealand. We also incurred some risk losses, particularly in our energy classes. These losses, both individually and in aggregate, were not sufficiently material to exceed our normal disclosure threshold.

Investments

	31 March 2023	31 March 2022
Duration	1.6 years	2.0 years
Credit quality	AA-	A+
Book yield	3.3%	1.5%
Market yield	5.0%	2.3%
Managed investments (\$m)	\$2,542.0	\$2,303.8

In a quarter of continued volatility, the investment portfolio generated a positive return of 1.5%. Returns were driven primarily by the fixed maturity securities that benefited from falling interest rates resulting in an unrealised investment gain for the quarter.

Adoption of new accounting standards

The Group adopted IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments: Classification and Measurement for the first time on 1 January 2023. The consolidated financial statements for the six months ending 30 June 2023 will be reported under these new accounting standards.

Analyst and Investor Conference Call

There will be an analyst and investor conference call on the trading statement at 1:00pm UK time / 9:00am Bermuda time / 8:00am EDT on Thursday 27 April 2023. The conference call will be hosted by Lancashire management and a presentation will be made available on the Group's website prior to the call.

Participant Registration and Access Information:

Audio conference call access:

<https://register.vevent.com/register/B17e86732415664652a8820d207d4b42b1>

Please register at this link to obtain your personal audio conference pin and call details.

Webcast access:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=F48CE46D-577C-4F1C-918A-67DCBB8FBF37>

Please use this link to register and access the call via webcast.

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

For further information, please contact:

Lancashire Holdings Limited

Christopher Head

+44 20 7264 4145
chris.head@lancashiregroup.com

Jelena Bjelanovic

+44 20 7264 4066
jelena.bjelanovic@lancashiregroup.com

FTI Consulting

Edward Berry

+44 20 37271046

Edward.Berry@FTIConsulting.com

Tom Blackwell

Tom.Blackwell@FTIConsulting.com

About Lancashire

Lancashire, through its UK and Bermuda-based operating subsidiaries, is a provider of global specialty insurance and reinsurance products.

Lancashire common shares trade on the premium segment of the Main Market of the London Stock Exchange under the ticker symbol LRE. Lancashire has its head office and registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

The Bermuda Monetary Authority is the Group Supervisor of the Lancashire Group.

For more information, please visit Lancashire's website at www.lancashiregroup.com.

This release contains information, which may be of a price sensitive nature that Lancashire is making public in a manner consistent with the UK Market Abuse Regulation and other regulatory obligations. The information was submitted for publication, through the agency of the contact persons set out above, at 07:00 BST on 27 April 2023.

NOTE REGARDING RPI METHODOLOGY:

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

NOTE REGARDING ALTERNATIVE PERFORMANCE MEASURES:

THE GROUP USES ALTERNATIVE PERFORMANCE MEASURES TO HELP EXPLAIN BUSINESS PERFORMANCE AND FINANCIAL POSITION. THESE MEASURES HAVE BEEN CALCULATED CONSISTENTLY WITH THOSE AS DISCLOSED IN THE GROUP'S ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022.

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 2022. IN ADDITION TO THOSE FACTORS CONTAINED IN THE GROUP'S 2022 ANNUAL REPORT AND ACCOUNTS, ANY FORWARD-LOOKING STATEMENTS CONTAINED IN THIS RELEASE MAY BE AFFECTED BY: THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT THE GROUP WRITES OR MAY WRITE; THE GROUP'S ABILITY TO SUCCESSFULLY IMPLEMENT ITS BUSINESS STRATEGY DURING 'SOFT' AS WELL AS 'HARD' MARKETS; THE PREMIUM RATES WHICH MAY BE AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN ITS TARGETED BUSINESS LINES; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; CYCLICAL DOWNTURNS OF THE INDUSTRY. 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.