Lancashire
Holdings Limited

Investor presentation

H1 2022 update

www.lancashiregroup.com

Safe harbour statements

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CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELLED LOSS SCENARIOS) MADE IN THIS PRESENTATION OR OTHERWISE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING, WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS "BELIEVES", "AIMS", "ANTICIPATES", "PLANS", "PROJECTS", "FORECASTS", "GUIDANCE", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "CAN", "LIKELY", "WILL", "SEEKS", "SHOULD", OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE GROUP TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. FOR A DESCRIPTION OF SOME OF THESE FACTORS, SEE THE GROUP'S 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 PRESENTATION OR OTHERWISE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE GROUP OR INDIVIDUALS ACTING ON BEHALF OF THE GROUP ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THIS NOTE. PROSPECTIVE INVESTORS SHOULD SPECIFICALLY CONSIDER THE FACTORS IDENTIFIED IN THIS PRESENTATION AND THE REPORT AND ACCOUNTS NOTED ABOVE WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.

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

NOTE REGARDING RPI METHODOLOGY:
The renewal price index ("RPI") is an internal methodology that management uses to track trends in premium rates of a portfolio of insurance and reinsurance contracts. The RPI written in the respective segments is calculated on a per contract basis and reflects management's assessment of relative changes in price, terms, conditions and limits and is weighted by premium volume. The calculation involves a degree of judgement in relation to comparability of contracts and the assessment noted above. To enhance the RPI methodology, management may revise the methodology and assumptions underlying the RPI, so the trends in premium rates reflected in the RPI may not be comparable over time. Consideration is only given to renewals of a comparable nature so it does not reflect every contract in the portfolio of contracts or, for example, new business lines within a segment. The future profitability of the portfolio of contracts within the RPI is dependent upon many factors besides the trends in premium rates.

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H1 2022 Update

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Excellent underwriting performance in H1, supported by newer classes of business

- Excellent underwriting performance with gross premiums written increasing by 34.6% year-on-year to $938.1 million and combined ratio of 78.2%.
- Group Renewal Price Index (RPI) of 106%, rate environment for many products is best for more than a decade.
- Strong balance sheet and robust capital position.
- Ultimate net loss estimates from the Ukraine / Russia conflict incurred within Ukraine at $22.0 million.
- Total net investment return of negative 3.8%, primarily driven by unrealised losses.

We see further opportunities for profitable underwriting growth during remainder of 2022 and into 2023 and will continue to deliver on our strategy.

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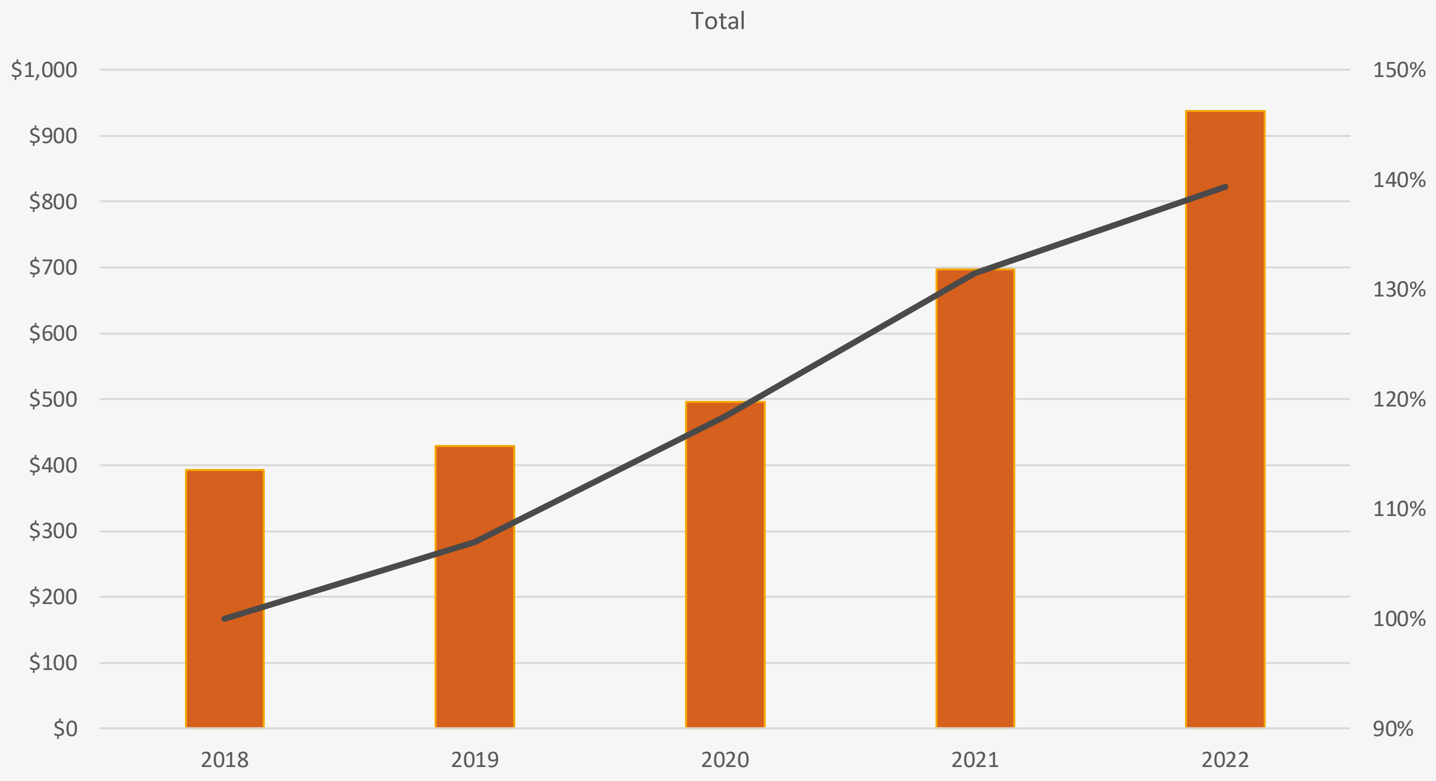
H1 2022

Business update

Strong premium growth in H1 2022

Gross premiums written ($m) and cumulative RPI for first half: 2018 to 2022

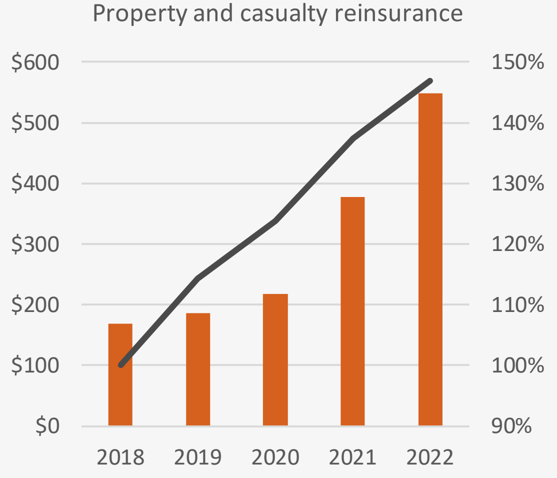


GPW increased by 34.6% year-on-year; Group RPI 106%

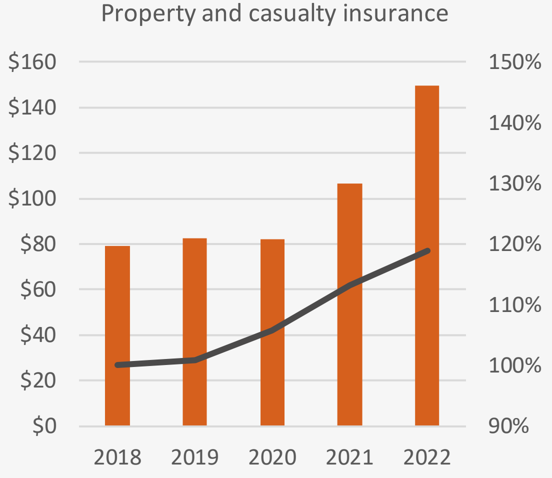
Strong premium growth in H1 2022

Lancashire Holdings Limited

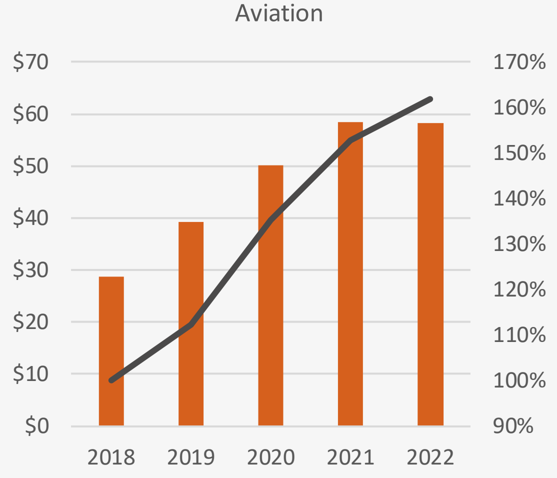
Gross premiums written ($m) and cumulative RPI for first half: 2018 to 2022



- Growth driven by new business in casualty reinsurance and financial lines classes.
- RPI strong at 107% further contributing to premium increase.



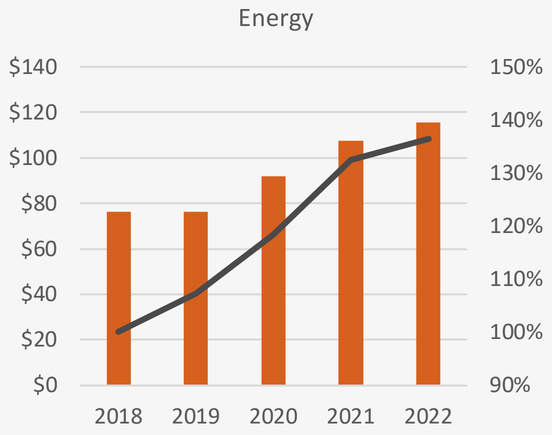
- Growth reflects new business and continued build out of the property D&F book as favourable market conditions persist. Includes premium from our new Australian coverholder.
- New business in property construction making meaningful contribution.
- RPI at 105%.



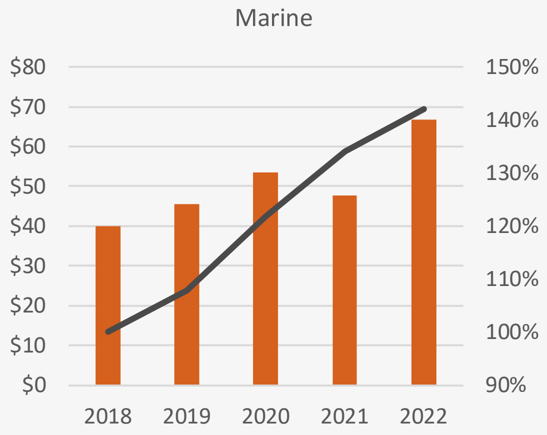
- Major renewals are focused towards the end of the year; H1 less significant for premiums.
- RPI at 106%.
- Improved rating environment and market dislocation anticipated in Q3/Q4 renewal season.

Strong premium growth in H1 2022

Gross premiums written ($m) and cumulative RPI for first half: 2018 to 2022

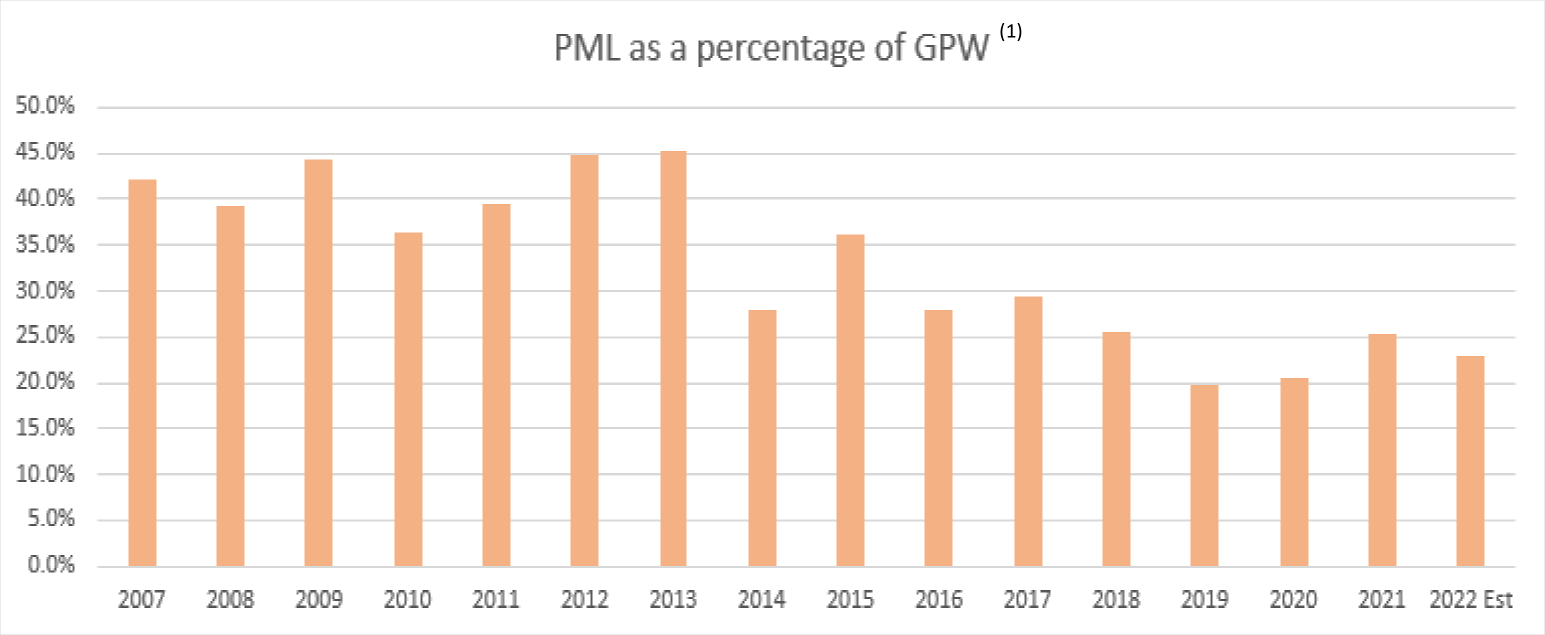


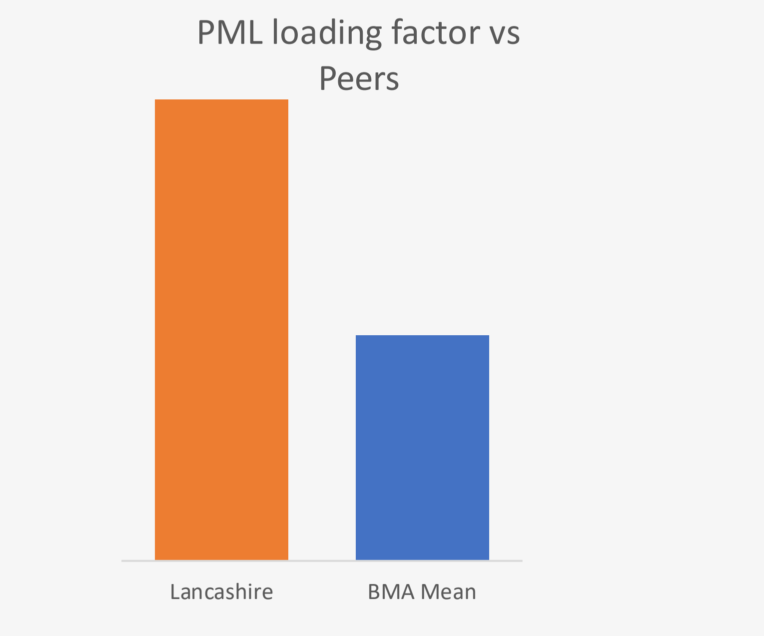
- New underwriting teams and expanded offering across underwriting platforms to take advantage of market conditions.
- RPI at 103%.
- Reduction in premium from exiting Gulf of Mexico class offset by new business in other classes.



- Growth primarily driven by new business in the marine cargo and marine liability classes.
- Strong Marine liability RPI of 115% compared to prior year.

Managing our catastrophe exposure





- Continuing to take rate in our catastrophe exposed lines.
- Growth of non-cat lines over the past few years continues to bear fruit.

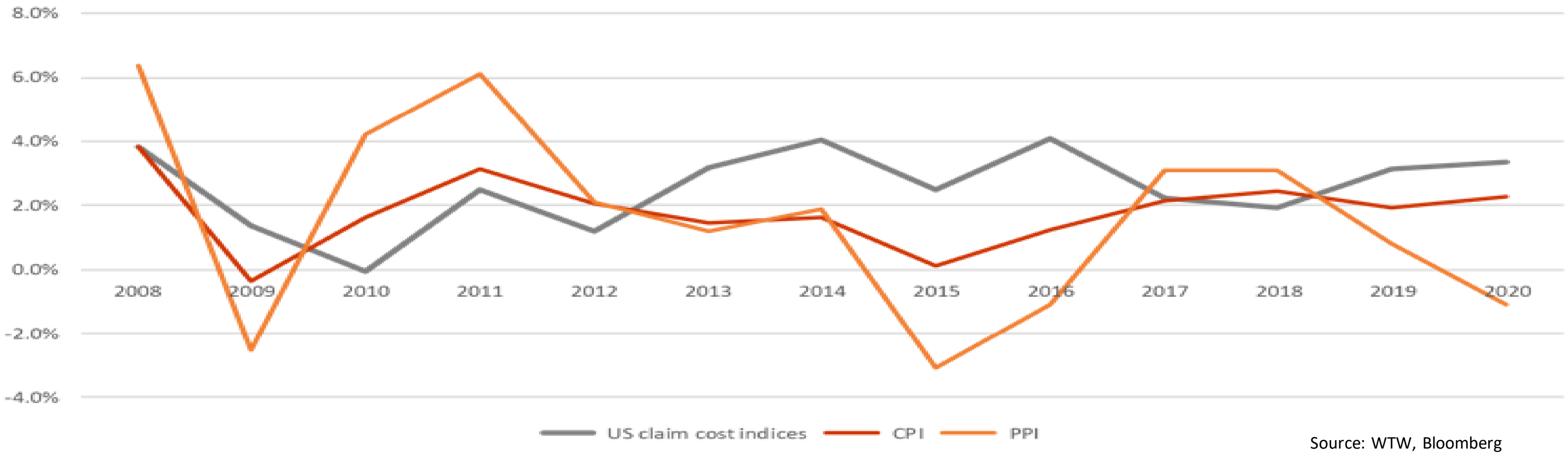
- Most conservative frequency approach is used for Atlantic windstorm modelling.
- Overall loadings significantly more conservative than Bermuda peers.

(1) 100 year Gulf of Mexico wind net PML at December 31 for 07-21, plan for 22

Claims inflation is not a major concern for Lancashire

- We have a **good track record of managing inflationary pressures**, e.g. the impact of oil price in our energy book
- We write a predominantly **short-tail book**, with the bulk of our policies renewing every year.
- Policies renew through the year, not just on January 1st.
- Clients provide regularly **updated schedules of insured values** where required**.**
- Premiums increase to reflect higher values
- If we do not feel declared values adequately cater for inflation we **manually load**.
- RPI is calculated post values changes and is consequently **risk adjusted**.
- Catastrophe modelling includes (our) inflation loading.
- A weak relationship between claims inflation and economic inflation (see chart below).
- Short-term demand driven spikes in materials/labour reflected in our wider attritional loss ratio guidance.

Tenuous link between claims inflation and economic inflation



Source: WTW, Bloomberg

H1 2022

Financial Results

H1 2022 Financial Results

	Six months 2022 $m	Six months 2021 $m	Twelve months 2021 $m
Gross premiums written	938.1	697.2	1,225.2
Net premiums written	622.6	427.9	816.1
Net premiums earned	**440.5**	**315.3**	**696.5**
Underwriting profit	**164.5**	**127.1**	**69.0**
Profit (loss) before tax	**78.0**	**54.1**	**(56.8)**
Other comprehensive loss	(81.5)	(14.1)	(30.7)
Comprehensive (loss) income attributable to Lancashire	**(7.1)**	**33.6**	**(92.9)**
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%**
Change in FCBVS (Fully converted book value per share)	**0.0%**	**2.4%**	**(5.8%)**

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H1 2022 loss environment

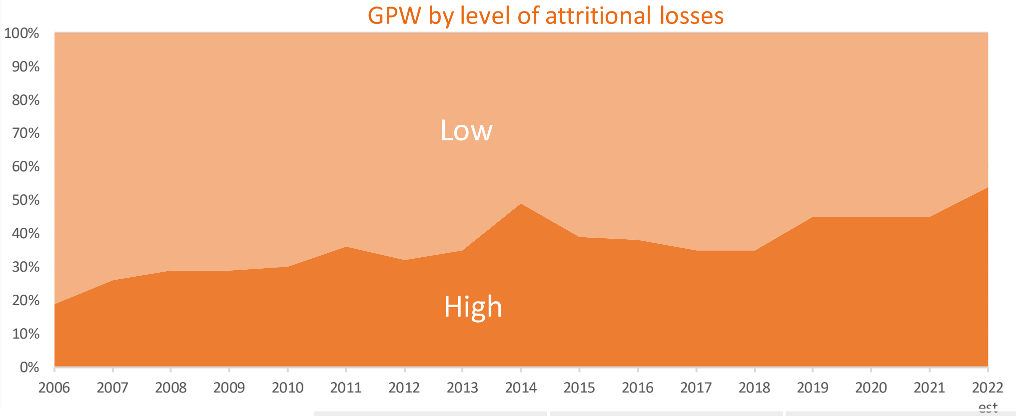
- Excellent underwriting performance with combined ratio of 78.2%.
- Ultimate net loss estimates from the conflict incurred within Ukraine of $22.0 million.
- Other losses in H1 include flooding in Australia & South Africa and some energy risk losses – not individually material to disclose.
- Prior year favourable development of $64.4 million. (See table right).
- Attritional losses currently running at high end of guidance largely due to changing business mix. (See next slide).
- No change to our reserving approach.

Accident Year	PY Development ($m)
2017 AY and prior	19.1
2018 AY	10.6
2019 AY	4.9
2020 AY	8.6
2021 AY	21.2
Total	64.4

All H1 losses within risk tolerances and underwriting performance was profitable for the period.

Changes to Business Mix

Proportion of catastrophe-exposed GPW



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

Investments: conservative portfolio structure – quality focus

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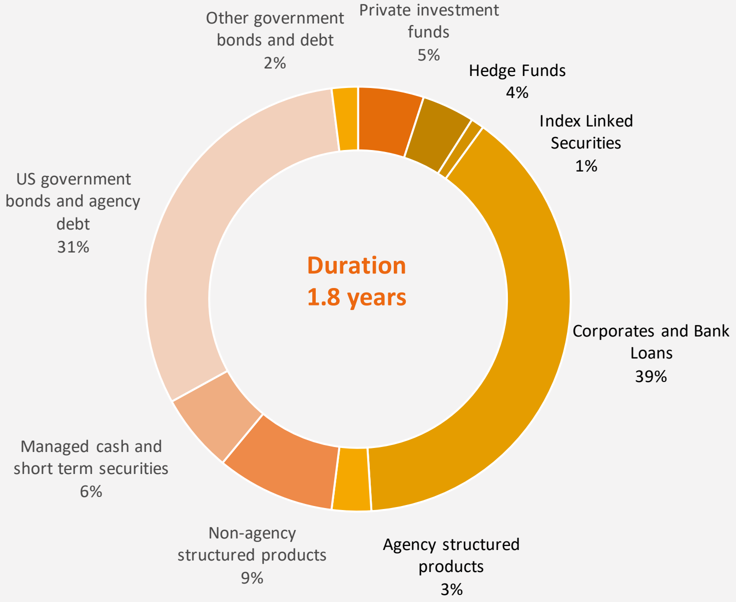
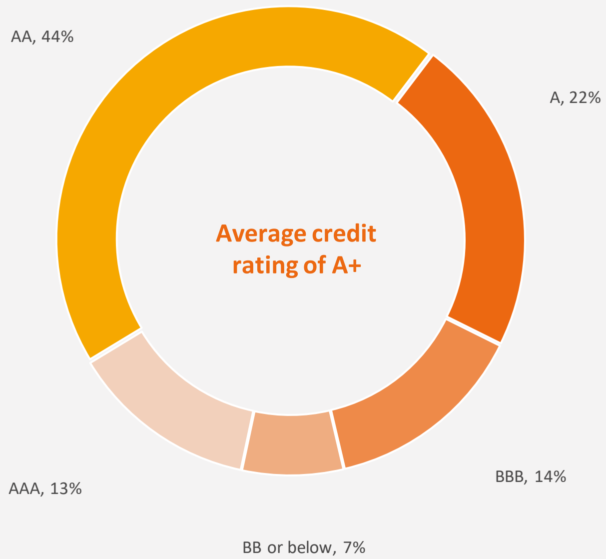
Asset Allocation

total investment portfolio and managed cash



Credit Quality

fixed maturities and managed cash



- Total investment portfolio and managed cash at 30 June 2022 = $2,234.6 million.
- Total net investment return of negative 3.8%, primarily driven by unrealised losses.
- Market yield of fixed maturities and managed cash 3.5%.

Remaining Strongly Capitalised

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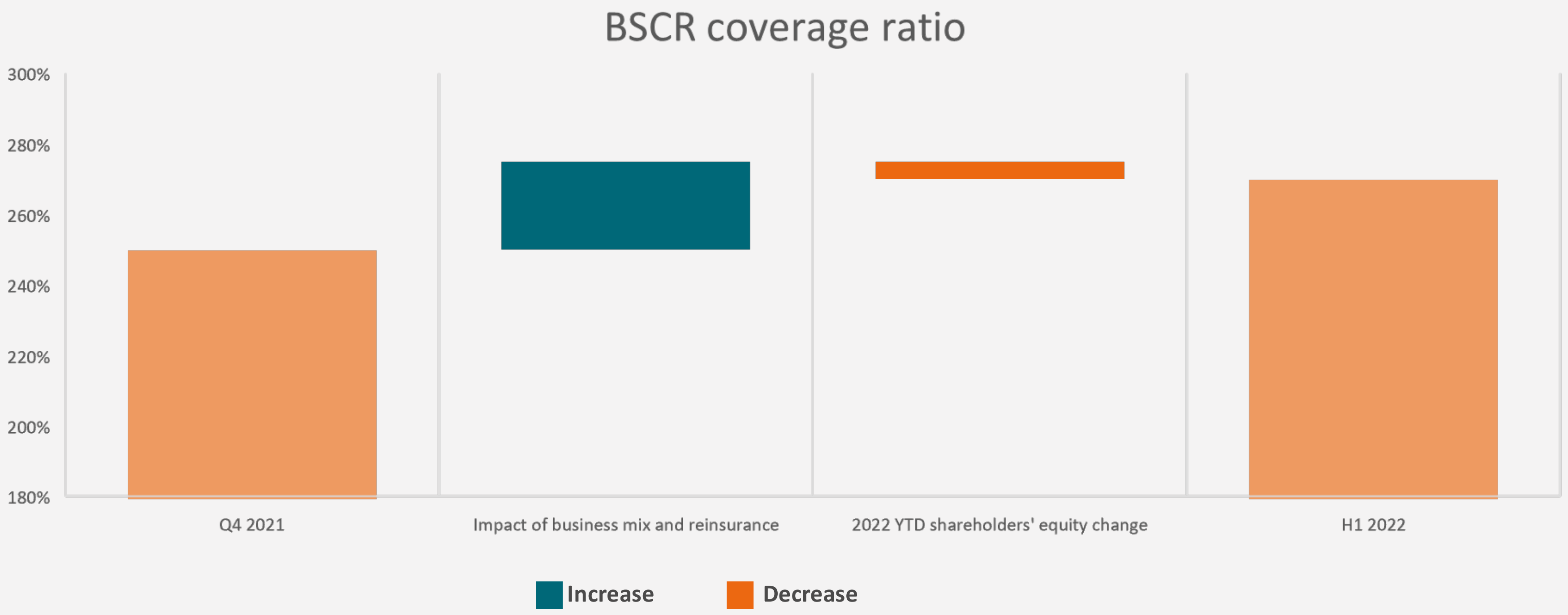

Regulatory ECR ratio of approximately 270% as at 30 June 2022. We retain meaningful regulatory headroom to fund further growth. Applying a stress scenario which incorporates a net loss cat event (representative of our 1 in 100 Gulf of Mexico wind PML at $328.0 million) at 30 June 2022 our ECR ratio would be approximately 210%.

Note: The Q2 BSCR Coverage Ratio is estimated and not the final result.

2022 guidance

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

H1 2022

Outlook

Outlook: positioned for growth

- **We remain strongly capitalised to deliver on our long-term strategy.** We continue to navigate the insurance cycle and manage the business for the long term
- **Our franchise has strengthened and is more resilient.** We continue to see the profitability of our non-catastrophe business providing positive ballast to the catastrophe results.
- **We see strong opportunities for remainder of 2022 and beyond**. We will continue to grow while the opportunity persists in an attractive rating environment.
- **We will continue to build out the franchise, rating environment permitting**.
- **Investor Day to be held on 29th November 2022.**

There is no change to our long term strategy.
Disciplined growth is important now to balance returns over the longer term. Growth will allow Lancashire to mitigate the weaker years through portfolio optimisation and we expect this to enhance returns over the cycle.

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Appendix

ESG themes

OUR ESG THEMES

Responsible investment

Demonstrating our commitment to ESG through management of investments.

Operating responsibly

Running our business as a good corporate citizen, a responsible preserver of resources, and engaging constructively with all our stakeholders to the benefit of society.

Supporting wider society through our corporate and charitable activities including the Lancashire Foundation.

Sustainable insurance

Ensuring our business considers ESG issues in our underwriting decision making.

People and culture

Giving our people the environment, tools, skills and support they need to thrive in an open, honest and diverse culture.

People and culture

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

Operating responsibly

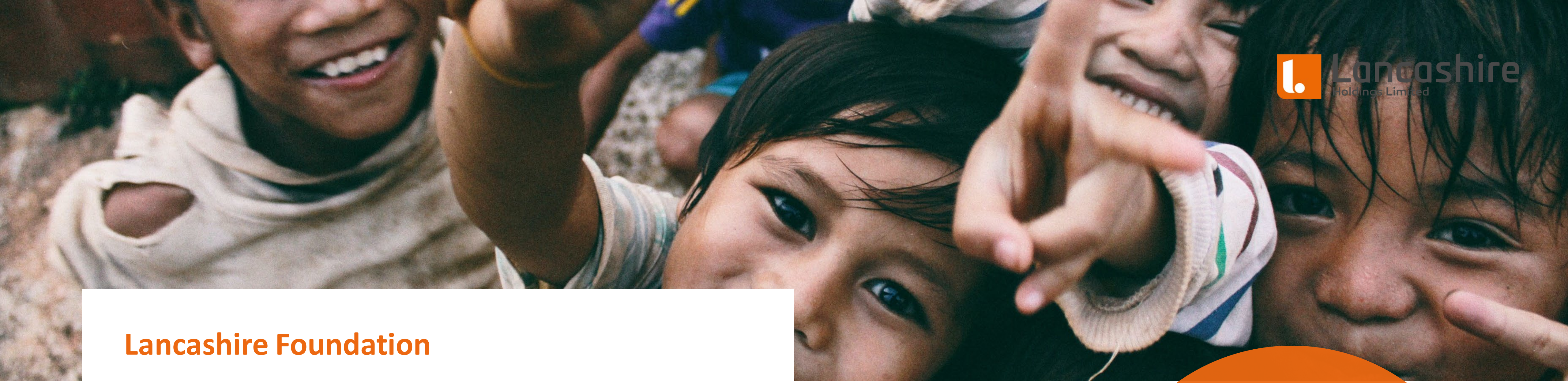
- Member of ClimateWise during H1 2022
- Climate Change Working Group and ESG Committee established in 2021
- 100% off-setting of calculated own greenhouse gas emissions
- Commitment to carbon neutral to carbon net-zero by 2050 in own operations
- Commitment to a reduction in emissions per FTE of 15% by 2030 in own operations
- 100% renewable electricity in our London office

Sustainable insurance

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

Responsible investment

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



Lancashire Foundation

- We believe that the success of the Foundation in making a real difference to the lives of those less fortunate is due to the enthusiasm of our people.
- Since the first donation in 2007, the Foundation has given more than $22 million to charitable organisations.
- Whether actively getting involved in helping others through volunteering or requesting funding for causes close to them, their support is invaluable.
- Employees raising funds for charitable organisations can also request matching funds from the Foundation.
- The annual donation made to the Foundation to fund its assistance pool is aligned to the financial performance of the business.
- The Foundation receives 0.75% of Group profits with a minimum threshold of $250,000 to a maximum of $750,000.

Nearly $250,000 donated to long-term charity partners (ICM (International Care Ministries), St Giles Trust, The Family Centre, Tomorrow's Voices, Cancer Research UK and others) in H1 2022

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For more information

Investor Relations
Jelena Bjelanovic
Lancashire Holdings Limited
29th Floor,
20 Fenchurch Street,
London, EC3M 3BY

T +44 (0) 20 7264 4066
E jelena.bjelanovic@lancashiregroup.com

Media
Peter Krinks
Lancashire Holdings Limited
29th Floor,
20 Fenchurch Street,
London, EC3M 3BY

T +44 (0)20 3300 1548
E peter.krinks@lancashiregroup.com

FTI Consulting
200 Aldersgate,
Aldersgate Street,
London, EC1A 4HD
E Tom.Blackwell@fticonsulting.com

Registered and Head Office, Bermuda
Lancashire Holdings Limited
Power House,
7 Par-la-Ville Road,
Hamilton HM 11,
Bermuda

T + 1 (441) 278-8950
F +1 (441) 278-8951
E info@lancashiregroup.com

London Office, UK
Lancashire Holdings Limited
29th Floor,
20 Fenchurch Street,
London, EC3M 3BY

T +44 (0) 20 7264 4000
F +44 (0) 20 7264 4077
E info@lancashiregroup.com