LANCASHIRE HOLDINGS LIMITED

10 February 2023
Hamilton, Bermuda

STRONG PREMIUM GROWTH AND DIVERSIFICATION DRIVES UNDERWRITING PROFIT

Lancashire Holdings Limited ("Lancashire" or "the Group") announces its results for the year ended 31 December 2022.

Highlights:

- **Gross premiums written increased by 35% year-on-year to $1.7 billion; Group RPI of 108%.**
- **Combined ratio of 97.7%, demonstrating the benefit of growth and diversification.**
- **Total net investment return of negative 3.5%, primarily driven by unrealised losses.**
- **Final dividend declared of $0.10 per common share, subject to shareholder approval.**
- **Strong start to 2023 at 1 January renewals.**

	Year ended	
	31 December 2022	**31 December 2021**
Financial highlights ($m)		
Gross premiums written	1,652.3	1,225.2
Net premiums written	1,188.0	816.1
Underwriting profit	150.8	69.0
Loss before tax	(2.8)	(56.8)
Comprehensive loss[1]	(92.6)	(92.9)
Change in FCBVS[2]	(6.7%)	(5.8%)
Financial ratios		
Total investment return	(3.5%)	0.1%
Net loss ratio	58.3%	67.6%
Combined ratio	97.7%	107.3%
Per share data		
Fully converted book value per share	$5.24	$5.77
Dividends per common share for the financial year	$0.15	$0.15
Diluted loss per share	($0.01)	($0.26)

[1] These amounts 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" below.

Alex Maloney, Group Chief Executive Officer, commented:

"I'm very pleased to report that Lancashire continued its strong growth trajectory during 2022, increasing gross premiums written year-on-year by 35% to $1.7 billion and delivering a combined ratio of 97.7%. In the five years since 2017 our gross premiums written have increased by almost 280%.

Our robust underwriting performance in 2022 came against a backdrop of high industry losses and a volatile macroeconomic environment.

In line with our ‘underwriting comes first’ principle, we have continued to expand our footprint and take full advantage of the organic growth opportunities and rate increases being seen across the majority of our product lines.

This growth has come from those lines where we have longer-term strength and expertise and from those we have added over the past few years as part of our actions to diversify and fortify our portfolio.

Traditionally, Lancashire has been seen as an established writer of natural catastrophe risk business meaning that when such events occur it is expected to impact our performance. However, during 2022 we have demonstrated that the growth and diversification of recent years now allows us to absorb significant catastrophe losses, such as hurricane Ian. While this event is estimated to be the second most costly hurricane on record, we have still produced a net underwriting profit.

This is a notable positive step-change for the business and testament to the clear long-term strategy we have set out.

Catastrophe and weather related losses for the year, excluding the impacts of reinstatement premiums, were $218.4 million. This includes the impact of hurricane Ian, which was within our expectations for these types of events and at the lower end of the $160 million to $190 million range provided at Q3.

We previously set aside $22 million for direct claims emanating from the conflict in Ukraine. In Q4, we subsequently revised this to include an additional management margin for any potential indirect claims related to the conflict across a number of classes. Our potential claims related to the conflict now total $65.8 million. Given the nature of the conflict, the ultimate claims relating to the event are subject to a high level of uncertainty.

On investments, the volatility in the global financial markets and higher interest rates have understandably affected our 2022 investment result, which was negative 3.5% including mark-to-market losses. These losses are largely unrealised and were the most significant driver of the negative change in FCBVS of 6.7% for the year. Going forward, we expect to see higher investment income as a result of the higher interest rate environment.

From a capital perspective, we held a very strong position throughout the year and we have the necessary headroom to continue to write profitable business, and deliver returns, during what we expect to be a harder market in 2023.

As we look into 2023, wider capacity constraints – due particularly to the increasing cost of capital and historic loss activity – are expected to give us considerable opportunities to further strengthen our franchise at a time in the cycle of expanding margins.

I very much look forward to the opportunities for further profitable growth that the next 12 months may bring, and I’d like to thank all of our colleagues for their hard work, and our investors, clients, and their brokers for their support during the past year.”

Business Update

Strong start to 2023

Lancashire began 2023 with strong 1 January renewals, which saw a market-wide reassessment of property catastrophe risk. Pricing, coverage, as well as terms and conditions, all responded favourably, substantially improving expected returns.

We continue to remain disciplined in our underwriting, while taking advantage of increased rates.

Increased demand for our products, due to recent industry loss experience and broader inflation, was not met by an increase in the supply of capacity, as investors repriced the cost of capital. Overall, this gave considerable momentum to the current favourable market dynamics, which we expect to continue at least at the current level as we go into the mid-year renewals.

In other lines, the pricing environment remains supportive, albeit rate rises were not as high as in property catastrophe lines of business. Our specialty book has seen five years of rate increases and this looks set to continue in 2023, while our casualty business is more stable, with rates remaining close to historical peaks.

Our people

During 2022, we have continued to strengthen our underwriting teams and our organisational infrastructure through key internal promotions and external hires.

Lancashire aims to retain and attract the best people in our industry. Our underwriters have market-leading expertise and our support functions are vitally important in the overall delivery of our growth strategy.

We made a number of senior appointments from within our existing underwriting teams during the year. This is testament to the strength of talent, knowledge and experience that we have at Lancashire, in underwriting and across the wider business.

Our long-term investment in developing our people means that we are able to reward and promote colleagues across the Group when suitable opportunities arise.

We are also enhancing and expanding our capabilities in a range of areas including business development, human resources, procurement, change and vendor management, and sustainability.

We have always recruited on merit which has given us the benefits of a diverse employee community and we continue to look at how we can bring more people into the industry from a range of backgrounds.

Fundamentally we are a people business and we have a high level of engagement from all our colleagues. Keeping our positive culture and making Lancashire a place that develops, retains and attracts quality people is central to our success going forward.

Operational excellence

Lancashire has continued to review and refine our systems and processes to ensure we are operating as efficiently as possible.

This includes enhancing our collation and use of data, and modelling capabilities. In addition, we have successfully delivered a number of new technology solutions into the business as part of our wider transformation programme. We have also continued to prepare for the transition to IFRS 17.

Taking responsibility

In May 2022, we were pleased to join the ClimateWise organisation, through which we will be able to collaborate with others and better support our clients in their journey to transition away from carbon-based forms of energy.

By utilising our long-standing expertise, we can help the insurance industry, and its clients, rise to the shared challenges we all face in this area. We continue to have an active dialogue on environmental, social and governance issue with all our stakeholders.

Community support

Through the Lancashire Foundation we have always sought to support charities that have a positive impact on the communities they serve. The cost-of-living crisis has made that need even more acute. During 2022 the Foundation’s focus on social causes has been increasingly valuable and effective. The Foundation’s support for homeless charities in our communities in London and Bermuda is particularly apt and the organisations we have funded include in their ethos a long-term goal of helping people back on their feet. This fully aligns with the goals of the Foundation. Donations from the Foundation in 2022 totaled $0.6 million. Since 2007, the Foundation has donated $22.3 million to good causes globally.

Underwriting results

Gross premiums written	Year ended 31 December				
	2022	2021	Change	Change	RPI
	$m	$m	$m	%	%
Reinsurance	842.1	561.0	281.1	50.1	108
Insurance	810.2	664.2	146.0	22.0	108
Total	**1,652.3**	**1,225.2**	**427.1**	**34.9**	**108**

The Group's operating segments for the purpose of segmental reporting have been revised in 2022. This reflects an internal management restructuring that occurred in the second half of the year.

Reinsurance gross premiums written

The significant increase in premiums in the reinsurance segment is primarily due to new business in the casualty reinsurance class as we continue our successful build out of the new product lines within this class. This class also benefited from significant written premium being recognised from new policies bound in 2021.

Strong growth was also seen in property reinsurance. Rates continued to harden with RPIs of 111%. Aside from rate rises there was limited exposure growth in this class as the Group maintained relatively stable risk levels, taking the increased margin through rate improvements, given we had already grown our footprint significantly during 2021.

In specialty reinsurance, all lines of business saw small increases in gross premiums written driven by new business growth. We continued to build out our specialty treaty account in areas such as energy, marine and political violence, adding to the already well-established sub-classes of aviation reinsurance and property retrocession.

Overall, for the reinsurance segment, reinstatement premiums were $45.1 million in 2022 compared to $42.8 million in the prior year.

Insurance gross premiums written

There was increased premium in the majority of insurance classes during the year. A combination of the positive rating environment, inflationary pressure increasing values at risk, and the continued build out of new teams all contributed to the growth in 2022.

The most significant increases in this segment were in the property insurance class where the Group has continued to expand its property direct and facultative offering across all its underwriting platforms, including the newly established Australian platform. The Group also added a new property construction line of business.

The energy and marine insurance classes grew through the addition of new underwriting teams and product expansion, particularly in the marine liability and cargo and specie lines of business.

Outwards reinsurance premiums

Although in dollar terms the spend increased by $55.2 million or 13.5% compared to 2021, the proportion of outwards reinsurance premiums to gross premiums written has decreased year-on-year. The increase in reinsurance spend is primarily driven by the growth of the inwards portfolio and, to a lesser degree, by an increase in outwards reinstatement premium.

Net acquisition costs

Net acquisition costs were $261.2 million in 2022 compared to $157.0 million in 2021, and the Group’s net acquisition costs ratio for the year ended 31 December 2022 was 26.4% compared to 22.5% in 2021. The increase is primarily driven by the reinsurance segment where a change in business mix has seen more premium growth in proportional lines of business, which incur higher commission costs.

Net insurance losses

The Group's net loss ratio for the year ended 31 December 2022 was 58.3% compared to 67.6% in 2021. The accident year loss ratio for 2022, including the impact of foreign exchange revaluations, was 69.9% compared to 81.0% in 2021.

During 2022, we experienced net losses from catastrophe, weather and large loss events of $308.8 million, excluding the impacts of reinstatement premiums. Within this, catastrophe and weather related losses for the year ended 31 December 2022, excluding the impacts of reinstatement premiums, were $218.4 million. This includes $163.3 million from hurricane Ian.

Our provision for large risk events for the year amounted to $90.4 million and include $65.8 million related to the ongoing conflict in Ukraine and $24.6 million from an accumulation of four large losses in the energy upstream and power generation lines of business.

Excluding the impact of foreign exchange revaluations, the table below shows the impact of the current year loss events on the Group's net loss ratio for the year ended 31 December 2022:

	Net Losses $m	**Net Loss ratio %**
Reported at 31 December 2022	576.4	58.3%
Absent catastrophe and weather events	358.0	35.7%
Absent large losses	486.0	48.8%
Absent catastrophe, weather and large loss events	267.6	26.3%

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

During 2021, our total net catastrophe, weather and large losses, excluding the impact of reinstatement premiums, were $306.4 million.

Excluding the impact of foreign exchange revaluations, the table below shows the impact of the current year loss events on the Group's net loss ratio for the year ended 31 December 2021.

	Net Losses $m	**Net Loss ratio %**
Reported at 31 December 2021	470.5	67.6%
Absent catastrophe and weather events	232.9	33.2%
Absent large losses	401.7	57.7%
Absent catastrophe, weather and large loss events	164.1	23.4%

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

Prior year favourable development for 2022 was $100.5 million, compared to $86.5 million of favourable development in 2021. The favourable development in 2022 was primarily due to general IBNR releases on the 2021 and 2020 accident years and across most lines of business due to a lack of reported claims. There was also favourable development on natural catastrophe loss events from the 2019 and 2018 accident years as well as beneficial claims settlements on risk losses in the 2017 accident year.

The favourable development in 2021 was primarily driven by general IBNR releases on the 2020 accident year across most lines of business, due to a lack of reported claims. 2021 also included favourable development on the 2017 accident year, mainly from reserve releases on natural catastrophe loss events, as well as some beneficial claims settlements from earlier accident years.

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

Year ended 31 December	2022 $m	2021 $m
Reinsurance segment	45.3	22.2
Insurance segment	55.2	64.3
Total	**100.5**	**86.5**

Note: Positive numbers denote favourable development.

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

Year ended 31 December	2022 $m	2021 $m
2017 accident year and prior	19.9	36.1
2018 accident year	13.6	7.1
2019 accident year	13.7	8.8
2020 accident year	27.5	34.5
2021 accident year	25.8	–
Total	**100.5**	**86.5**

Note: Positive numbers denote favourable development.

Investments

Net investment income, excluding realised and unrealised gains and losses, was $43.7 million for 2022, an increase of 90.0% compared to 2021. Total investment return, including net investment income, net other investment income, net realised gains and losses, impairments and net change in unrealised gains and losses, was a loss of $76.7 million in 2022 compared to a gain of $1.3 million for 2021.

In a year of significant volatility, the investment portfolio generated a negative return of 3.5%. The returns were driven primarily from interest rate increases and the widening of credit spreads, resulting in losses in all asset classes. The majority of the losses were unrealised. It is expected that the majority of the unrealised losses will reverse over the next couple of years, given the short duration of the portfolio.

In 2021, the investment portfolio generated a small positive return of 0.1%. While the portfolio had been hit in 2021 by rising rates, the losses were somewhat mitigated by the strong returns in the majority of the risk assets, notably the bank loans, hedge funds and the private investment funds.

The managed portfolio was as follows:

	As at 31 December 2022	As at 31 December 2021
Fixed maturity securities	79.8%	78.4%
Managed cash and cash equivalents	10.5%	11.2%
Private investment funds	4.4%	4.6%
Hedge funds	4.2%	4.5%
Index linked securities	1.1%	1.3%
Total	**100.0%**	**100.0%**

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

	As at 31 December 2022	As at 31 December 2021
Duration	1.6 years	1.8 years
Credit quality	AA-	A+
Book yield	2.9%	1.3%
Market yield	5.0%	1.0%

Third Party Capital Management

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

Year ended 31 December	**2022 $m**	**2021 $m**
Lancashire Capital Management underwriting fees	3.1	10.6
Lancashire Capital Management profit commission	0.9	5.2
Lancashire Syndicates' fees and profit commission	2.5	2.4
Total other income	**6.5**	**18.2**
Share of loss of associate	(6.5)	(3.9)
Total net third party capital management income	**–**	**14.3**

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 loss of associate reflects Lancashire's equity interest in the Lancashire Capital Management managed vehicle.

Other operating expenses

Other operating expenses were $128.7 million in 2022 compared to $119.6 million in 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 these increases in the underlying cost base.

Capital

As at 31 December 2022, total capital available to Lancashire was approximately $1.7 billion, comprising shareholders' equity of $1.3 billion and $0.4 billion of long-term debt. Tangible capital was $1.5 billion. Leverage was 26.0% on total capital and 28.9% on total tangible capital. Total capital and total tangible capital as at 31 December 2021 were $1.9 billion and $1.7 billion respectively.

Share repurchases

During the year ended 31 December 2022, Lancashire repurchased 4,589,592 of its common shares (out of an overall, maximum Board-approved limit of 9,000,000 common shares, conducted via three separate share repurchase programs). These repurchases totalled $23.3 million and 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.

Dividends

The Lancashire Board declared the following dividends during 2022:

- A final dividend relating to 2021 of $0.10 per common share; and
- An interim dividend of $0.05 per common share.

Lancashire announces that its Board of Directors has declared a final dividend of $0.10 (approximately £0.08) per common share, subject to a shareholder vote of approval at the AGM to be held on 26 April 2023, which will result in an aggregate payment of approximately $23.8 million. On the basis that the final dividend is approved by shareholders at the AGM, the dividend will be paid in Pounds Sterling on

2 June 2023 (the "Dividend Payment Date") to shareholders of record on 5 May 2023 (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.

Financial Information

The Audited Consolidated Financial Statements for the year ended 31 December 2022 are published on Lancashire's website at www.lancashiregroup.com.

The 2022 Annual Report and Accounts are expected to be circulated to shareholders' from 13 March 2023 and will also be made available on Lancashire's website.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 1:00pm UK time / 9:00am Bermuda time / 8:00am EST on Friday 10 February 2023. The conference call will be hosted by Lancashire management.

The full details for participant access to the audio conference call and webcast are set out below. Please note that audio conference call users are required to register in advance for the call and upon registration will receive a personal PIN number to access the call.

Participant Access Information:

Audio conference: https://register.vevent.com/register/BId86a9fde64f74a11acd46b6a7765f759

Webcast access: https://onlinexperiences.com/Launch/QReg/ShowUUID=175AC6D5-CDD1-43E4-AFD7-48829EB8B531

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:

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About Lancashire

Lancashire, through its UK and Bermuda-based operating subsidiaries, is a provider of global specialty insurance and reinsurance products. The Group companies carry the following ratings (unchanged from 2021):

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

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

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

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

Lancashire's 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 Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended, and other regulatory obligations. The information was submitted for publication, through the agency of the contact persons set out above, at 07:00 GMT on 10 February 2023.

Alternative Performance Measures (APMs)

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

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

	31 December 2022	31 December 2021
Net insurance losses	**576.4**	470.5
Divided by net premiums earned	**988.4**	696.5
Net loss ratio	**58.3%**	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.

	31 December 2022	31 December 2021
Net acquisition expenses	**261.2**	157.0
Divided by net premiums earned	**988.4**	696.5
Net acquisition cost ratio	**26.4%**	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.

	31 December 2022	31 December 2021
Other operating expenses	**128.7**	119.6
Divided by net premiums earned	**988.4**	696.5
Net expense ratio	**13.0%**	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%.

	31 December 2022	31 December 2021
Net loss ratio	**58.3%**	67.6%
Net acquisition cost ratio	**26.4%**	22.5%
Net expense ratio	**13.0%**	17.2%
Combined Ratio	**97.7%**	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.

	31 December 2022	31 December 2021
Net insurance losses current accident year	**676.9**	557.0
Divided by net premiums earned current accident year*	**968.6**	687.9
Accident year loss ratio	**69.9%**	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.

	31 December 2022	31 December 2021
Shareholders' equity attributable to the Group	**1,267,882,107**	1,412,308,553
Common voting shares outstanding*	**238,333,570**	241,839,109
Shares relating to dilutive restricted stock	**3,700,547**	2,805,365
Fully converted book value denominator	**242,034,117**	244,644,474
Fully converted book value per share	**$ 5.24**	$ 5.77

*Common voting shares outstanding comprise issued share capital less amounts held in the Employee Benefit 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.

	31 December 2022	31 December 2021
Opening FCBVS	**$ (5.77)**	$ (6.28)
Q1 dividend per share	**$ —**	$ —
Q2 dividend per share	**$ 0.10**	$ 0.10
Q3 dividend per share	**$ 0.05**	$ 0.05
Closing FCBVS	**$ 5.24**	$ 5.77
Change in FCBVS*	**(6.7%)**	(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 annualised 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.

	31 December 2022	31 December 2021
Total investment return	**(76.7)**	1.3
Average invested assets*	**2,387.0**	2,167.5
Approximate total investment return	**(3.2%)**	0.1%
Reported total investment return	**(3.5%)**	0.1%

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

Total shareholder return (KPI):

The increase/(decrease) in share price in the period, measured on a total return basis, which assumes the reinvestment of dividends. The Group's aim is to maximise the Change in FCBVS over the longer term and we would expect that to be reflected in our share price and multiple. This is a long-term goal, recognising that the cyclicality and volatility of both the insurance market and the financial markets in general will impact management's ability to maximise the Change in FCBVS in the immediate term. The total return measurement basis used will generally approximate the simple method of calculating the increase/(decrease) in share price adjusted for dividends as recalculated below.

		31 December 2022		31 December 2021
Opening share price	$	(7.17)	$	(9.88)
Q1 dividend per share	$	—	$	—
Q2 dividend per share	$	0.10	$	0.10
Q3 dividend per share	$	0.05	$	0.05
Q4 dividend per share + closing share price	$	7.86	$	7.17
Total shareholder return		**11.7%**		**(25.8%)**

Comprehensive income returned to shareholders (KPI):

The percentage of comprehensive income returned to shareholders equals the total capital returned to shareholders through dividends and share repurchases in a given year, divided by the Group's comprehensive income. The Group aims to carry the right level of capital to match attractive underwriting opportunities, utilising an optimal mix of capital tools. Over time, through proactive and flexible capital management across the cycle, we aim to maximise risk-adjusted returns for shareholders.

	31 December 2022	31 December 2021
Capital returned	59.5	43.3
Comprehensive loss attributable to the Group	(92.6)	(92.9)
Comprehensive income return to shareholders	**n/a***	**n/a***

*The % comprehensive income returned to shareholders is n/a when reporting a comprehensive loss for the period.

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 LSL Syndicate 2010 plus the gross premiums written in LCM. The Group aims to operate nimbly through the cycle. We will grow in existing and new classes where favourable and improving market conditions exist, whilst monitoring and managing our risk exposures and not seek top-line growth for the sake of it in markets where we do not believe the right opportunities exist.

	31 December 2022	31 December 2021
Gross premiums written by the group	**1,652.3**	1,225.2
Names portion of gross premiums written (unconsolidated)	**160.0**	142.3
LCM gross premiums written (unconsolidated)	**38.4**	135.9
Total gross premiums written under management	**1,850.7**	1,503.4

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 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. THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: 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 CHANGE ARISING THEREFROM; AND A CONTINUATION IN FINANCIAL MARKET VOLATILITY AND OTHER ADVERSE MARKET CONDITIONS GENERALLY; THE ACTUAL DEVELOPMENT OF LOSSES AND EXPENSES IMPACTING ESTIMATES FOR CLAIMS WHICH ARISE AS A RESULT OF THE HURRICANE IAN, WHICH OCCURRED IN THE THIRD QUARTER OF 2022, COVID-19 PANDEMIC, THE KENTUCKY TORNADOES, HURRICANE IDA AND THE EUROPEAN STORMS WHICH OCCURRED IN THE SECOND HALF OF 2021, WINTER STORM URI WHICH OCCURRED DURING THE FIRST QUARTER OF 2021, HURRICANES LAURA AND SALLY, THE MIDWEST DERECHO STORM AND THE WILDFIRES IN CALIFORNIA WHICH OCCURRED IN 2020, THE 2020 AND 2021 LARGE LOSS EVENTS ACROSS THE GROUP'S SPECIALTY BUSINESS LINES, TYPHOON HAGIBIS IN THE FOURTH QUARTER OF 2019, HURRICANE DORIAN AND TYPHOON FAXAI IN THE THIRD QUARTER OF 2019, THE CALIFORNIAN WILDFIRES AND HURRICANE MICHAEL WHICH OCCURRED IN THE FOURTH QUARTER OF 2018, HURRICANE FLORENCE, THE TYPHOONS AND MARINE LOSSES THAT OCCURRED IN THE THIRD QUARTER OF 2018, HURRICANES HARVEY, IRMA AND MARIA AND THE EARTHQUAKES IN MEXICO, THAT OCCURRED IN THE THIRD QUARTER OF 2017 AND THE WILDFIRES WHICH IMPACTED PARTS OF CALIFORNIA DURING 2017; THE IMPACT OF COMPLEX AND UNIQUE CAUSATION AND COVERAGE ISSUES ASSOCIATED WITH ATTRIBUTION OF LOSSES TO WIND OR FLOOD DAMAGE OR OTHER PERILS SUCH AS FIRE OR BUSINESS INTERRUPTION RELATING TO SUCH EVENTS; POTENTIAL UNCERTAINTIES RELATING TO REINSURANCE RECOVERIES, REINSTATEMENT PREMIUMS AND OTHER FACTORS INHERENT IN LOSS ESTIMATIONS; THE GROUP'S ABILITY TO INTEGRATE ITS BUSINESS AND PERSONNEL; THE SUCCESSFUL RETENTION AND MOTIVATION OF THE GROUP'S KEY MANAGEMENT; THE INCREASED REGULATORY BURDEN FACING THE GROUP; THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT THE GROUP WRITES OR MAY WRITE; THE GROUP'S ABILITY TO 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; POTENTIALLY UNUSUAL LOSS FREQUENCY; THE IMPACT THAT THE GROUP'S FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS MAY HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES OR DIVIDENDS; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN THE GROUP'S UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; INCREASED COMPETITION FROM EXISTING ALTERNATIVE CAPITAL PROVIDERS AND INSURANCE-LINKED FUNDS AND COLLATERALISED SPECIAL PURPOSE INSURERS, AND THE RELATED DEMAND AND SUPPLY DYNAMICS AS CONTRACTS COME UP FOR RENEWAL; THE EFFECTIVENESS OF ITS LOSS LIMITATION METHODS; THE POTENTIAL LOSS OF KEY PERSONNEL; A DECLINE IN THE GROUP'S OPERATING SUBSIDIARIES' RATINGS WITH A.M. BEST, S&P GLOBAL RATINGS, MOODY'S OR OTHER RATING AGENCIES; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; CYCLICAL DOWNTURNS OF THE INDUSTRY; THE IMPACT OF A DETERIORATING CREDIT ENVIRONMENT FOR ISSUERS OF FIXED MATURITY INVESTMENTS; THE IMPACT OF SWINGS IN MARKET INTEREST RATES, CURRENCY EXCHANGE RATES AND SECURITIES PRICES; CHANGES BY CENTRAL BANKS REGARDING THE LEVEL OF INTEREST RATES; THE IMPACT OF INFLATION OR DEFLATION IN RELEVANT ECONOMIES IN WHICH THE GROUP OPERATES; THE EFFECT, TIMING AND OTHER UNCERTAINTIES SURROUNDING FUTURE BUSINESS COMBINATIONS WITHIN THE INSURANCE AND REINSURANCE INDUSTRIES; THE IMPACT OF TERRORIST ACTIVITY IN THE COUNTRIES IN WHICH THE GROUP WRITES RISKS; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITIES IN ITS INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE THE GROUP CONDUCTS BUSINESS; LANCASHIRE OR ITS BERMUDIAN SUBSIDIARIES BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR IN THE UNITED KINGDOM; THE IMPACT OF THE CHANGE IN TAX RESIDENCE ON STAKEHOLDERS OF THE GROUP; AND THE FOCUS AND SCRUTINY ON ESG-RELATED MATTERS REGARDING THE INSURANCE INDUSTRY FROM KEY STAKEHOLDERS OF THE GROUP, AND ANY ADVERSE ASSET, CREDIT, FINANCING OR DEBT OR CAPITAL MARKET CONDITIONS GENERALLY WHICH MAY AFFECT THE ABILITY OF THE GROUP TO MANAGE ITS LIQUIDITY. ANY ESTIMATES RELATING TO LOSS EVENTS INVOLVE THE EXERCISE OF CONSIDERABLE JUDGEMENT AND REFLECT A COMBINATION OF GROUND-UP EVALUATIONS, INFORMATION AVAILABLE TO DATE FROM BROKERS AND INSUREDS, MARKET INTELLIGENCE, INITIAL AND/OR TENTATIVE LOSS REPORTS AND OTHER SOURCES. JUDGEMENTS IN RELATION TO LOSS ARISING FROM NATURAL CATASTROPHE AND MAN-MADE EVENTS ARE INFLUENCED BY COMPLEX FACTORS. THE GROUP CAUTIONS AS TO THE PRELIMINARY NATURE OF THE INFORMATION USED TO PREPARE SUCH ESTIMATES AS SUBSEQUENTLY AVAILABLE INFORMATION MAY CONTRIBUTE TO AN INCREASE IN THESE TYPES OF LOSSES. 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.

Consolidated statement of comprehensive income
For the year ended 31 December 2022

	2022 $m	2021 $m
Gross premiums written	1,652.3	1,225.2
Outwards reinsurance premiums	(464.3)	(409.1)
Net premiums written	**1,188.0**	**816.1**
Change in unearned premiums	(223.2)	(140.0)
Change in unearned premiums on premiums ceded	23.6	20.4
Net premiums earned	**988.4**	**696.5**
Net investment income	43.7	23.0
Net other investment (loss) income	(4.5)	3.8
Net realised (losses) gains and impairments	(22.7)	6.1
Share of loss of associate	(6.5)	(3.9)
Other income	6.5	18.2
Net foreign exchange (losses) gains	(3.6)	3.5
Total net revenue	**1,001.3**	**747.2**
Insurance losses and loss adjustment expenses	922.7	667.6
Insurance losses and loss adjustment expenses recoverable	(346.3)	(197.1)
Insurance acquisition expenses	298.8	188.6
Insurance acquisition expenses ceded	(37.6)	(31.6)
Equity based compensation	8.6	11.1
Other operating expenses	128.7	119.6
Total expenses	**974.9**	**758.2**
Results of operating activities	**26.4**	**(11.0)**
Financing costs	29.2	45.8
Loss before tax	**(2.8)**	**(56.8)**
Tax charge	(0.5)	(4.8)
Loss for the year	**(3.3)**	**(61.6)**
Loss for the year attributable to:		
Equity shareholders of LHL	**(3.3)**	**(62.2)**
Non-controlling interests	–	0.6
Net change in unrealised losses on investments	(93.2)	(31.6)
Tax credit on net change in unrealised losses on investments	3.9	0.9
Other comprehensive loss	**(89.3)**	**(30.7)**
Total comprehensive loss attributable to Lancashire	**(92.6)**	**(92.9)**
Net loss ratio	58.3%	67.6%
Net acquisition cost ratio	26.4%	22.5%
Administrative expense ratio	13.0%	17.2%
Combined ratio	**97.7%**	**107.3%**

Consolidated balance sheet
As at 31 December 2022

	2022 $m	2021 $m
Assets		
Cash and cash equivalents	548.8	517.7
Accrued interest receivable	11.3	7.1
Investments	2,204.9	2,048.1
Inwards premiums receivable from insureds and cedants	688.3	490.6
Reinsurance assets		
– Unearned premiums on premiums ceded	141.4	117.8
– Reinsurance recoveries	592.1	418.8
– Other receivables	96.8	38.2
Other receivables	30.1	18.8
Corporation tax receivable	1.1	–
Investment in associate	57.2	118.7
Property, plant and equipment	1.1	0.8
Right-of-use assets	20.3	13.4
Deferred acquisition costs	180.8	121.6
Intangible assets	172.4	157.9
Total assets	**4,746.6**	**4,069.5**
Liabilities		
Insurance contracts		
– Losses and loss adjustment expenses	1,780.8	1,291.1
– Unearned premiums	821.1	597.9
– Other payables	52.9	20.3
Amounts payable to reinsurers	268.2	205.6
Deferred acquisition costs ceded	32.9	27.0
Other payables	44.1	37.4
Corporation tax payable	–	1.6
Deferred tax liability	9.3	12.2
Lease liabilities	23.3	17.9
Long-term debt	446.1	445.7
Total liabilities	**3,478.7**	**2,656.7**
Shareholders' equity		
Share capital	122.0	122.0
Own shares	(34.0)	(18.1)
Other reserves	1,221.9	1,221.6
Accumulated other comprehensive (loss) income	(86.4)	2.9
Retained earnings	44.4	83.9
Total shareholders' equity attributable to equity shareholders of LHL	**1,267.9**	**1,412.3**
Non-controlling interests	–	0.5
Total shareholders' equity	**1,267.9**	**1,412.8**
Total liabilities and shareholders' equity	**4,746.6**	**4,069.5**

Consolidated statement of cash flows
For the year ended 31 December 2022

	2022 $m	2021 $m
Cash flows from operating activities		
Loss before tax	(2.8)	(56.8)
Tax paid	(2.1)	(3.2)
Depreciation	3.1	3.3
Interest expense on long-term debt	25.8	25.8
Interest expense on lease liabilities	0.8	1.1
Interest income	(46.1)	(34.1)
Net amortisation of fixed maturity securities	(0.2)	7.0
Redemption cost on senior and subordinated loan notes	–	12.8
Net realised / unrealised losses on interest rate swaps	–	3.4
Equity based compensation	8.6	11.1
Foreign exchange gains	(4.9)	(0.4)
Share of loss of associate	6.5	3.9
Net other investment loss (income)	3.8	(4.7)
Net realised losses (gains) and impairments	22.7	(6.1)
Changes in operational assets and liabilities		
– Insurance and reinsurance contracts	313.1	285.6
– Other assets and liabilities	(4.5)	(4.9)
Net cash flows from operating activities	**323.8**	**243.8**
Cash flows used in investing activities		
Interest received	50.0	42.7
Purchase of property, plant and equipment	(0.7)	(0.7)
Purchase of underwriting capacity	(4.2)	(0.2)
Internally generated intangible asset	(10.3)	(3.2)
Investment in associate	55.0	4.6
Purchase of investments	(1,130.2)	(1,348.5)
Proceeds on sale of investments	845.5	1,118.5
Net cash flows used in investing activities	**(194.9)**	**(186.8)**
Cash flows (used in) from financing activities		
Interest paid	(25.8)	(20.8)
Interest rate swap	–	(3.4)
Lease liabilities paid	(3.6)	(4.0)
Proceeds from issue of long-term debt	–	445.4
Redemption of long-term debt	–	(339.6)
Dividends paid	(36.2)	(36.4)
Dividends paid to minority interest holders	–	(0.5)
Repurchase of shares from non-controlling interest	(1.1)	–
Share repurchases	(23.3)	(6.9)
Distributions by trust	(0.8)	(1.0)
Net cash flows (used in) from financing activities	**(90.8)**	**32.8**
Net increase in cash and cash equivalents	**38.1**	**89.8**
Cash and cash equivalents at beginning of year	517.7	432.4
Effect of exchange rate fluctuations and other items on cash and cash equivalents	(7.0)	(4.5)
Cash and cash equivalents at end of year	**548.8**	**517.7**