



Delivering our growth and profit ambitions

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Alex Maloney

Group Chief Executive Officer

I am extremely pleased with Lancashire's performance in 2023, its development as a growing organisation, and the future opportunities we see.

We have delivered on our growth and profit ambitions, delivered for our people, and within our communities. We have achieved this through our unique culture and way of approaching our work and, as I look into 2024, I am extremely encouraged by the opportunities that await us and our ability to continue to deliver on our strategic objectives.

Delivering our growth and profit ambitions

At the heart of our business is our belief in the importance of managing the cycle. This means we will take opportunities to grow when the environment is right and, during 2023, we continued to focus on writing profitable business during the best market conditions we have seen for a decade.

Gross premiums written increased by 16.9%, and insurance revenue increased by 23.9%, during the year, due to a combination of new business and rate rises across our portfolio. The insurance service result increased by 169.8%. This excellent underwriting performance resulted in a combined ratio (undiscounted) of 82.6% and, as our 2023 results demonstrate, we have built a better balanced and more diverse underwriting portfolio, which generated more profit against our capital base. Our ultimate goal at Lancashire is to maximise risk-adjusted returns for our shareholders. Our diversified product mix means we aim to have lower earnings volatility and the ability to produce better returns on capital and grow our diluted book value per share over the long term.

Due to the strong operational performance during the year, in the third quarter we announced a special dividend of \$0.50 per share. At its March 2024 meeting, the Board also agreed a further special dividend of \$0.50 per common share.

We are always led by the underwriting opportunity, and we believe there are significant opportunities going into 2024. We are well capitalised to be able to fund those opportunities through internal earnings growth while also rewarding our shareholders.

While Lancashire remains a significant insurer of catastrophe risk, since 2018 we have invested in our underwriting teams and added new product lines that better balance that risk and inherent volatility. At the same time, we have benefited from the positive underwriting conditions for catastrophe business during the past 12 months. This mix of products during this phase of the market cycle has resulted in higher returns and this has improved our portfolio's overall resilience to the impact of catastrophe losses.

We have now shown that we can manage volatility through a balanced portfolio whilst also substantially growing the business. During 2023, Lancashire did not incur any individually material catastrophe or large risk losses and we were able to release reserves on prior years. As Natalie discusses in her review on page 12, allocating our capital to the most profitable opportunities remains our focus.

Delivering for Lancashire's people and communities

We are fundamentally a people business, and we believe that focusing on our people as part of our strategy is crucial to our ongoing success. We instil high expectations in our people and aim to offer a culture that is diverse, unique and special. My role as CEO is to keep that positive culture alive because it seeps into all areas of our business. The promise we make to our people is that we will give them every opportunity to thrive and develop their careers. The growth we have seen over the past few years has increased the scope of the opportunities available. We also want to reward people for their hard work, and I am always proud to be able to announce our internal promotions – and we made 46 of those during 2023. We are all invested in Lancashire and committed to success.

I've been at Lancashire for 18 years, Paul Gregory has been here for 16 years and Natalie Kershaw for 14 years. We also have underwriters who have been with us for all or the majority of their careers. This tells its own story – that we have a dedicated team who like what we do and how we do it. That doesn't mean we are afraid to question ourselves, but we always do that in a positive way for a better outcome. We have also been incredibly successful at attracting new talent to the Group in recent years to help us challenge how we work across both underwriting and support services.

I was particularly pleased with the results of our 2023 employee survey which showed strong support for our culture and the experience we offer our people. Our overall engagement score (a common way to track how companies are doing based on four core questions: recommending a business as a good place to work, feeling proud to work there, being motivated to do your best work, and intention to stay) was 90%. It's an important measure, and one that has increased since our last survey in 2021 and is 14 points higher than our peer benchmark. Our highest scores were for being proud to work at Lancashire at 94%, while 92% of people responding said they are motivated to do their best work and would recommend Lancashire as a great place to work. This is great feedback, showing that we are on the right path, and I look forward to developing this engagement even further in 2024 and beyond (please see page 33 for more information).

Aside from our strong financial performance, I am also pleased with our continued focus on environmental, social and governance matters. This is particularly the case in our communities, where our ethos is supporting those less fortunate through the work of the Lancashire Foundation. During 2023, 12 employees travelled to Tanzania to assist with a construction project and we believe it is initiatives like this that bring social responsibility to life (please see page 48 for more information).

Seizing the opportunities and looking ahead to 2024

During 2023, we announced the first significant geographical expansion of our business since our inception. Lancashire Insurance U.S. will operate under a delegated underwriting arrangement with Lancashire's UK company platform. It will allow us to write business that we could not access before through new distribution channels and with new clients. This development has been driven by the compelling underwriting opportunity that we see in the U.S. Excess and Surplus market.

While we are being conservative in our initial approach, with our reputation for underwriting excellence and service to our clients we are excited by the long-term opportunities that we see. There will be significant opportunities for Lancashire in 2024 with the continuing strong rate environment across our product suite. Our strong capital base means we will continue to write profitable business that is within our appetite and respond quickly to new opportunities.

I remain focused on delivering our objectives and continuing the growth and momentum we have built during 2023. Our franchise remains resilient, and we have fantastic teams across the Group who are dedicated to achieving our goals.

I would like to thank everyone at Lancashire for their hard work during 2023 and their commitment to the business. Going into 2024, we have a strong vision for the future, and we have the right people, products and operational expertise to deliver it.