

LANCASHIRE HOLDINGS LIMITED

29 April 2021
Hamilton, Bermuda

Lancashire Holdings Limited (“Lancashire” or “the Group”) today announces its trading statement for the three months ended 31 March 2021.

Trading statement highlights

- Gross premiums written increased by 46.1% year on year to \$354.8 million, with a renewal price index of 112%.
- Estimated Winter Storm Uri claims between \$35 million and \$45 million, including the impact of reinsurance and reinstatement premiums.
- Continued build out of new classes of business (casualty reinsurance, specialty reinsurance and accident and health) and underwriting teams.
- Successful \$450.0 million debt issuance qualifying as Tier 2 Ancillary Capital.
- Regulatory ECR ratio of approximately 220% as at 31 December 2020 (proforma of approximately 285% including new debt issuance).

Alex Maloney, Group Chief Executive Officer, commented:

“I am very pleased to report that the Lancashire Group has grown its Q1 gross premium written significantly by 46.1% to \$354.8 million (in Q1 2021) from \$242.8 million (in Q1 2020). This increase in our top line premium income represents our strongest ever first quarter premium and has been supported by the equity capital which we raised in June 2020. Our growth was driven by the improved market conditions. We have increased revenue across many of our core lines as well as achieving faster than expected momentum in some of our newer business lines.

Absent the estimated impact of Winter Storm Uri, our underlying financial performance was strong. We look forward to the exciting opportunities that are expected to develop throughout the year as we are able to more flexibly combine the benefits of remote interaction with a return to the office environment. This will provide the opportunity for greater engagement amongst ourselves, our clients and our broader stakeholders. Furthermore, our strong balance sheet, boosted by our recent debt raise, stands us in good stead to fund the opportunities we see ahead.”

Business update

Gross premiums written

	Three months ended				
	31 March 2021 \$m	31 March 2020 \$m	Change \$m	Change %	RPI %
Property and casualty reinsurance	223.0	113.1	109.9	97.2	111
Property and casualty insurance	39.2	39.3	(0.1)	(0.3)	106
Energy	45.2	35.6	9.6	27.0	115
Marine	21.8	25.0	(3.2)	(12.8)	112
Aviation	25.6	29.8	(4.2)	(14.1)	116
Total	354.8	242.8	112.0	46.1	112

Gross premiums written increased by 46.1% in the first three months of 2021 compared to the same period in 2020 largely due to growth in the property and casualty reinsurance segment as the Group deployed further capital into the hardening market. The increase in this segment was primarily driven by new business as well as rate increases, particularly within the property reinsurance and property retrocession classes. The overall RPI was 111% with the property retrocession class experiencing a RPI of 115%. During the quarter the Group also commenced underwriting casualty reinsurance and added new underwriting teams in the specialty reinsurance and accident and health classes of business. These new underwriting teams have contributed to the new business growth through the first quarter of 2021 (but this is not reflected in the RPIs since this is the first year of writing such business). As is standard practice for Lancashire, we will reserve more conservatively for these new lines as we continue to monitor underwriting and claims experience.

The energy segment saw growth in gross written premiums in the first quarter of 2021. Rate and exposure increases in the energy liabilities and power and utility classes were particularly strong and contributed to the growth in gross premium written.

Gross premiums written for the remaining three segments, property and casualty insurance, marine and aviation, were largely consistent with the first quarter of 2020. All experienced positive RPIs offset by some timing differences on multi-year contracts not yet due to renew in the marine segment and other negative timing differences in the aviation segment.

Note that the Group's operating segments for the purposes of segmental reporting have been revised in the current year. Management and the Board of Directors review the Group's business primarily by five principal segments: Property and casualty reinsurance, Property and casualty insurance, Aviation, Energy and Marine. The gross premiums written in the Terrorism, Property D&F and Political risk classes of business and previously reported in the Property segment are now reported in the Property and casualty insurance operating segment. The Aviation, Energy and Marine segments remain unchanged. The prior period comparatives have been re-presented in conformity with the current year view.

Claims environment

Our net losses recorded for the first quarter of 2021 in relation to Winter Storm Uri, including the impact of reinsurance and inwards and outwards reinstatement premiums, were estimated in the range of \$35 million to \$45 million.

The Groups total ultimate loss estimates net of reinsurance and the impact of inwards and outwards reinstatement premiums for COVID-19 related losses remained unchanged during the first quarter of 2021.

Prior year favourable development for the first quarter of 2021 was \$4.7 million, compared to adverse development of \$17.0 million for the same period in 2020. The underlying attritional loss ratio for the quarter is consistent with previous guidance and within the 35%-40% range.

Investments

	31 March 2021	31 March 2020
Duration	1.8 years	2.0 years
Credit quality	A+	A+
Book yield	1.5%	2.2%
Market yield	0.9%	2.4%
Managed investments (\$m)	\$2,141.2	\$1,565.3

The Group's investment portfolio produced a flat total portfolio return for the first quarter of 2021. The fixed maturity portfolios incurred losses with the steepening of the yield curve with yields increasing by 50bps to 75bps between the 5-year and 10-year parts of the yield curve. This loss was mitigated by a slight narrowing of credit spreads and the strong returns in the hedge fund and private debt portfolios.

Successful \$450.0 million debt issuance

The Group issued \$450.0 million in aggregate principal amount of 5.625% fixed-rate reset junior subordinated notes due 2041. The net proceeds from the debt issuance will be used by the Group to redeem its outstanding senior and subordinated indebtedness, with the balance being used for general corporate purposes.

The new debt has been approved as “Tier 2 Ancillary Capital” by the Bermuda Monetary Authority and will further improve the Group’s coverage ratio of available statutory capital and surplus over the BMA’s enhanced capital requirement. The Group expects to report an ECR coverage ratio of approximately 220% when it completes its Group 2020 year end filing with the BMA by the end of May 2021.

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 29 April 2021. 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 Access

Dial in 5-10 minutes prior to the start time using the number / confirmation code below:

United Kingdom - Toll free:	08003589473
United Kingdom - Local:	+443333000804
United States - Toll free:	+1 855 85 70686
United States - Local:	+1 6319131422
PIN Code	97040898#

URL for additional international dial in numbers: <https://event.sharefile.com/d-s84220495bb4b47b2abff950788bcd35>

The call can also be accessed via webcast, for registration and access: <https://onlinexperiences.com/Launch/QReg/ShowUUID=E20D3E6F-08CD-4E4A-A849-C1629AF4823F>

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.

Lancashire has capital of approximately \$2.3 billion and its 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 EU 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 29 April 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.

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 2020.

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELLED LOSS SCENARIOS) MADE IN THIS TRADING STATEMENT 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 2020.

ALL FORWARD-LOOKING STATEMENTS IN THIS TRADING STATEMENT 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 TRADING STATEMENT WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.

NOTE REGARDING COVID-19 LOSS:

OUR COVID-19 LOSS PRIMARILY RELATES TO EXPOSURES WITHIN OUR PROPERTY SEGMENT. GIVEN THE ONGOING NATURE OF THE COVID-19 PANDEMIC AND THE UNCERTAIN IMPACT ON THE INSURANCE INDUSTRY, THE GROUP'S ACTUAL ULTIMATE LOSS MAY VARY, PERHAPS MATERIALLY, FROM THE CURRENT ESTIMATE. THE FINAL SETTLEMENT OF ALL OF THESE CLAIMS IS LIKELY TO TAKE PLACE OVER A CONSIDERABLE PERIOD OF TIME.

LANCASHIRE DOES NOT WRITE THE FOLLOWING LINES OF BUSINESS: TRAVEL INSURANCE; TRADE CREDIT; AND LONG-TERM LIFE AND PRIOR TO THE COVID-19 PANDEMIC DID NOT WRITE DIRECTORS' AND OFFICERS' LIABILITY OR MEDICAL MALPRACTICE. THE GROUP

UNDERWRITES A SMALL NUMBER OF EVENT CANCELLATION CONTRACTS AND HAS MINIMAL EXPOSURE THROUGH MORTGAGE, ACCIDENT AND HEALTH BUSINESS.