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HOLDINGS LIMITED

Underwriting comes first

Effectively balance risk and return

Operate nimbly through the cycle

Analyst Presentation
Q3 2017

November 2017
www.lancashiregroup.com

Safe harbour statements

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ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE 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.

An established and successful market leader

Lancashire is a provider of global specialty insurance and reinsurance products operating in Bermuda and London with rated, collateralised and Lloyd's balance sheets. Lancashire focuses on short-tail, mostly direct, specialty insurance risks under four general categories: property, energy, marine and aviation.

- Fully converted book value per share plus accumulated dividends has grown at a compounded annual rate of 18.0% since inception in December 2005(1)
- Total shareholder return of 709.0%(2) since inception, compared with 156.6%(2) for S&P 500, 144.1%(2) for FTSE 250 and 134.1%(2) for FTSE 350 Insurance Index
- Returned 275.7% (2)of original share capital raised at inception or 107.0% of cumulative comprehensive income
- $29.9m of capital returned YTD

(1) Excluding the impact of warrant exercises. Compound annual rate of return on equity excluding warrants. Compound annual rate of return on equity including warrants is 17.9%

(2) Shareholder return from December 12, 2005 through September 30, 2017. LRE and FTSE returns in USD terms

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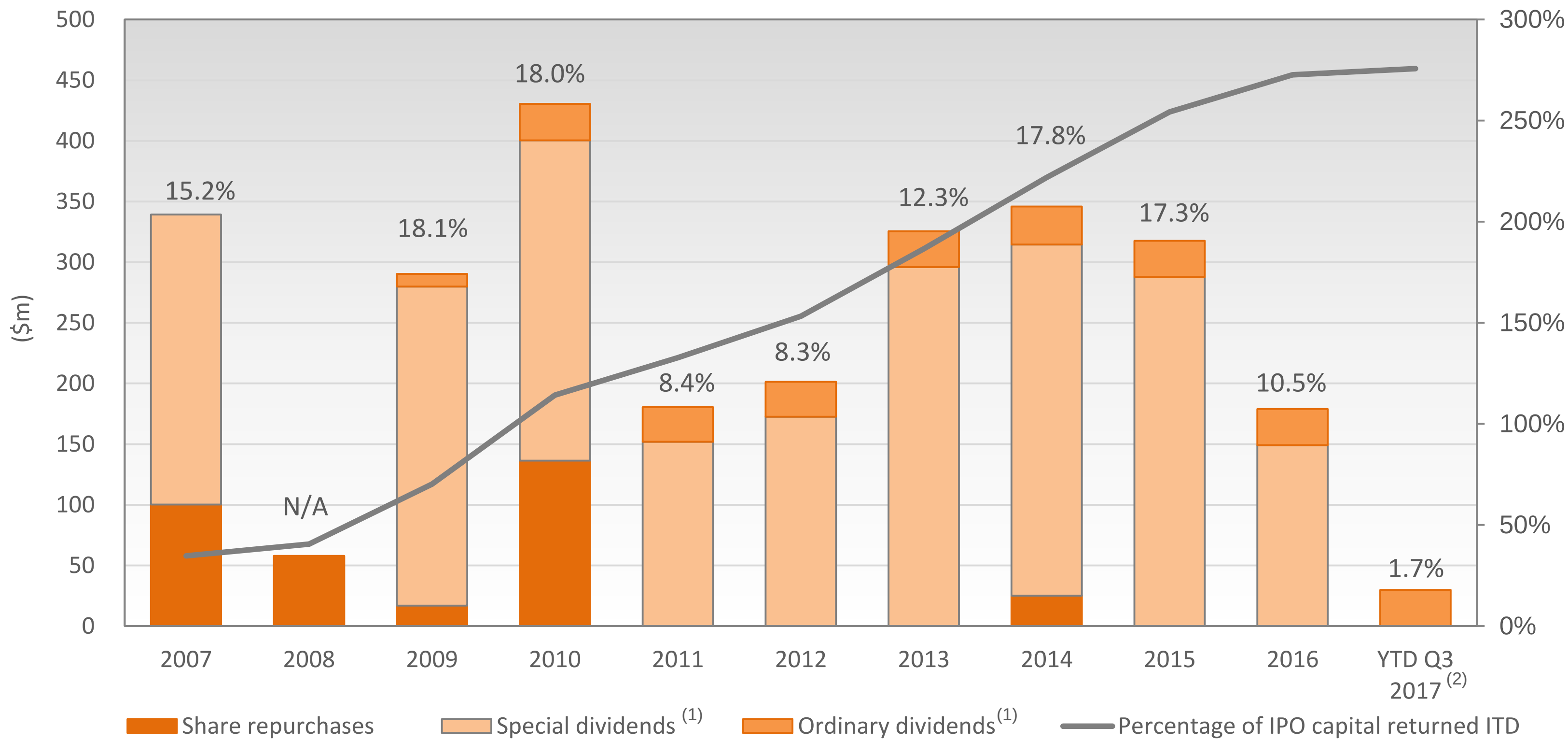
Operate nimbly through the cycle

Proven record of active capital management



275.7% of original IPO share capital has been returned to shareholders

(1) Dividends included in the financial statement year in which they were recorded.

(2) Dividend yield is shown above the data in the chart area. Annual dividend yield is calculated as the total calendar year cash dividends divided by the year end share price. YTD Q3 2017 dividend yield is calculated as the total YTD cash dividends divided by the September 30, 2017 share price

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Very strong results for 2015, 2016 and Q3 2017…and since inception

	Inception to date [1]	2015	2016	YTD Q3 2017
Return on equity [2] [3]	18.0% [4]	13.5%	13.5%	(5.1%)
Net premiums written	$581.9m [5]	$481.7m	$458.7m	$345.9m
Combined ratio (including G&A)	66.9%	72.1%	76.5%	126.4%
Loss ratio	33.2%	27.5%	29.2%	79.2%
Total investment return [6]	3.0% [7] [8]	0.7%	2.1%	2.1%
Total shareholder return	709.0%	25.9%	2.4%	6.1%
Capital management	$2,698.0m of capital returned; 275.7% of original IPO capital raised returned	$317.5m of dividends paid; No share repurchases	$178.9m of dividends paid; No share repurchases	$29.9m of dividends paid; No share repurchases

- Positive RoE in 45 out of 47 quarters [8]
- Combined ratio below 100% in 45 out of 47 quarters [8]

(1) Period from December 13, 2005 to September 30, 2017 unless otherwise stated
(2) Excludes warrants unless otherwise stated. 2015 return on equity of 10.9% including warrants
(3) 2015, 2016, and YTD Q3 2017 tangible return on equity of 11.8%, 15.7%, and (5.8%), respectively, including warrants
(4) Compound annual rate of return on equity excluding warrants. Compound annual rate of return on equity including warrants is 17.9%
(5) Average annual net premiums written from January 1, 2006 to December 31, 2016
(6) Net return on total investments including internal foreign currency hedges
(7) Average annual return on investments to December 31, 2016
(8) Excludes period from the date of incorporation to December 31, 2005

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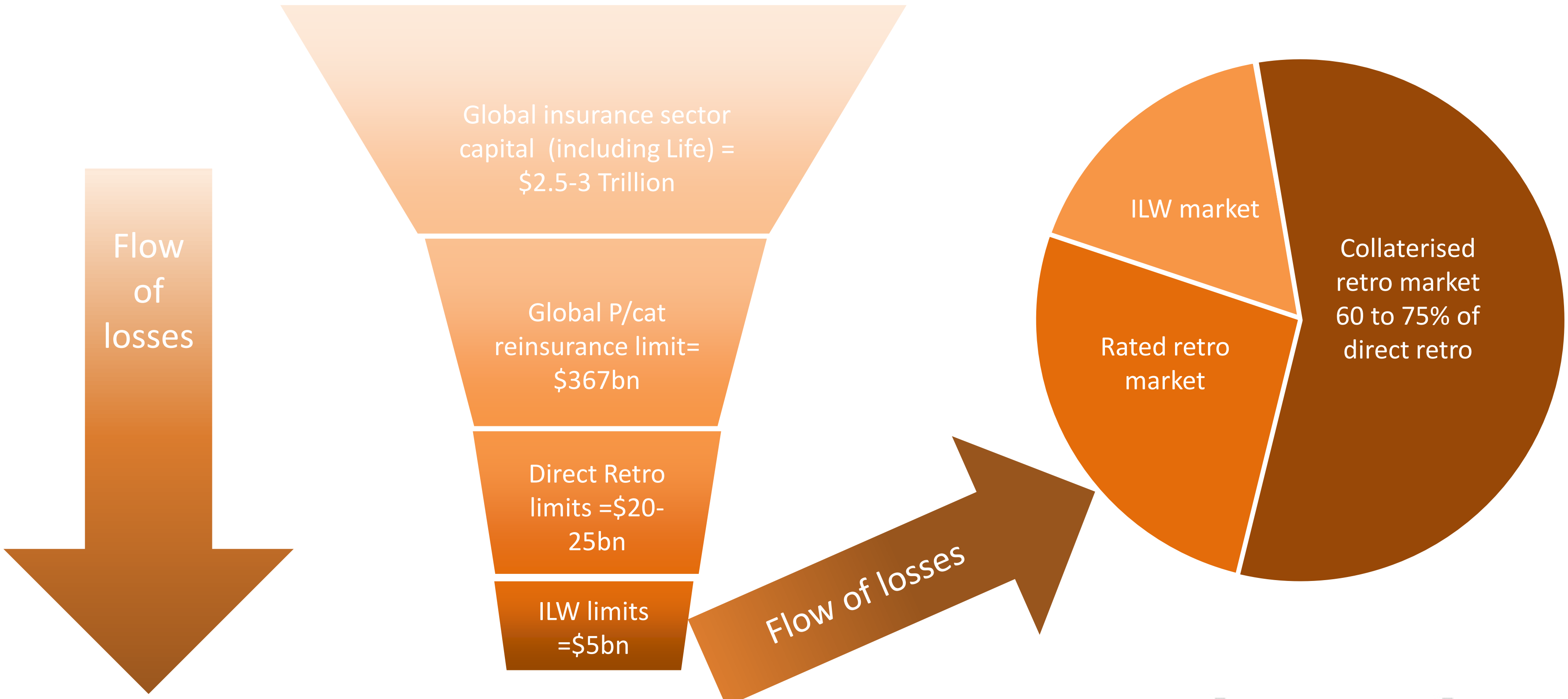
The Retro Market

The market and the impact of the market

From 2017 HIMQ events: Retro[1]

- >20bn of limit placed
- >9bn of collateral impacted
- Expected loss ratios: Retro>400%: Cat on D&F >400%: ILW >300%

Who is taking the Retro[2]



(1) AON – Q3 2017
(2) Dowlings as of 20/10/2017

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HIMQ & Lancashire portfolios

HIMQ Loss ranges

Company	Harvey	Irma	Maria	Total HIM	Mexico EQ	Total Q3	Swiss Re H1[2]	Total 9m
AIR [1]	>$10B	$32-$53B	$40-$85B	$82-$148B+	$0.7-$2.1B	$83-$150B+	$23B	$106B-$173B
CoreLogic [1]	$7.5-$11.5B	$22.5-$35B						
KCC [1]	$15B	$25B	$30B	$70B	$0.5B	~$71B	$23B	$94B
PCS [1]	$15.9B	$18.8B	$21.9B	$56.6B				
AIR [1]	$18-$25B	$33-$50B	$15-$30B	$66-$105B	<$1.2B	$67-$106B	$23B	$90-$169B
Lancashire reported loss 02/11/2017	**$51.1m**	**$57.5m**	**$33.6m**	**$142.2m**	**$11.6m**	**$165m[3]**		

Historical PCS inflation expectations[4]

Hurricane	Year	First estimate $	Final estimate $	Development factor first to last estimate
Sandy	2012	11.0	18.8	170.5%
Ike	2008	8.1	12.5	154.3%
Wilma	2005	6.1	10.3	168.9%
Rita	2005	4.7	5.6	119.9%
Katrina	2005	34.3	41.1	119.8%
Ivan	2004	6.0	7.1	118.1%
Aggregate all storms >$1bn		90.5	120.2	132.8%

Since HIMQ – Hurricanes Nate & Ophelia, California wildfires, Typhoon Lam, South African storms: still have two months to go in 2017

(1) Dowlings as of 20/10/2017
(2) Swiss Re as of 20/10/2017
(3) Net loss after recoveries and the impact of inwards and outwards reinstatement premiums and Lancashire's share of Kinesis losses
(4) AON - Q3 2017

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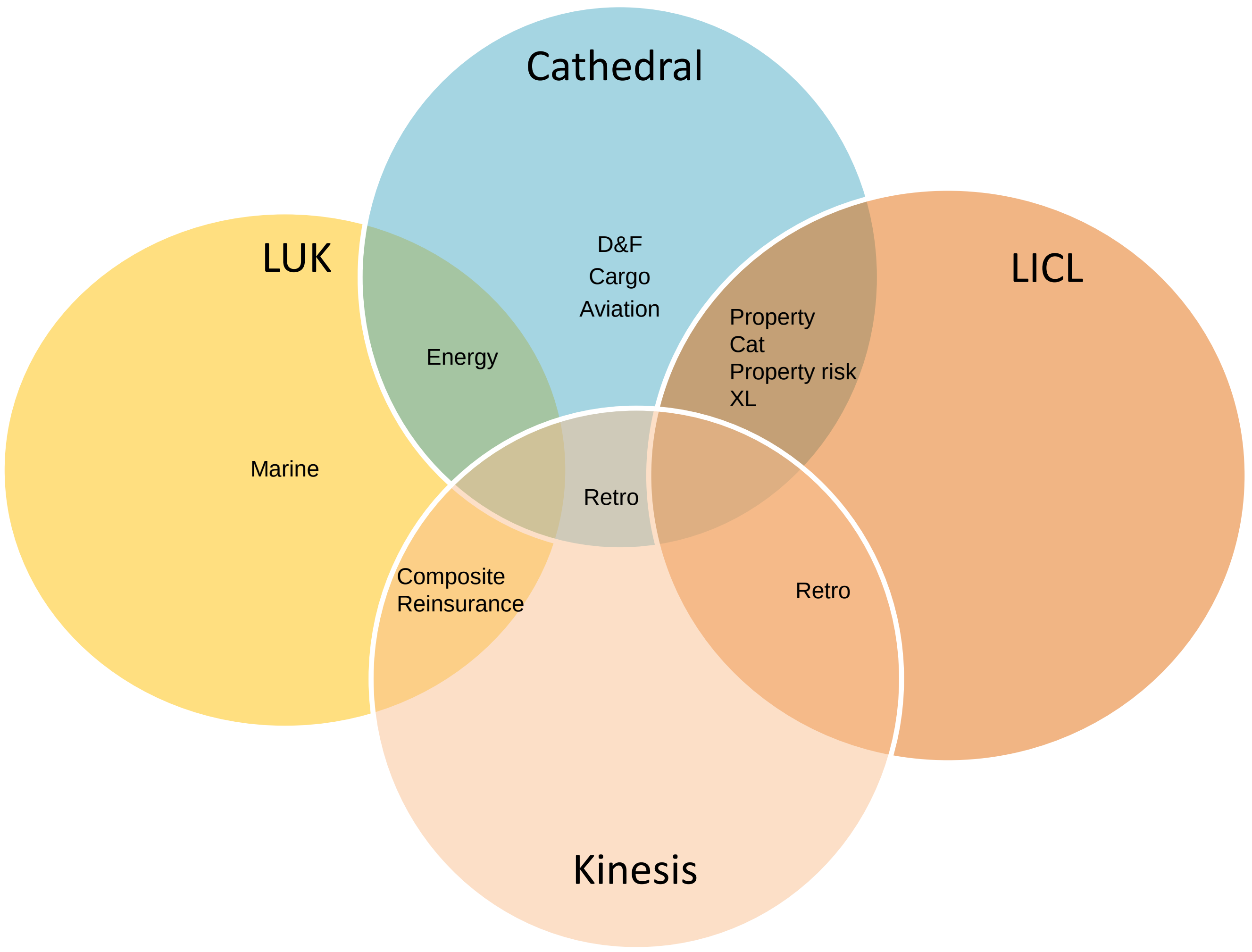
Lancashire portfolio loss profile



LUK & LICL

Class	Losses	Next steps
Property Catastrophe	Will incur retention losses and may impact first layers of retro and reinsurance	Increase rates and look to drop down to write loss affected and new business
Retro	Lancashire will incur losses	Expect substantial increases on existing portfolio. Will only write new business if rating allows
Property Risk XL	Small portfolio been built over last three years – small losses	Look to build out portfolio subject to satisfactory pricing
Energy	Upstream & downstream small losses for Lancashire	There are downstream losses in the market & rates increasing. New downstream underwriter starts Nov 17, upstream reinsurance costs increasing and are likely to be passed on
Composite Reinsurance	Small. Lancashire only writes a very small line	Will consider increasing footprint and capacity dependent on price
Marine Hull	Events impacted cargo, yacht and inland marine which are not written in this portfolio	Cargo & inland marine written in 3010

Cathedral 2010

Class	Losses	Next steps
D & F	Losses to retention and reinsurance	Price increases already coming through. We have people and platforms to grow this portfolio subject to opportunity
Property Catastrophe	Losses to retention and reinsurance	Income will increase on existing account if there are rate increases and we expect new business opportunities
Retro	Will incur losses	Expect substantial increases on existing portfolio and we will only write new business if rating allows
Property Risk Excel	This area has experienced losses in 2017 from both man-made and catastrophe events	Income will increase on existing account following rate increases and we expect new business opportunities

Cathedral 3010 & Kinesis

Class	losses	Next steps
Energy	Upstream small losses for Cathedral	Upstream reinsurance costs are increasing and likely to be passed on
Marine, Cargo, inland marine & specie	Multiple losses to retention and reinsurance	Prices already improving, so will build out portfolio. Reinsurance prices are going up and are likely to be passed on
Aviation	None incurred	Monitoring market
Kinesis - Composite	Will incur losses	Core clients will pay increases new clients more
Kinesis – Pure Property Retro	None written	Will consider at the right price

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What we know so far about the market

Non Marine Retro

ILS	Rated paper
• Substantial trapped capital	• Lloyd's marginal markets under intense review on capital needs restricts ability to grow
• Its about Price, Retention and Product	• Its about Price, Retention and Product
• Brokers not accepting quotes subject funds	• Rated retro has to be a very significant uplift to even consider. Better use of capital maybe elsewhere
• Third party capital also trapped in D&F binders and Cat on D&F	• International markets outside of Europe and Bermuda will also have large losses
• Some funds will be able to reload but are likely to have to demonstrate they can deliver improved returns and that modelled losses are valid	• Lloyd's market share will be outsized • Product demand may shift back to rated paper

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Aggregation & Capital

What's different from 2005 and 2011 the last time we had > 100bn aggregation of losses

2005

- Market had re-rated after World Trade Center
- Models were significantly wrong, so re-rating for US cat perils – D&F, Retro, Property Cat and Gulf of Mexico wind
- Very small third party capital (other than side cars) formed
- Class of 2005
- Casualty rating was excellent

2011

- Market had seen sustained rating due to Ike and Chile
- Demand was maintained due to asset impairment from 2008 financial crisis
- Long tail reserves still benefitting from 2002-6 rating cycle
- Margin from direct classes

2017

- No material cat losses since Sandy. Property Cat premiums have enabled profitability
- Little margin in non catastrophe lines of business
- Casualty reserves under pressure
- Lloyd's and capital markets most impaired
- Models will be questioned: e.g. flood & wildfires
- Can the capital reload in time? And if so at what price?

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Capital

Cathedral 2010 / 3010

- Business plans for 2018 approved
- Stamp capacity remains as before. We were writing below our capacity for both syndicates
- Names are an excellent and well educated form of third party capital. Cathedral is an upper quartile syndicate
- D&F reinsurance generally traditional market

Kinesis

- Raised capital in October to write back ups
- Capital raise for 1/1/18 under way. Feedback from potential investors both new and old very positive and we will be looking for increased rates
- Pure Property Retro will be considered but need to see market movement before deciding

Lancashire

- On our revised business plan we have the capital position to underwrite the immediate opportunities
- Reinsurance placements for Lancashire both direct and reinsurance have very little exposure to Third Party Capital and both have excellent loss records this year
- Kinesis - Lancashire reinsurance under consideration
- 15pct pre-emption available in the event the market sees significant changes

Conclusion

- In our opinion some third party capital is impaired and trapped. It may reload in time but unlikely before 1/1/18. It will require substantial increases and better understanding.
- Lloyd's is heavily impaired. Capacity for underperforming syndicates is likely to be heavily scrutinised
- Retentions will be under pressure. Capital requirements go up significantly if retentions are increased. This is where third party capital and Lloyd's have significant market share
- If retro and reinsurance costs go up significantly, direct portfolios are likely to follow
- Non elemental reinsurance for marine and energy-market calling for increases on clean business
- Europeans at Baden looking for increases not just on loss affected regions but clean business as well
- Unlike the past there is little to no margin in many lines of business and the market needs to re-base
- We are well positioned in all the classes that are loss affected and have the platforms and the people to maximize the opportunities.

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