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Underwriting comes first

Effectively balance risk and return

Operate nimbly through the cycle

Investor Presentation
Q2 2018

August 2018
www.lancashiregroup.com

Safe harbour statements

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Lancashire Group - Sticking to the Strategy, Managing the Cycle

- “Lancashire's strategy since day one has always been to write more exposure in a hard market and less in a soft one. There are now reinsurance and retrocession opportunities that allow us to maintain our core insurance and reinsurance portfolios both servicing the requirements of our clients and the broker community, whilst significantly reducing net exposures and protecting risk adjusted returns. From our peak exposures in April 2012, when losses had driven substantial market hardening, we have reduced exposures across the board. With the rates hardening somewhat after 2017 catastrophes the portfolio will benefit from the rate increases from its core account and we will write new business opportunistically without materially changing net exposures. The market would need to get closer to 2012 prices for us to increase exposures materially. We will stick to our strategy in the knowledge that when an event comes, we are well prepared through all three of our platforms to take advantage of subsequent opportunity”

  Alex Maloney, CEO

- Lancashire’s strategy is designed to be robust across all phases of the market cycle and with Lancashire’s London and Bermuda market operations, the Kinesis and the Cathedral Lloyd’s platforms there are multiple ways to maintain or enhance the portfolio

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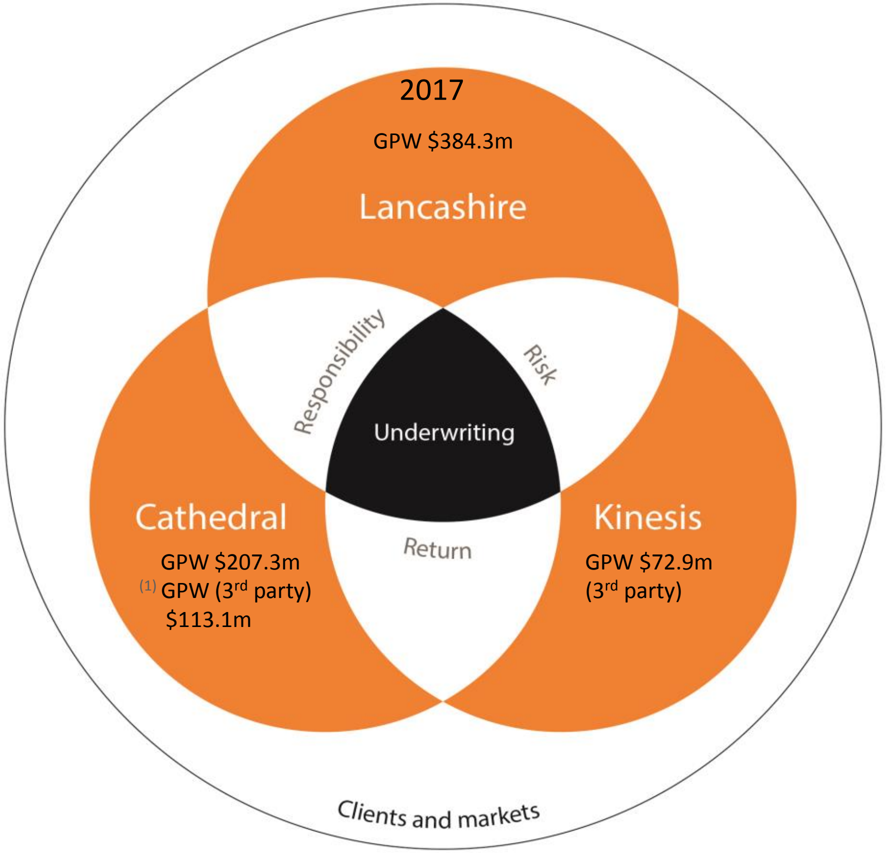
Lancashire Group - The power of three platforms



Lancashire

- ✓ **High layers with high deductibles** differentiate market position and drive low attritional loss ratios
- ✓ **Lower number of large contracts** and single exposures provide greater underwriting control
- ✓ Consistent strategy and transparent risk appetite make Lancashire **an important underwriter for key brokers**

Cathedral

- ✓ **Low-severity loss exposures and smaller line sizes** drive increased diversification
- ✓ **Lloyd's extensive global network and infrastructure** offer distribution advantages
- ✓ **Long-standing client relationships**, driving good knowledge of underlying risks

Kinesis

- ✓ **Ability to scale-up opportunistically** based on market dislocations, delivering speed to market advantage
- ✓ **Large line multi-class reinsurance** on a collateralised basis remains in demand and with limited supply

Three platforms give the Lancashire Group more relevance in the market place.
More broker relationships, more cross selling and referral opportunities and more reinsurance purchasing power.

(1) Additional premium managed on behalf of third party Names

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Lancashire Group - Proven strategy for long term success

✓ **Underwriting comes first – UMCC** (Underwriting Marketing Conference Call) [1]

- Underwriting excellence is key to delivery
- Unique underwriting approach
- Excellent record of combined ratio out-performance
- Risk selection and portfolio construction

✓ **Effectively balance risk and return – RRC** (Risk and Return Committee)

- Strategic overview of risk
- Active management of exposures

✓ **Operate nimbly through the cycle**

- Proven ability to manage risk / return dynamic via re-underwriting, risk selection and de-risking
- Three platform strategy enabling diversified access and a quick response to market events

✓ **Disciplined capital deployment**

- Commitment to total shareholder returns, not growth and volumes
- Track record of active management via special dividends and buybacks when appropriate

(1) The UMCC is a call for Lancashire Insurance companies (LICL and LUK) only

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Overview of Lancashire: our 12 year history

2005: LHL Incorporated; AM Best assigns A- rating; IPO & listing on AIM

2009
- Listing on LSE
- Inclusion in FTSE 250 index

2011
- Accordion sidecar launched
- AM Best upgrade to A rating
- Significant peer[3] outperformance in 2nd largest aggregate loss year in history

	2005	2006	2007	2008	2009	2010	2011
Combined ratio	n/a	44.3%	46.3%	86.3%	44.6%	54.4%	63.7%
Dividend yield (1)	n/a	n/a	15.2%	n/a	18.1%	18.0%	8.4%
Return on Equity (2)	(3.2%)	17.8%	31.4%	7.8%	26.5%	23.3%	13.4%
Tangible capital	\$1.1bn	\$1.3bn	\$1.3bn	\$1.4bn	\$1.5bn	\$1.4bn	\$1.5bn
No. of employees	5	57	79	91	101	103	115

2006
- Sirocco sidecar launched
- London office opened

2008
- Hurricane Ike
- Credit crisis – investment return 3.1%

2010
- S&P assign A- rating, ERM rating adequate with strong risk controls
- Moody's assign A3 rating

(1) Dividend yield is calculated as the total calendar year cash dividends divided by the year end share price
(2) RoE excludes the impact of warrant exercises
(3) 2011 peer group included Amlin, Aspen, Axis, Beazley, Catlin, Endurance, Flagstone, Hiscox, Montpelier, Renaissance Re and Validus

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Overview of Lancashire: our 12 year history

2013
- Purchase of Cathedral Capital Limited
- Launch of Kinesis Capital Management, Kinesis Re and Kinesis Holdings

2015
- Syndicate 3010 capacity expanded to £100 million

2017
- Hurricanes Harvey, Irma & Maria, Mexico earthquakes and California wildfires
- Total shareholder return of 9.4% in one of the top three years for aggregate industry insured losses in recent history

2018
- Added new complimentary specialty insurance lines, downstream energy, power and aviation deductible

	2012	2013	2014	2015	2016	2017	H1 2018
Combined ratio	63.9%	70.2%	68.7%	72.1%	76.5%	124.9%	67.1%
Dividend yield (1)	8.3%	12.3%	17.8%	17.3%	10.5%	1.6%	2.0%
Return on Equity(2)	17.1%	18.9%	14.7%	13.5%	13.5%	(5.9%)	5.9%
Tangible capital	$1.6bn	$1.6bn	$1.5bn	$1.4bn	$1.4bn	$1.3bn	$1.3bn
No. of employees	104	169	185	192	198	204	206

2012
- Rollover of Accordion sidecar
- Saltire facility launched
- Issued $130 million of 5.7% senior unsecured notes due 2022

2014
- Alex Maloney appointed as CEO
- Syndicate 3010 capacity added Energy and Terror
- Accordion and Saltire placed in run-off

2016
- Hired new management team for Cathedral and a new underwriting team for Cathedral Property Catastrophe and D&F portfolios

(1) Annual dividend yield is calculated as the total calendar year cash dividends divided by the year end share price. Dividend yield at 30 June 2018 calculated as the total year to date cash dividends declared by the 30 June 2018 share price

(2) RoE excludes the impact of warrant exercises

(3) Total Shareholder Return: The internal rate of return of the increase/(decrease) in share price in the period, measured in U.S. dollars, adjusted for dividends

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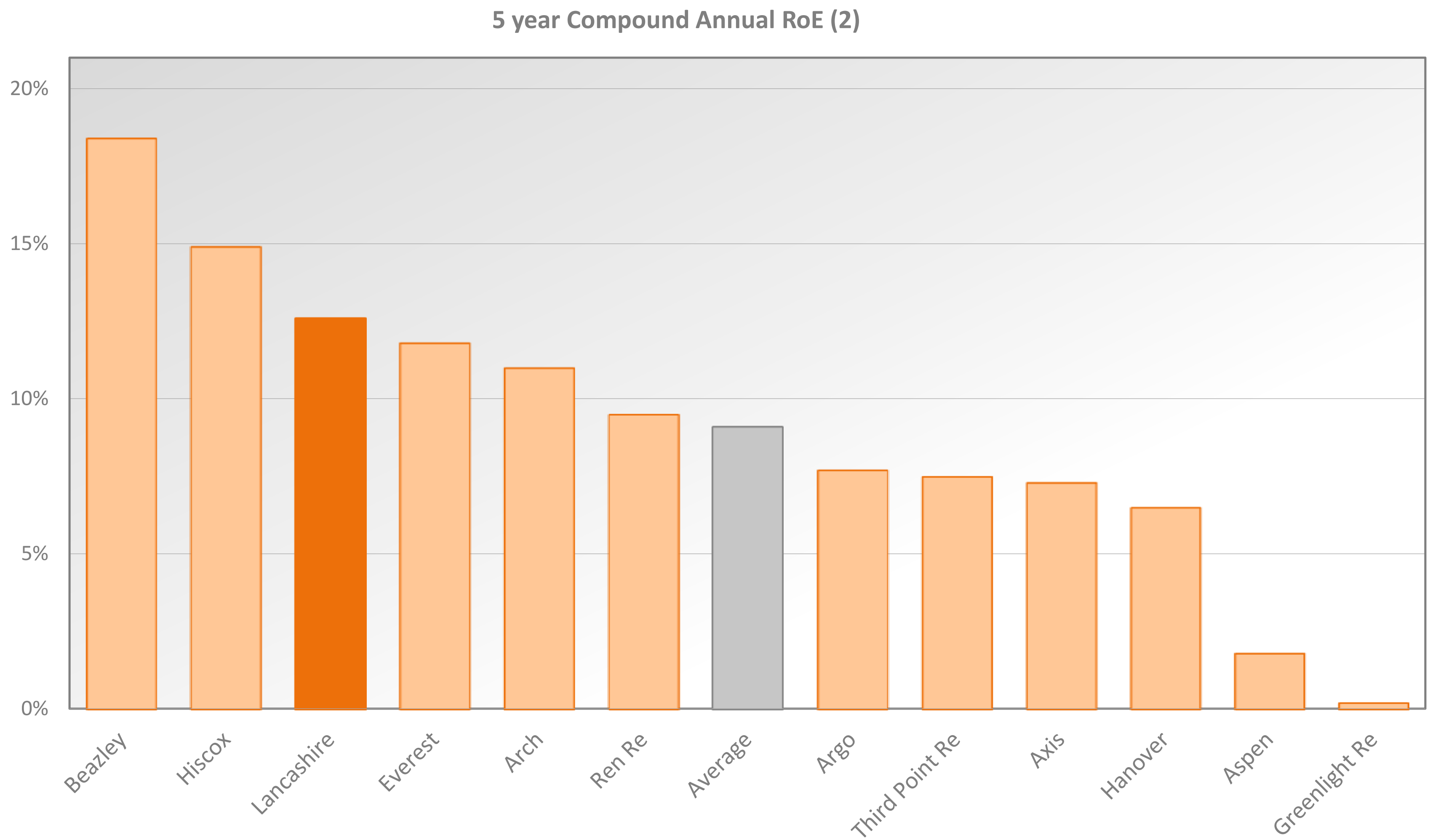
Our long-term performance is one of the most consistent in our peer group (1)



(1) Peer group as defined by the Board. RoE calculated as the internal rate of return of the change in FCBVS in the period plus dividends accrued. For Arch, Argo, Beazley, Everest, Greenlight Re, Hanover, Hiscox, Ren Re and Third Point Re basic book value per share is used as FCBVS is not reported by these companies. Source: Company reports

(2) Lancashire RoE calculated excluding the impact of warrant exercises from 1 January 2013 to 31 December 2015. Data for Lancashire and peers for the period 1 January 2013 through 31 December 2017

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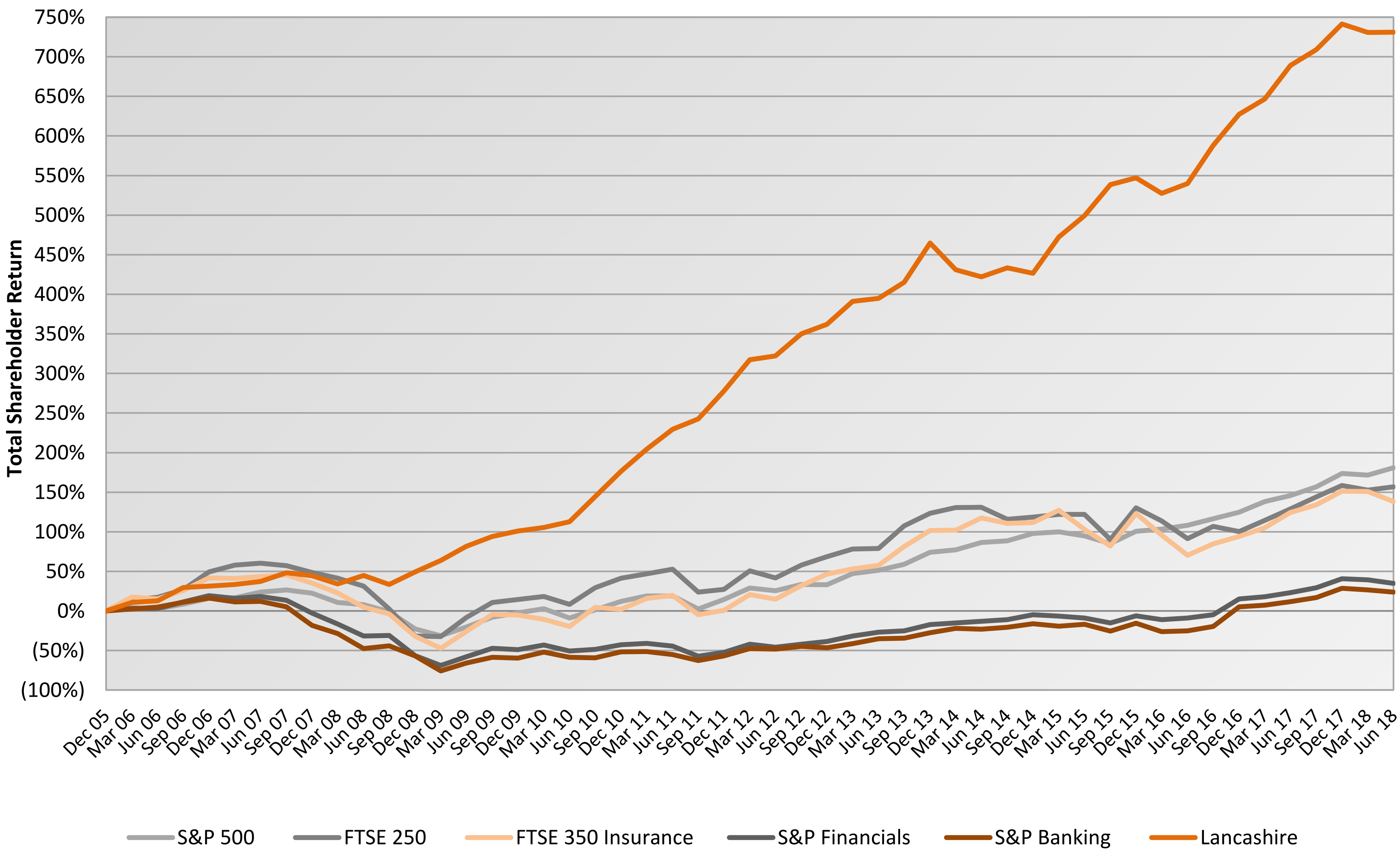
Our goal: to provide an attractive risk-adjusted total return to shareholders over the long-term

Lancashire total shareholder return vs. major index returns [1]



(1) Lancashire TSR calculated as compound return since inception using IRR. Major index returns indicate total return including the reinvestment of dividends from Bloomberg

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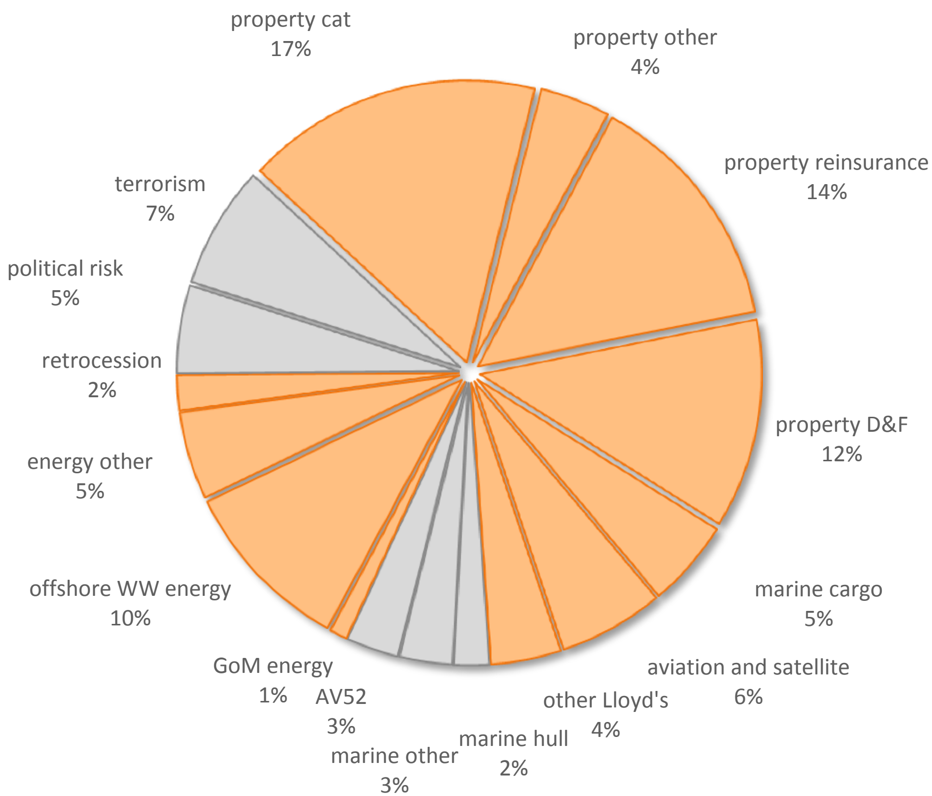
Underwriting comes *first*

General market update - underwriting comes first

59% insurance   41% reinsurance 40% nat-cat exposed 60% other [1]

- Over 75% of our portfolio is now exposed to positive rating environment. These classes are shaded in orange below



Lloyd's	41%
property	35%
energy	16%
marine	5%
aviation	3%

(1) Percentages are based on our latest gross premiums written forecast for 2018

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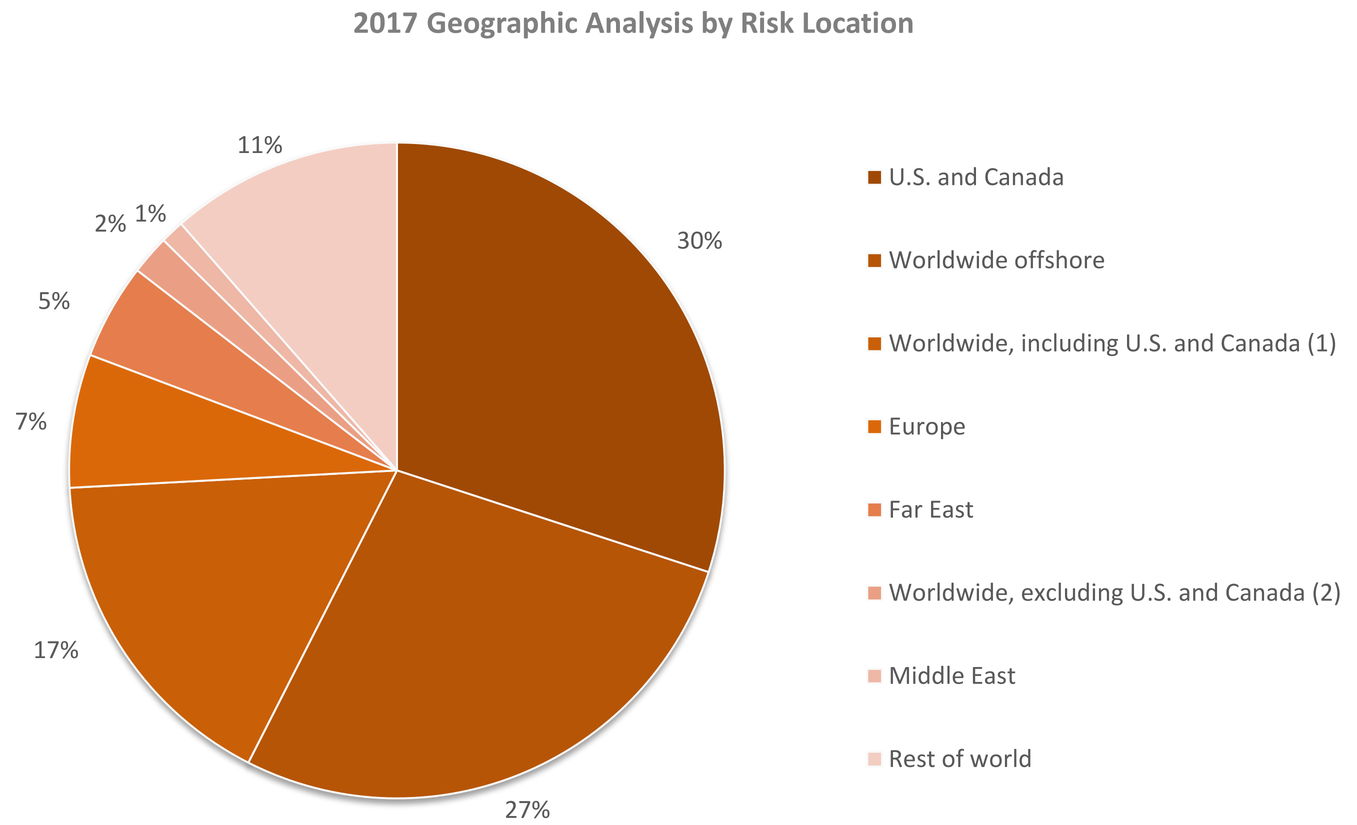
Geographic distribution



- U.S. remains top source of income, as appropriate for jurisdiction with largest insurance market and reinsurance spend
- However, good spread of risk worldwide, especially with LUK energy offshore, Cathedral D&F and LICL international property catastrophe excess of loss

(1) Worldwide, including the U.S. and Canada, comprises insurance and reinsurance contracts that insure or reinsure risks in more than one geographic area

(2) Worldwide, excluding the U.S. and Canada, comprises insurance and reinsurance contracts that insure or reinsure risks in more than one geographic area, but that specifically exclude the U.S. and Canada

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Overview of Lancashire – Our 10 year history

	2013	2014	2015	2016	2017	H1 2018 (1)	5 year Average (2)(3)	10 year Average (2)(3)
Loss ratio	33.1%	31.7%	27.5%	29.2%	78.4%	15.1%	37.9%	35.6%
Acquisition cost ratio	22.1%	21.4%	25.8%	27.1%	27.0%	28.7%	24.3%	21.2%
Expense ratio	15.0%	15.6%	18.8%	20.2%	19.5%	23.3%	17.5%	14.0%
Combined ratio	70.2%	68.7%	72.1%	76.5%	124.9%	67.1%	79.7%	70.8%
Sector combined ratio	87.7%	88.6%	89.8%	91.9%	105.5%	91.6%	93.1%	94.0%
Lancashire out-performance	17.5%	19.9%	17.7%	15.4%	(19.4%)	24.5%	13.4%	23.2%

(1) Sector includes Arch, Argo, Aspen, Axis, Beazley, Everest, Greenlight Re, Hanover, Hiscox, Ren Re and Third Point Re. Source: Company reports

(2) 5 year average based on 2013 to 2017 reporting periods. 10 year average based on 2008 to 2017 reporting periods. Lancashire ratios weighted by annual net premiums earned. Annual sector ratios are weighted by annual net premiums earned for the companies reported over five (ten) years

(3) Sector includes Arch, Argo, Aspen, Axis, Beazley, Everest, Greenlight Re, Hanover, Hiscox, Ren Re and Third Point Re. Third Point Re commenced underwriting operations in 2012. Source: Company reports

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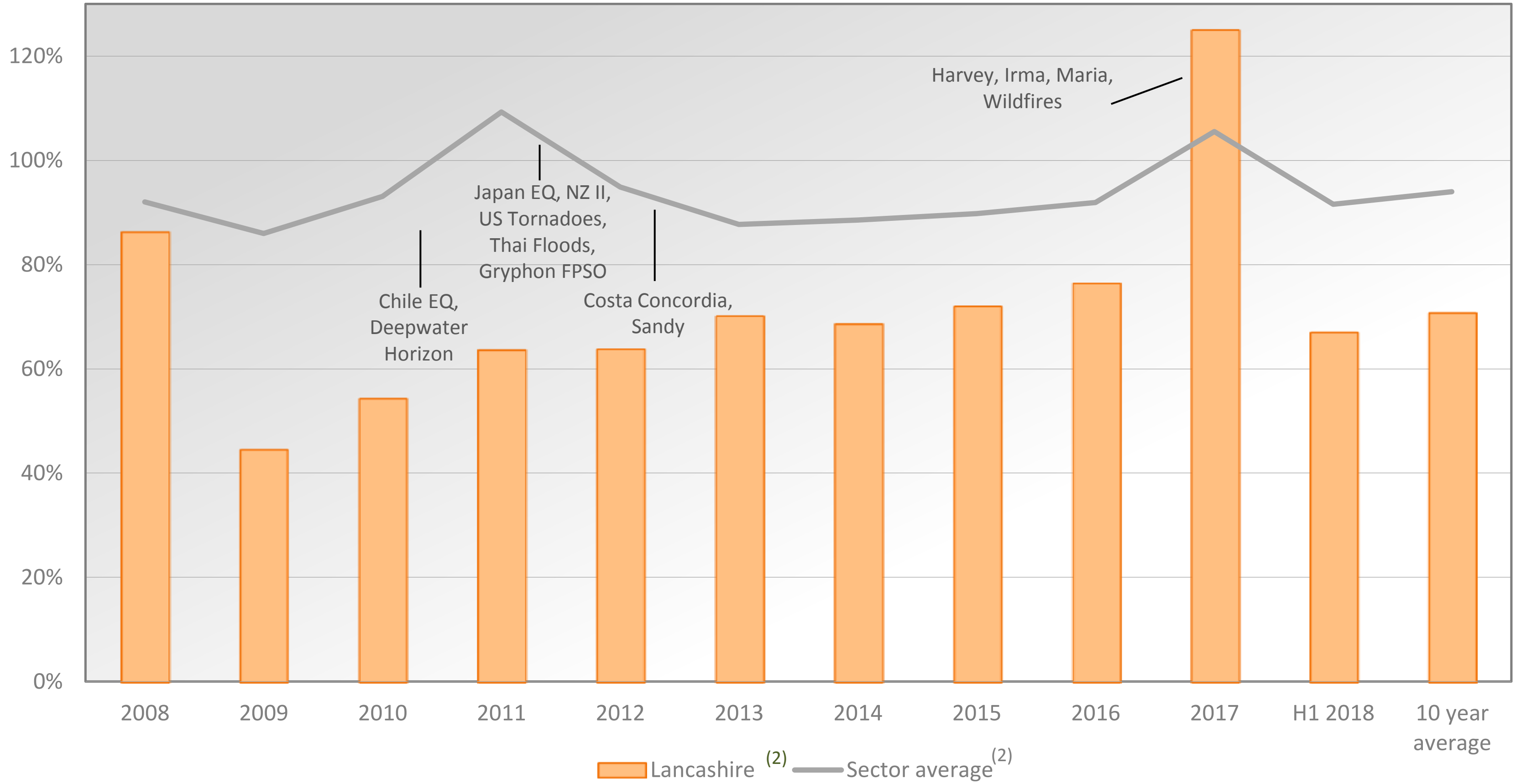
Our underwriting performance has been exceptional

Combined ratio (1)



- Furthermore, strong combined ratio in specialty insurance lines demonstrating Lancashire's continued profitability in these lines of business

(1) 10 year average based on 2008 to 2017 reporting periods. Lancashire ratios weighted by annual net premiums earned. Annual sector ratios are weighted by annual net premiums earned

(2) Sector includes Arch, Argo, Aspen, Axis, Beazley, Everest, Greenlight Re, Hanover, Hiscox, Ren Re and Third Point Re. Third Point Re commenced underwriting operations in 2012. Source: Company reports

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General market update

Class	2018 Rating	Market Dynamics
Property Reinsurance & Retrocession	International rates flat to +5% USA rates flat to +15% Retro rates flat to +15%	• Rate reductions no longer common place, although rate increases have levelled off as 2018 has progressed • Pricing on the majority of clean business is risk-adjusted flat, with differing levels of rate increases being experienced on loss affected business • Over-capacity remains in the market place and as a result rate rises have generally been lower than initial expectations • Outlook going forward is dependent on 2017 loss development and loss activity for the remainder of 2018 • Pockets of opportunity do exist where reinsurers look to adjust positions on programs post-loss
Energy Onshore	Rates flat to +5%	• Positive rate change environment maintained into H2 2018, buoyed by two significant 2018 loss events which have offset an otherwise relatively benign loss record to date • There remains a geographical dislocation in market pricing and underwriting attitudes – North American and London markets demonstrating most discipline • Market capacity remains high, but demand from insureds (required policy limits) is strong, buoyed by insureds' continual investment activity in new assets and plant upgrades
Energy Offshore Worldwide	Rates flat to +5%	• Modest pricing increases in H1 2018 following HIM+/reinsurance increases in Q1 2018 but significant levels of capacity still persist • Oil price increase likely to lead to increased industry activity which could lead to increased premium in 2019 and beyond • Demand for liability product remains stable, with price adjusted for drop in exposure
Energy Gulf of Mexico	Rates flat to +5%	• Modest price increase in the Deepwater space, where Lancashire dominates following the HIM+ losses of 2017 • Improved industry sentiment and transfer of assets from large multinationals to independent PE backed companies will drive growth • A proportion of our written premium is locked for a period of time in multi-year contracts
Marine	Rates generally flat	• Due to continued consumer demand the cruise ship portfolio continues to see fleet expansion, and the LNG tonnage remains attractive • Asian yards have re-focused on conventional tonnage following loss-making foray into Energy and European yards benefit from expanding Cruise order book • Rating has stabilised following HIM+ and a number of London markets are now reviewing and/or withdrawing from the class; this could have an impact on capacity and therefore pricing if this continues

General market update

Class	2018 Rating	Market Dynamics
Cargo	Rates flat to +15%	• Cargo settling into modest increases and improving terms • Lots of opportunities, broker facilities are failing to get placed and business is now being placed in the open market • Some capacity has pulled out of the class • Lloyd's review will see more capacity potentially pull out
Terrorism & Political Risks	Rates off 5% to flat	• Global political uncertainty maintains demand for Terror product • Rating levels have stabilised following HIM+ 2017 losses • Broker facilities continue to dominate market dynamics • European banks still require cover for project finance. Improvement in oil price has also driven some Sovereign risk demand
Property Direct & Facultative	Binder rates flat to +5% Open Market rates +5% to 50%	• No rate reductions, expectation of increase and re-adjustment to terms – all dependent upon sub-class and territory • Binder book stable, modest rate rises • Open market rates increasing significantly in some loss affected territories • Insurers looking to tighten up coverage and increase deductibles where possible
Aviation AV52	Rates flat	• Demand stable but lineslip capacity still at an all-time high
Aviation Reinsurance	Rates flat	• Automatic rate reductions are no longer common place • Positive signs in the direct aviation market as some insurers exit the class due to poor performance • Market remains over capitalised, fewer buyers will add pressure to the reinsurance market in the short term
Aviation War	Rates flat to +7.5% on Airline	• General Aviation has remained steady with rates as before • Airlines up to a 7.5% increase, driven by limit and availability of capital to complete slip
Aviation Direct	Aviation Direct rates flat to + 5%	• A number of markets have withdrawn their capacity from aviation, or are re-structuring their book, which is presenting more opportunities • Market still over-capitalised, particularly in general aviation market

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Kinesis Capital Management indicative results

	Mean loss scenarios (10% Expected Loss)			No loss scenarios		
	Limit of $300m [1]	Limit of $500m [1]	Limit of $1B [1]	Limit of $300m [1]	Limit of $500m [1]	Limit of $1B [1]
Lancashire investment ($m) [2]	24.2	40.4	80.8	24.2	40.4	80.8
RoL (net)	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
RoE contribution, excluding PC [3]	0.2%	0.4%	1.1%	0.3%	0.6%	1.4%
RoE contribution, including PC [3]	0.3%	0.7%	1.7%	0.8%	1.4%	3.1%
Current year earnings ($m) [1]						
Underwriting fees	4.9	8.1	16.3	4.9	8.1	16.3
G&A costs [4]	(4.3)	(5.1)	(5.9)	(4.8)	(6.5)	(9.2)
LHL equity pickup [5]	2.3	3.8	7.7	4.6	7.8	15.6
Net CY contribution to LHL, after NCI	2.4	6.2	17.4	4.2	8.8	21.7
Subsequent year earnings ($m)						
Profit commissions	2.6	4.3	8.7	7.6	12.6	25.2
Total profit contribution	5.0	10.5	26.1	11.8	21.4	46.9

(1) Assumes 75% written at 1/1 and 25% at 1/7 from a standing start i.e. no run-off earnings from prior years. Earnings patterns reflect the underlying risks attaching i.e. not straight line

(2) LHL's investments is 10% of the underlying risks in aggregate, up to a maximum of $100m invested through co-investment alongside third-party investors or co-insurance

(3) Indicative only, actual contribution will vary depending on actual RoE produced

(4) Staff levels increase as limits increase; bonuses increase as total profit contribution increases: bonuses subject to caps

(5) NPW less UW fees less losses less PC x 10% investment (subject to cap). PC provision is included in Kinesis Re in year 1 but not recognised as income by KCM until year 2. Equity pickup ignores capital returns to LHL

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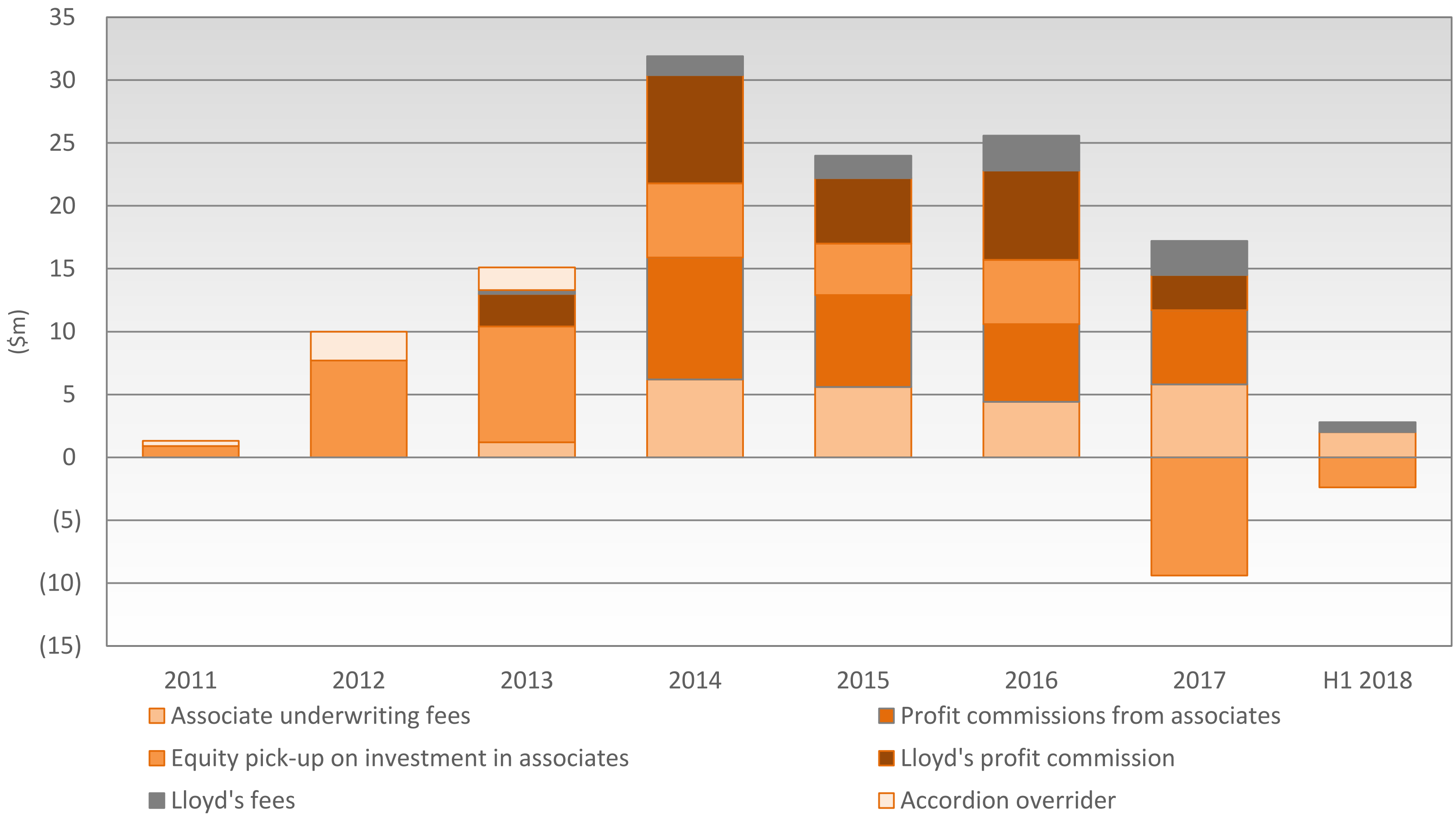
Third party capital: fee income



- Kinesis profit commissions earned in 2017 on the January 2016 underwriting cycle of $5.9 million. This cycle expired loss free
- Kinesis profit commissions earned on the January 2015 underwriting cycle are expected to total $6.1 million assuming no further loss development. $5.4 million of this amount was received in 2016 with the remaining $0.7 million dependent on timing of collateral release
- Assuming mean losses for the remainder of the January 2018 underwriting cycle, we would receive approximately $2.2 million of profit commission in 2019. Assuming no further losses in 2018 we would receive $5.8 million of profit commission

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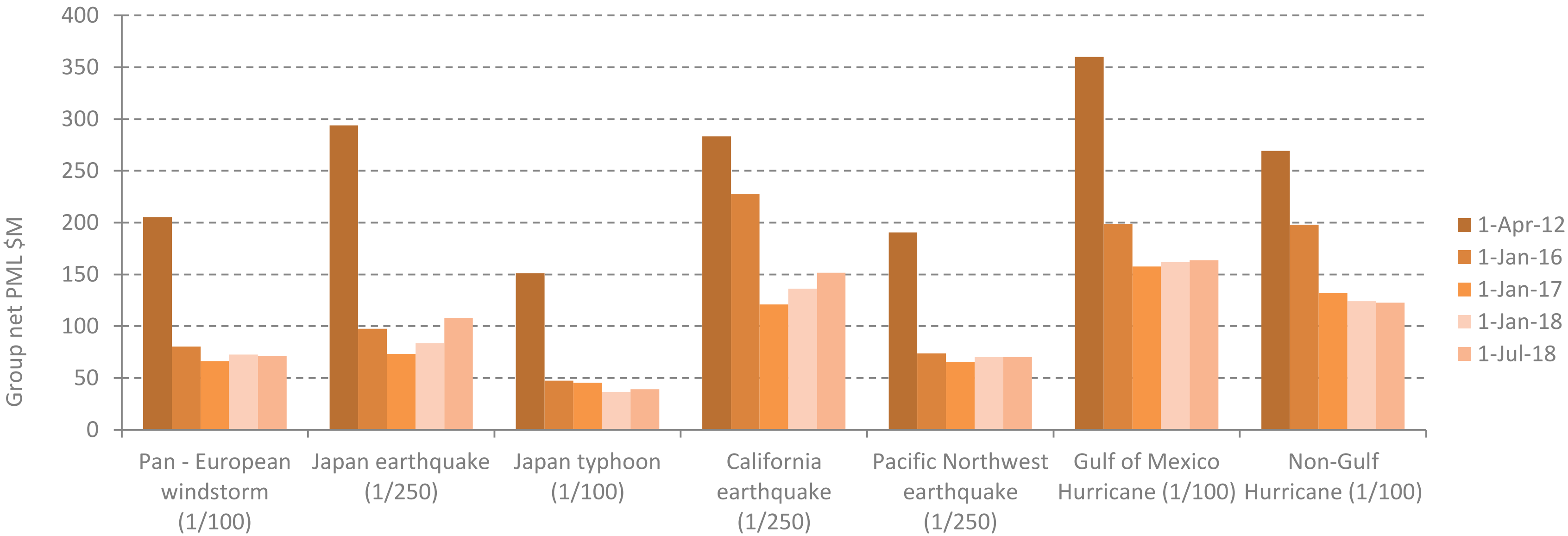
Effectively *balance* risk and return

Managing the cycle – net exposures

- Since April 2012, which was the high-water mark of the pricing cycle, we continued to modify our exposure to key catastrophe perils as the market became more competitive, demonstrating our discipline and nimbleness across the market cycle
- PMLs are not exact predictors of losses but they do provide consistent measures of catastrophe risk levels



The Group has developed the estimates of losses expected from certain catastrophes for its portfolio of property and energy contracts using commercially available catastrophe models, which are applied and adjusted by the Group. These estimates include assumptions regarding the location, size and magnitude of an event, the frequency of events, the construction type and damageability of property in a zone, and the cost of rebuilding property in a zone. Return period refers to the frequency with which losses of a given amount or greater are expected to occur

Gross loss estimates are net of reinstatement premiums and gross of outward reinsurance, before income tax. Net loss estimates are net of reinstatement premiums and net of outward reinsurance, before income tax

The estimates of losses above are based on assumptions that are inherently subject to significant uncertainties and contingencies. In particular, modeled loss estimates do not necessarily accurately predict actual losses, and may significantly deviate from actual losses. Such estimates, therefore, should not be considered as a representation of actual losses and investors should not rely on the estimated exposure information when considering investment in the Group. The Group undertakes no duty to update or revise such information to reflect the occurrence of future events

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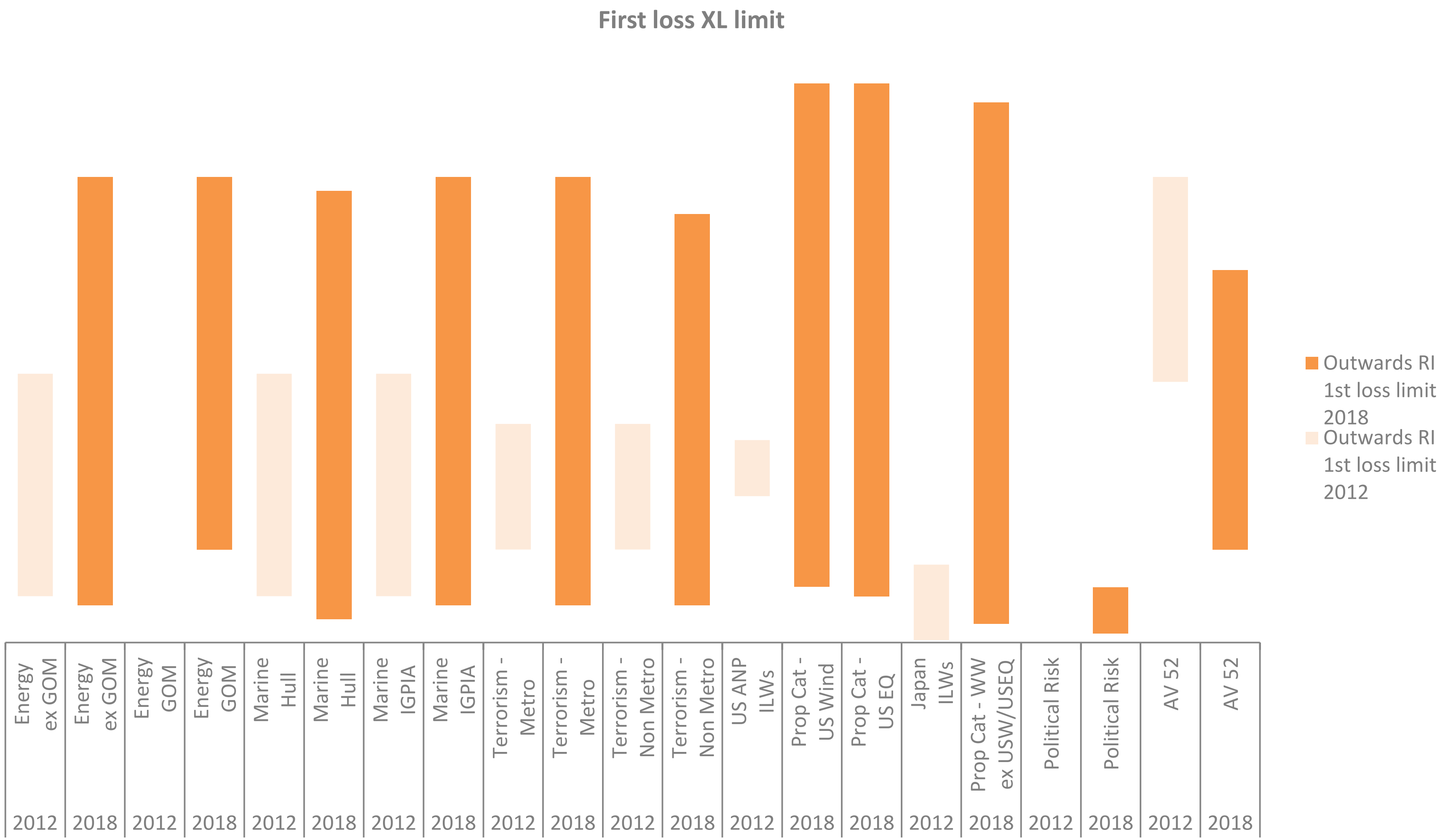
Exposure management – Stable RI purchases



- First loss limit purchased by excess of loss basis, excluding ILWs, quota shares, cessions to sidecars, facultative purchases and reinstatements

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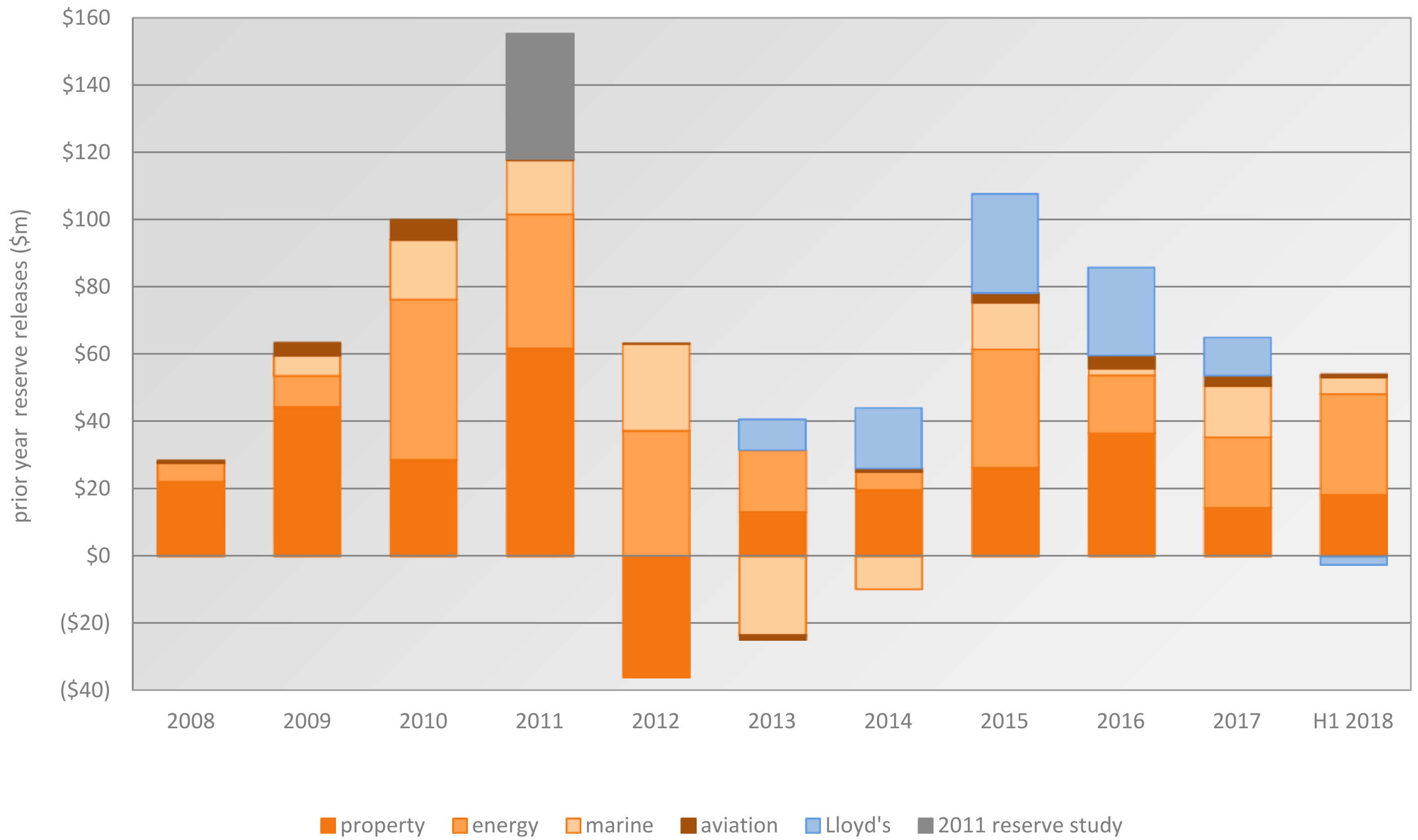
Reserve adequacy

Consistent Favourable Reserve Development [1]



(1) Excludes the impact of foreign exchange revaluations

Reserve adequacy

Consistent favourable reserve development

Accident Year	Favourable Development
2008 and prior	24.1%
2009	56.3%
2010	32.9%
2011	8.1%
2012	20.8%
2013	23.0%
2014	28.7%
2015	31.7%
2016	14.9%
2017	2.4%

- Reserving record has demonstrated conservative reserving [(1)]
- Favourable development in 2011 included $36.9 million released following an independent reserve study
- Being an insurer (59% of 2017 actual gross written premiums) rather than a reinsurer means we get much better loss data, in a more timely manner
- Short tail business, similar classes across the Group
- Reserve duration for the Group is approximately two years

(1) Development of Lancashire accident year reserves excluding Cathedral for the years 2006 to 2012. 2013 to 2017 including Cathedral

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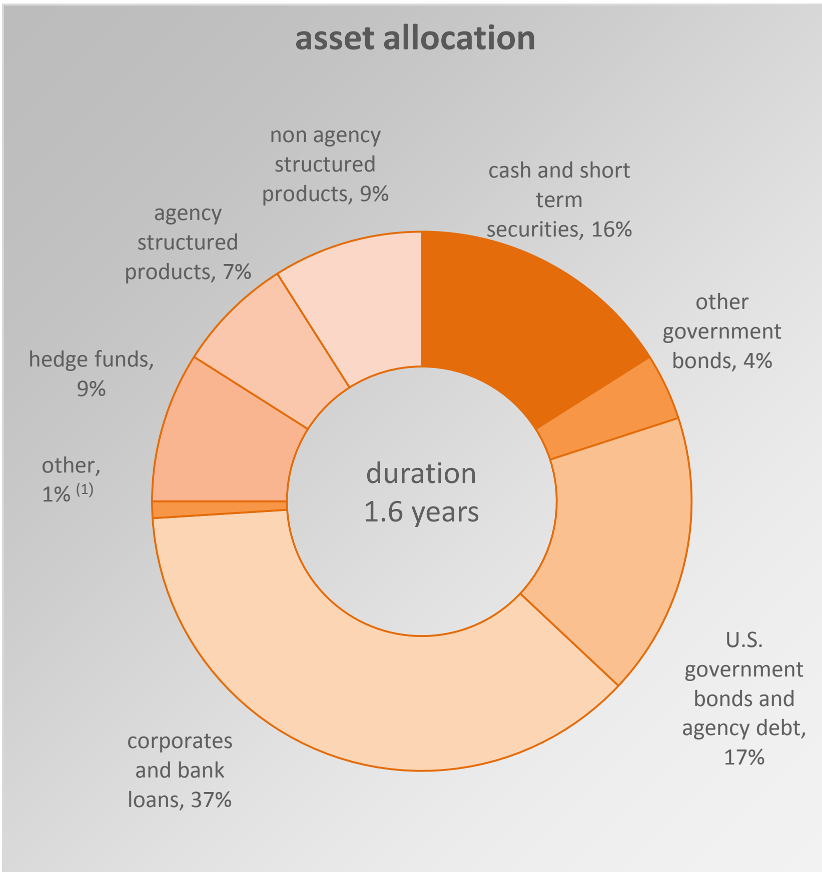
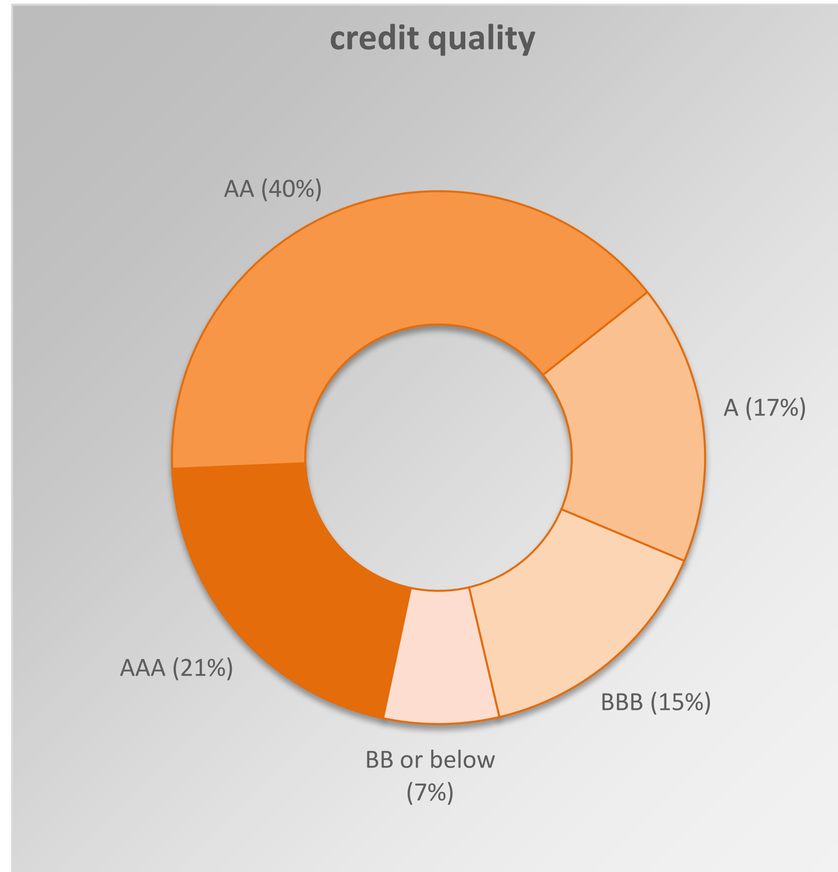
Effectively balance risk and return – investment philosophy

- **Global growth remains strong**
  - Robust U.S. growth expected to continue in 2018
  - Global growth forecasts have moderated, but remain strong
  - We expect market volatility to rise as developed market central banks withdraw stimulus from the markets
  - Geopolitical events, including trade and tariff escalations, continue to exacerbate risk in the global economy
- **Preservation of capital continues to be paramount and we will focus on interest rate risk**
  - Maintain reduced investment portfolio duration in anticipation of further increases in U.S. interest rates over the next two years, and the expectation that the Federal Reserve will continue reducing the size of its balance sheet
  - Mitigate interest rate risk:
    - ✓ Hold floating rate notes and non-fixed income securities
    - ✓ Maintain an allocation to a low volatility hedge fund portfolio, diversifying the overall investment portfolio
    - ✓ Short five-year treasury futures overlay used to protect the investment portfolio from a rise in interest rates, reducing duration by 0.2 years
  - Continue monitoring risk/return trade off in the portfolio:
    - ✓ Continue to manage the risk on/risk off balance in anticipation of additional increases in U.S. interest rates, while also protecting the portfolio in risk-off environments

Conservative portfolio structure – Quality

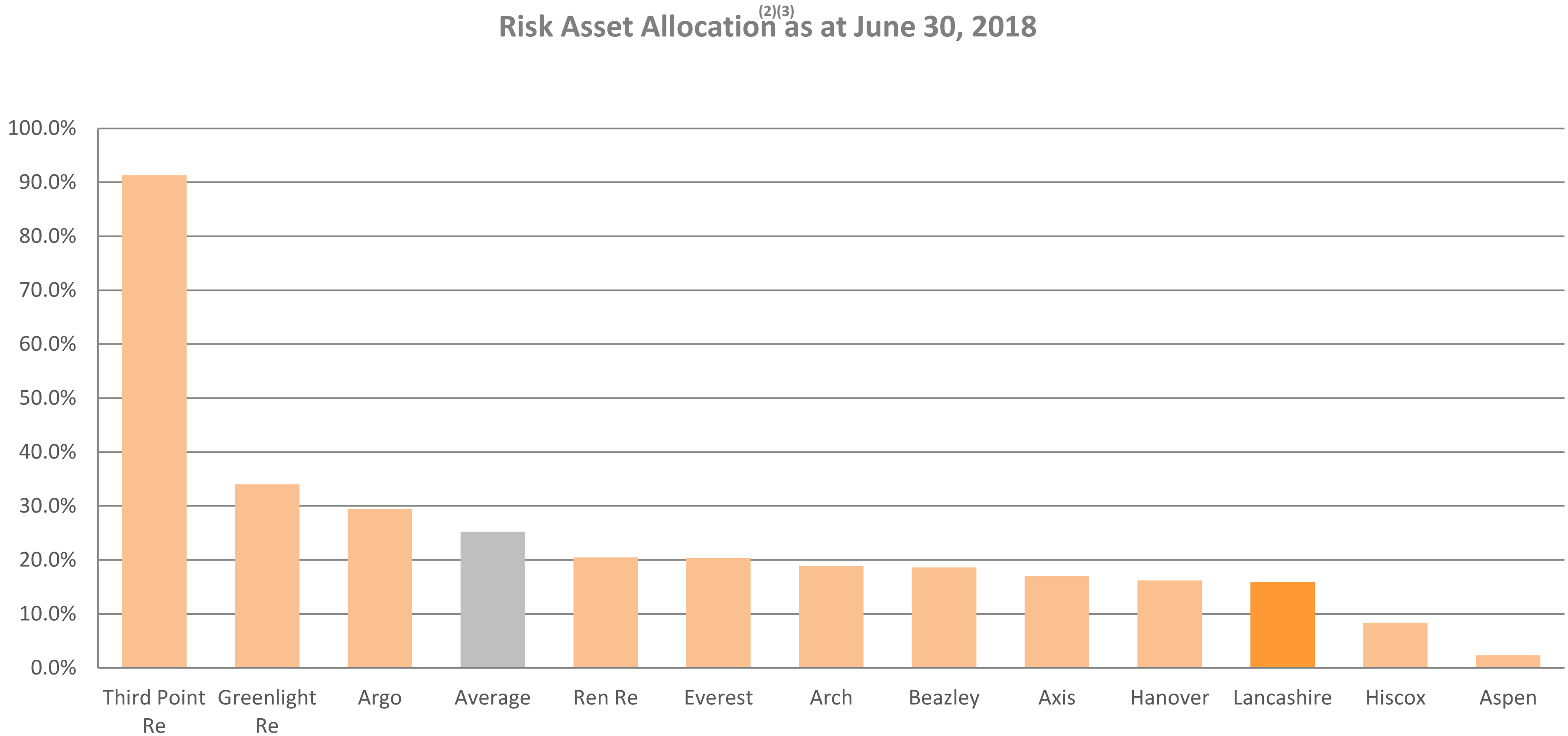




- Bi-annual external strategic allocation review
- Total portfolio at 30 June 2018 = $1,833 million
- Average portfolio credit rating of AA- (including internally managed cash)

(1) Other includes equity securities and other investments

Risk asset levels in line with peer group[1] average



- The majority of the risk assets are held in two portfolios; a low volatility hedge fund portfolio and a floating rate bank loan portfolio, each of which is held for the purpose of hedging our interest rate risk

(1) Peer group as defined by the Board. Source: Company reports
(2) Risk assets include: equities, hedge funds, private equities, bonds below investment grade, mortgage loans and equity method investments
(3) Risk assets as a percentage of total cash and investments

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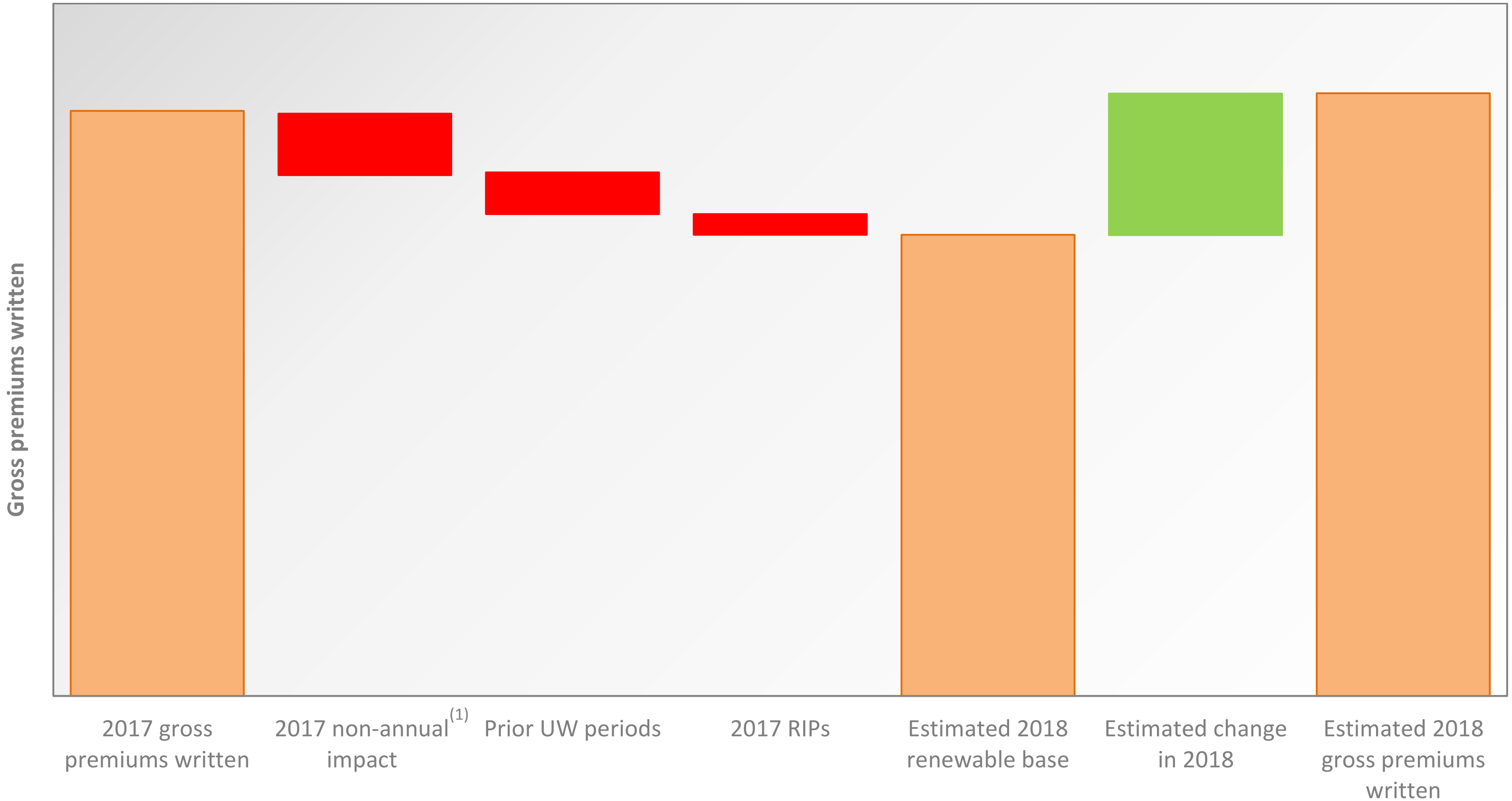
Operate *nimbly* through the cycle

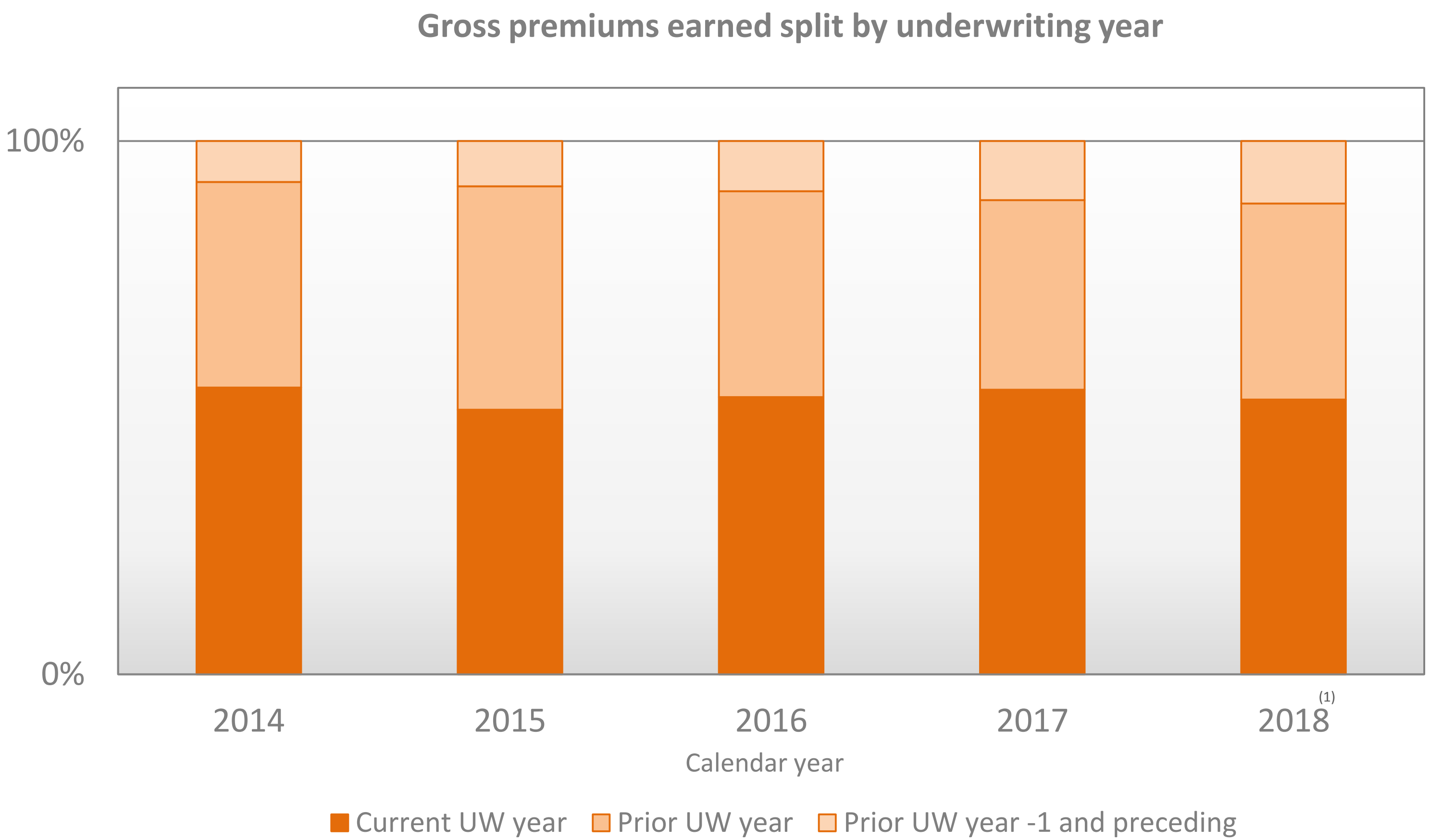
Managing the cycle – Estimated gross premiums written



- No material change in risk given price increases more muted than would have liked

(1) Non-annual contracts are defined as those greater than 13 months in length and include multi-year and non-renewable contracts

Managing the cycle - Gross premiums earned



- Top line volatility driven by non-annual contracts and timing of renewals
- Graph shows consistency of long term deals to earnings

(1) Forecast as at July 2018

Underwriting comes first: Lancashire[1]

Predominance of non-annual contracts[2]

0% – 33%	33% – 67%	67% – 100%
- Property cat excess of loss - Terrorism - Property risk XL - Worldwide offshore energy - Onshore energy - Energy liabilities - Marine hull and total loss - Marine P&I clubs - Marine hull war	- Gulf of Mexico offshore energy	- Property political risk - Construction energy - Marine builders risk

0% 33% 67% 100%

- Percentages are based on a 4 year average of 2014-2017 contracts

(1) Lloyd's premiums are excluded from this analysis. Lines of business are based on financial supplement categories. Non-annual premiums within all other lines of business are immaterial

(2) Non-annual contracts are defined as those greater than 13 months in length and include multi-year and non-renewable contracts

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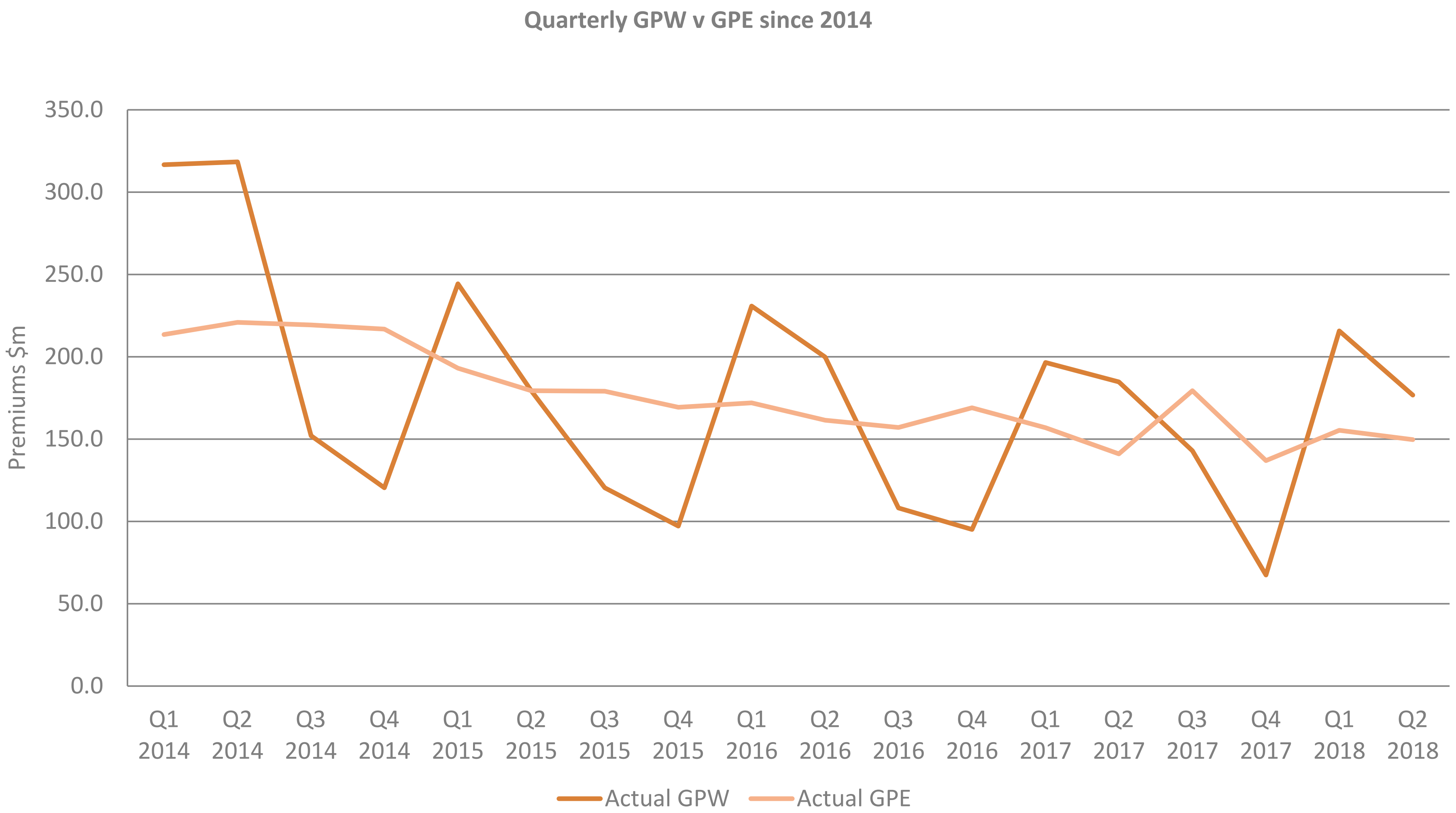
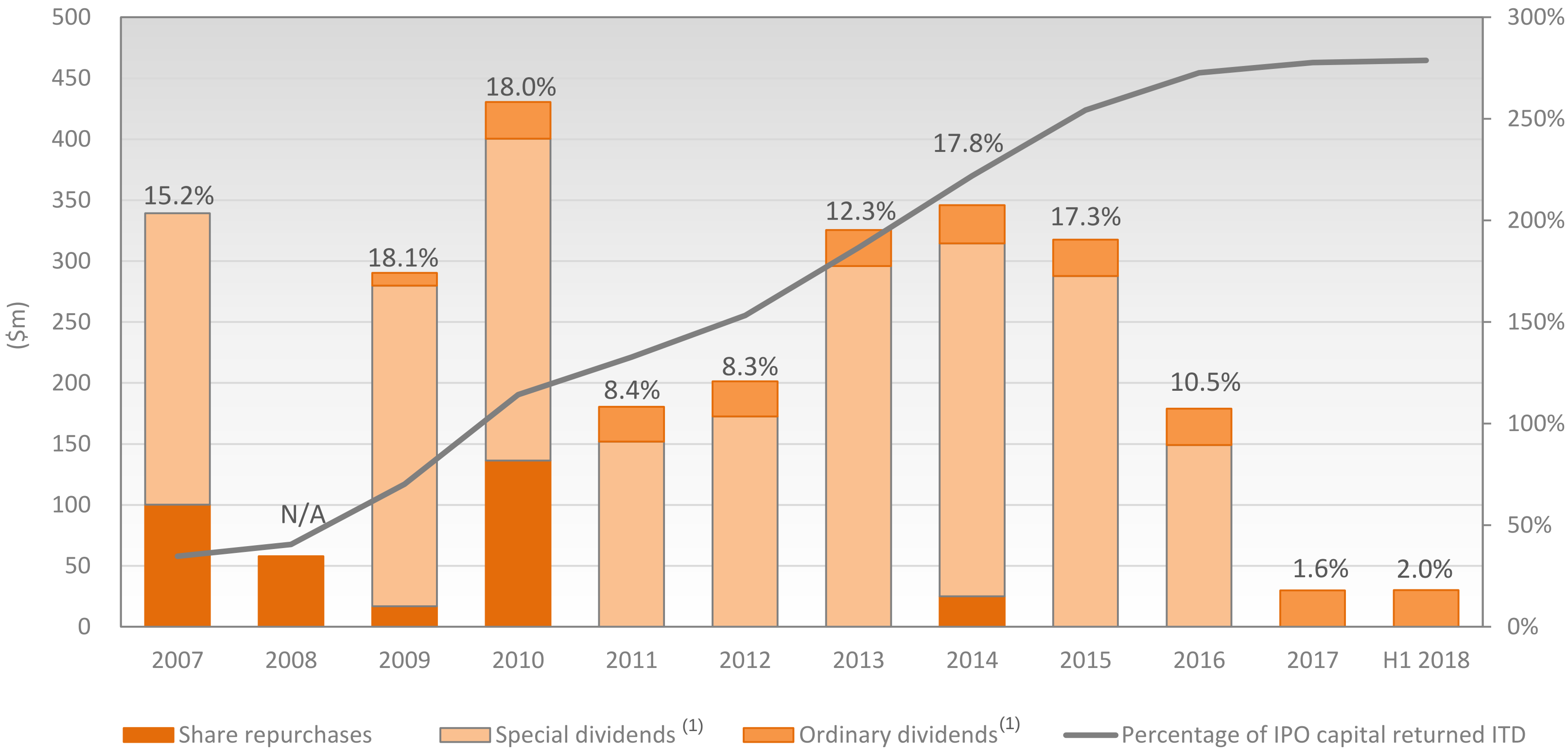
Underwriting comes first: Group



- Top line volatility driven by non-annual contracts and timing of renewals, but relatively stable earnings. Reduction in earnings over time reflects market pricing environment

Operate nimbly through the cycle

Proven record of active capital management



278.8% 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. Dividend yield at 30 June 2018 calculated as the total year to date cash dividends divided by the 30 June 2018 share price

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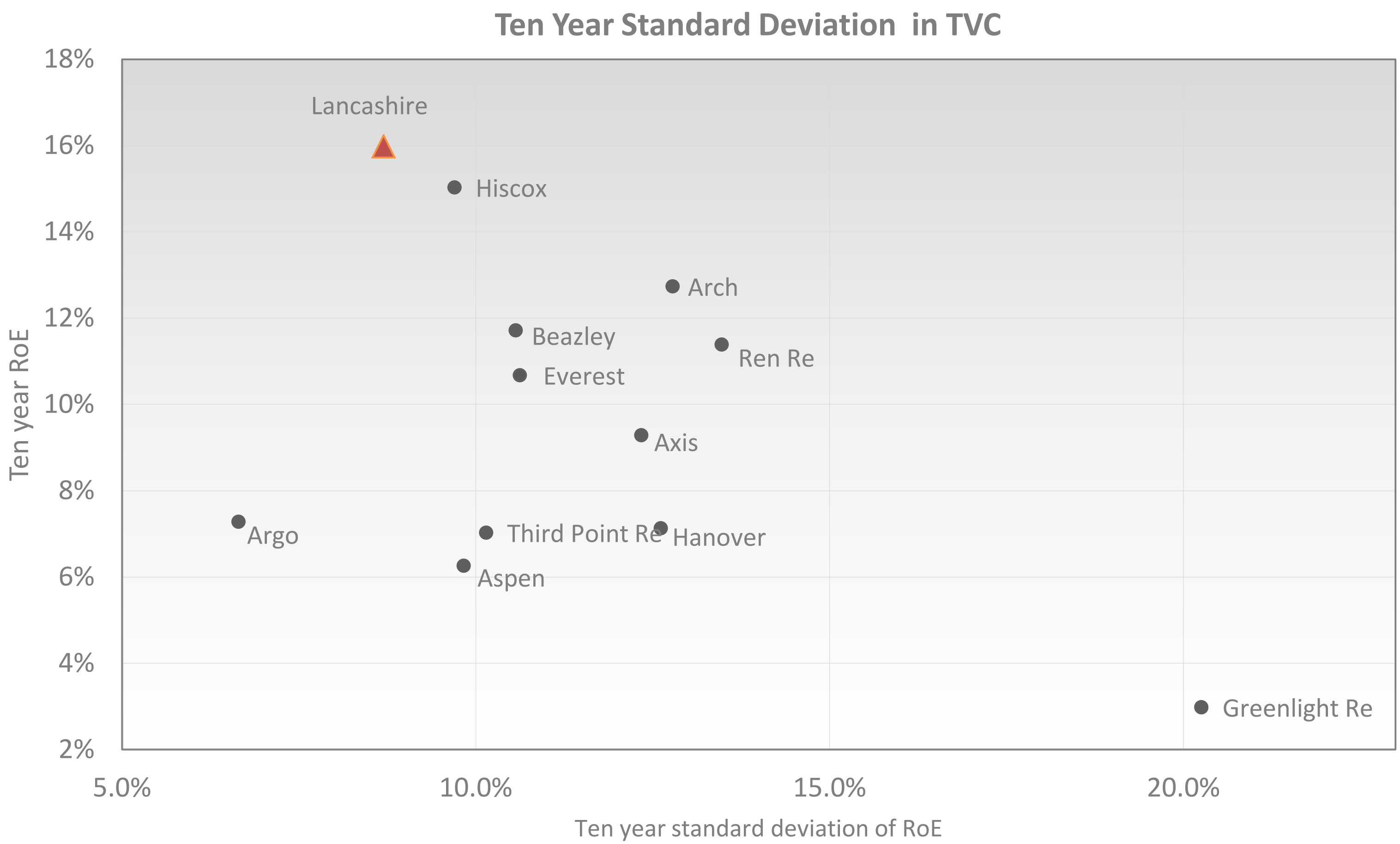
Consistency: total value creation (TVC)



- Lancashire has one of the best performances versus peers with lower volatility
- Evidence of adherence to business plan and strong risk management

(1) Standard deviation is a measure of variability around the mean

(2) Compound annual returns for Lancashire and peers are from 1 January 2008 through 31 December 2017. RoE calculated as the internal rate of return of the change in FCBVS in the period plus dividends accrued. Lancashire RoE calculation excludes the impact of warrant exercises. For Arch, Argo, Beazley, Everest, Hanover, Hiscox and Ren Re, basic book value per share is used as FCBVS is not reported by these companies. Third Point Re commenced underwriting operations in 2012. Source: Company reports

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Sticking to our game plan

Conclusion

- Lancashire has one of the best and most consistent performances in the London and Bermuda markets
- Our strategy is designed to cope with hard and soft markets, managing capital and exposures to maximise risk-adjusted returns across the cycle
- 2017 losses provided a real time “stress test” for the Group’s enterprise risk management function with a successful outcome demonstrating our underwriting discipline, prudent reserving and reinsurance planning. Overall, the Group’s performance was in line with expectations
- Group management has decades of experience in rated company, Lloyd’s and collateralised markets
- Group profitability is not overly dependent on property reinsurance, with strong weightings to specialty classes with proven RoE potential and low attritional loss ratios
- A well-diversified portfolio across multiple lines and geographies as a base to trade across the cycle. We have added two new product lines with the addition of new underwriting in Power from May 2018 and Onshore energy
- Third party capital vehicle well established with a stable investor and client base. We have grown capacity at the 1 January 2018 cycle by approximately 30%

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