LANCASHIRE HOLDINGS LIMITED

7 November 2019
Hamilton, Bermuda

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its trading statement for the nine months ended 30 September 2019.

Trading statement highlights

- Gross premiums written increased by 13.8% year on year to $578.0 million
- Renewal Price Index (RPI) of 106%
- Net loss estimates of $33.2 million from hurricane Dorian and typhoon Faxai within expectations
- Strong investment performance generating a total investment return (including internal currency hedging) of 4.1%
- Encouraging signs of market returning to underwriting discipline

	Nine months ended	
	30 September 2019	**30 September 2018**
Gross premiums written	$578.0m	$507.7m
Renewal Price Index	106%	104%
Total investment return (including internal currency hedging)	4.1%	0.9%

Alex Maloney, Group Chief Executive Officer, commented:

"Once again the Atlantic and Pacific wind seasons have produced loss events which have disrupted lives and livelihoods, with tragic consequences. Lancashire's products help our clients and ultimate insureds manage these volatile risks and to rebuild after such moments of disruption.

The Group's exposures to recent catastrophe loss events have been comfortably within our expectations.

In the face of these market losses, which pose yet another challenge to the global insurance industry, the markets have now reached a point at which the pricing of both property and specialty risks has required reappraisal. There is an increasing industry focus on the need for more disciplined underwriting and better assessment of risk. We have benefited from that greater market discipline and have taken the opportunity to achieve measured, disciplined growth, in line with the underwriting opportunity and our strategy. There is more progress for our industry to make in reaching a point at which the market operates at more sustainable levels. But I am encouraged that we are at a stage in the cycle where we are benefiting from the realisation across the market of the need to ensure long term, sustainable returns and underwriting discipline.

Given our expectations of a continued improvement in the market in 2020, we intend to retain all of our current capital in order to be able to take full advantage of underwriting opportunities. Therefore, in line with our active capital management policy, we are not declaring a special dividend at this point. Our dividend policy remains unchanged and we fully expect to pay our normal final dividend next year. We will continue to actively monitor our capital levels versus underwriting opportunities and will update further at the time of our full year 2019 results."

Business update

Gross premiums written

	Nine months ended				
	30 September 2019	30 September 2018	Change	Change	RPI
	$m	$m	$m	%	%
Property	210.1	176.5	33.6	19.0	106
Energy	77.6	88.1	(10.5)	(11.9)	104
Marine	33.1	25.3	7.8	30.8	111
Aviation	24.1	15.1	9.0	59.6	100
Lloyd's	233.1	202.7	30.4	15.0	108
Total	**578.0**	**507.7**	**70.3**	**13.8**	**106**

Gross premiums written increased by 13.8% in the first nine months of 2019 compared to the same period in 2018. The Group's five principal segments, and the key market factors impacting them, are discussed below.

Property gross premiums written increased by 19.0% for the first nine months of 2019 compared to the same period in 2018. The property segment experienced new business growth alongside rate and exposure-related premium increases across all classes of business, particularly in the property catastrophe and political risk classes. This was only partially offset by the impact of multi-year contracts that were not yet due to renew.

Energy gross premiums written decreased by 11.9% for the first nine months of 2019 compared to the same period in 2018. While there was more new business in the worldwide offshore and onshore energy classes in 2019 compared to 2018, the prior year benefited more from the restructuring of an existing multi-year deal and increased exposure on risk-attaching business from prior underwriting years, particularly in the worldwide offshore and construction energy classes.

Marine gross premiums written increased by 30.8% for the first nine months of 2019 compared to the same period in 2018. There have been more multi-year contracts renewing during 2019 compared to 2018. This has been primarily in the marine hull, marine P&I and builders risk classes, partially offset by a reduction in the marine hull war class due to multi-year contracts not renewing.

Aviation gross premiums written increased by 59.6% for the first nine months of 2019 compared to the same period in 2018. The growth was driven primarily by new business in the aviation deductible and other aviation classes of business due to a continuation of the book build by our new team.

In the Lloyd's segment, gross premiums written increased by 15.0% for the first nine months of 2019 compared to the same period in 2018. The increase was primarily due to new business in the energy, aviation, marine and terrorism classes of business in addition to favourable premium adjustments on policies written in prior underwriting years. Compared to the prior year, there was a slight reduction in premiums on the property reinsurance and property direct and facultative classes. While there was some new business in those classes, part of the portfolio was repositioned to participate on higher layers and certain contracts were not renewed due to less attractive rates.

Claims environment

The Group's total ultimate loss estimate for hurricane Dorian and typhoon Faxai, net of reinsurance and excluding the impact of inwards and outwards reinstatement premiums, is $33.2 million. There were no other significant net losses for the first nine months of the year. The Group is in the preliminary stages of assessing the impact of typhoon Hagibis, which will be reflected in its full year results for 2019.

Prior year favourable development for the first nine months of 2019 was $42.6 million, compared to $87.0 million for the same period in 2018. The favourable development in both periods was primarily due to general IBNR releases across most lines of business due to a lack of reported claims. However, the first nine months of 2019 included some 2018 accident year claims in the energy and Lloyd's segments. In the first nine months of 2018, the Group benefited from a reduction on prior accident year energy claims.

Investments

The managed investment portfolio statistics were:

	30 September 2019	30 September 2018
Duration	1.7 Years	1.6 Years
Credit quality	A+	AA-
Book yield	2.6%	2.4%
Market yield	2.3%	2.9%
Managed investments	$1,709.4m	$1,840.1m

The Group's investment portfolio total return (including internal currency hedging) was 4.1% during the first nine months of 2019 driven by a decline in treasury yields and the narrowing of credit spreads during the year, particularly in the first six months of 2019. The Group's fixed maturity, bank loan and equity portfolios all had a strong performance during the first nine months of the year.

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 EST on 7 November 2019. The conference call will be hosted by Lancashire management.

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:	+44 3333000804
United States - Toll free:	+1 855 85 70686
United States - Local:	+1 6319131422
PIN Code	18830240#

URL for additional international dial in numbers:
https://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf

The call can also be accessed via webcast, for registration and access:
https://event.on24.com/wcc/r/2093472/6E4A4119C023E48996A429E6B490D59D

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 $1.4 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 GMT on 7 November 2019.

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. THE FUTURE PROFITABILITY OF THE PORTFOLIO OF CONTRACTS WITHIN THE RPI IS DEPENDENT UPON MANY FACTORS BESIDES THE TRENDS IN PREMIUM RATES.

NOTE REGARING 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 2018.

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", "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 2018.

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

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