Lancashire

Financial Condition Report 2023
Lancashire Holdings Limited
Lancashire Insurance Company Limited


Delivering together



EXECUTIVE SUMMARY

Lancashire Holdings Limited ("LHL") is the parent company of the Lancashire Group ("Lancashire" or "the Group"), and Lancashire Insurance Company Limited ("the Company" or "LICL") is the Group's Bermuda domiciled insurance subsidiary. Both the Group and LICL are providers of global specialty insurance and reinsurance products.

This Group Financial Condition Report ("FCR") has been prepared in accordance with the Bermuda Insurance (Public Disclosure) Rules 2015 and the Insurance (Group Supervision) Rules 2011. It includes quantitative and qualitative information about the business and performance, governance structure, risk profile, solvency valuation and capital management of both LHL and LICL.

LICL has been granted an exemption by the Bermuda Monetary Authority ("BMA") from the requirement to prepare and file a separate FCR on the condition that disclosures that are specific to LICL are disclosed separately within this Group FCR. Disclosures relating to Group practices that are the same across the Group are mentioned only once in this report.

This executive summary outlines material changes over the reporting period. Due to differences between the International Financial Reporting Standards ("IFRS") and Economic Balance Sheet ("EBS") bases the numbers presented in this report are not all comparable to those published in the financial statements within the Group's Annual Report and Accounts as at 31 December 2023, which have been prepared in accordance with IFRS (as issued by the International Accounting Standards Board), as adopted by the E.U..

The Group and Company adopted IFRS 17: Insurance Contracts and IFRS 9: Financial Instruments, for the first time on 1 January 2023. Comparatives have been restated to reflect the consistent application of IFRS 17 and IFRS 9 where information is extracted directly from the Group's and the Company's 31 December 2023 financial statements. In accordance with requirements of the BMA, the figures within Section D and Section E of this FCR have not been restated.

BUSINESS AND PERFORMANCE

The Group is a provider of global specialty insurance and reinsurance products within two segments: reinsurance and insurance.

Gross premiums written increased by $279.4 million or 16.9% during 2023 compared to 2022. Excluding the impact of reinstatement premiums and multi-year contracts, underlying growth in gross premiums written was 17.8%.

During 2023, the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events totalling $106.1 million. None of these events were individually material for the Group.

In comparison, during 2022, the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events of $329.4 million. Within this, catastrophe and weather-related losses for the year ended 31 December 2022, were $232.4 million. This included $181.0 million from hurricane Ian. Large losses for the year amounted to $97.0 million

Prior year development comprises the undiscounted movement in loss reserves, expense provisions and reinstatement premiums. Favourable development was $78.8 million in 2023 compared to favourable development of $134.3 million in 2022. In 2023, there were reductions in reserves for some of the 2022 natural catastrophe events. The 2022 year included reserve reductions from natural catastrophe loss events in the 2019 and 2018 accident years as well as relatively large beneficial claims settlements on risk losses in the 2017 accident year.

Net investment income, excluding realised and unrealised gains and losses, was $108.5 million in 2023, an increase of 94.8% compared to 2022. Total investment return, including net investment income, net realised gains and losses and net change in unrealised gains and losses, was $160.5 million in 2023 compared to a loss of $76.7 million in 2022.

In a year of continued volatility, the investment portfolio generated an investment return of 5.7%. The returns were driven primarily from investment income given the higher yields during the year. While the Federal Reserve raised rates by 1.0% this year, the higher yields and tighter spreads mitigated any losses on the portfolio. In addition, the risk assets, notably the bank loans, hedge funds and private credit, all contributed positively to the overall investment return.

In 2022, the investment portfolio generated a negative return of 3.5%. The returns were driven primarily from interest rate increases and the widening of credit spreads, resulting in losses in all asset classes, most of which were unrealised.

A significant driver of the increase in operating expenses is the increase in variable costs related to remuneration of $31.9 million given the strong financial performance of the Group. Fixed expenses have increased by 24.4% or $29.0 million largely due to the Group's growth and subsequent impact on headcount. IT and consulting expenses also increased during the year as we focused on upgrading our systems and data capabilities.

Overall, the Group generated a profit after tax of $321.5 million with a combined ratio (undiscounted) of 82.6% in 2023, compared to a loss after tax of $15.5 million and a combined ratio (undiscounted) of 98.7% in 2022. LICL's comparable results were a $339.6 million profit after tax and a 79.4% combined ratio (undiscounted) in 2023, compared to a $23.7 million profit after tax and a 92.7% combined ratio (undiscounted) in 2022.

GOVERNANCE STRUCTURE

The Group strives to implement simple yet effective systems of governance in a way that helps shape strategy, monitors its implementation, balances support and challenge for management and the business, and embeds a positive and open corporate culture throughout the Group. The LICL Board aligns its systems of corporate governance with that of the Group where applicable.

Good strategic debate and decision making remain central to the work of any board. We are fortunate in having a nimble strategy and a simple "flat" structure with a total Group employee headcount at 31 December 2023 of 393, of which 66 are LICL employees. This means that all our Directors have regular opportunities to meet with both the members of our management team, and other employees within the business. This helps inform the Board's active understanding of the business, its needs and challenges.

EXECUTIVE SUMMARY

Bermuda regulated insurers are required to prepare an ORSA report (referred to by the BMA as GSSA for Group reporting, and CISSA for LICL reporting). Both the management team and the Board have engaged fully with the ORSA processes, and use it as a tool to help deepen their understanding of the business, better understand the risks and opportunities facing it, and to refine and focus Lancashire's strategic thinking and priorities.

Details of the LHL and LICL Board of Directors, Board Committees and key functions are provided in Section B.

Climate change, and more specifically climate-related risks and opportunities, remained a significant focus during 2023. The risk framework around climate-related risks has been monitored throughout the year by a Climate Change Working Group ("CCWG"), and a management ESG Coordination Committee (the 'ESG Committee'). Both have membership comprising of people from across the Group, and from a variety of functions, and there are common links between the CCWG, ESG Committee, and the Group Executive Committee, to ensure a clear flow of information. The Group CRO provides quarterly updates on the work of each body to the Board.

There have been no other material changes to the Group's governance structure during the year.

RISK PROFILE

The Group is exposed to risks from various sources. These include insurance risk, market risk, liquidity risk, credit risk, operational risk and strategic risk. The primary risk to the Group is insurance risk. There have been no significant changes to the Group's material risks or the measures used to assess these risks over the 2023 reporting period. Each of these risk areas is described in more detail in Section C.

The Group's current assessment of risk in relation to climate change is discussed in more detail within the TCFD report on pages 49 to 70 within the Group's 2023 Annual Report and Accounts: Investors - Lancashire Group.

SOLVENCY VALUATION

Various changes have been made to the methods and processes used in the calculations of the technical provisions as a result of the adoption and implementation of IFRS 17. The assumptions used in the process change from period to period due to internal and external factors such as change in business mix, claims events and perceived profitability of the business underwritten.

Detailed explanations and reconciliations from the assets and liabilities presented in the Group's and LICL's financial statements as at 31 December 2023 to those presented on an EBS basis in this report are included in Section D.

CAPITAL MANAGEMENT

The key aim of the Group's capital management processes are unchanged from the previous period, and remain focused on maintaining a strong economic balance sheet, whilst:

- maintaining sufficient capital to meet obligations to policyholders and for underwriting opportunities;
- maximising the risk-adjusted return to shareholders within predetermined risk tolerances;
- maintaining adequate financial strength ratings; and
- meeting internal, regulatory and rating agency requirements.

LICL, as a wholly owned subsidiary of LHL, falls within the scope of the Group's capital management processes. The Group and LICL's regulatory capital position is detailed in Section E, and reflects the BMA's BSCR arrangements. Both LHL and LICL have held capital in excess of their regulatory requirements throughout 2023 and 2022.

- the Group's 2023 year-end BSCR was $673.3 million, with an ECR ratio of 328%.
- LICL's 2023 year-end BSCR was $602.6 million, with an ECR ratio of 323%.

SUBSEQUENT EVENTS

Dividends

Both LHL and LICL declared and paid dividends during Q1 2024 – further details of these dividends are provided in Section F1.

Investment commitment

On 11 January 2024, the Group entered into an agreement to invest in a private investment fund, with an initial commitment of $44.4 million. The capital commitment is expected to be partially drawn down quarterly throughout 2024.

Other

There have been no other significant events that are material to the Group or the Company that have taken place since the end of the 2023 financial year up to the date of filing this Financial Condition Report.

DIRECTORS’ STATEMENT

We confirm that to the best of our knowledge and belief, this FCR fairly represents the financial condition of the Group and the Company in all material respects for the period.

Alex Maloney
Group CEO

Natalie Kershaw
Group CFO

13 May 2024

A. BUSINESS AND PERFORMANCE

A1: BUSINESS

Name and Legal Form

The Lancashire Group and LICL are providers of global specialty insurance and reinsurance products.

LHL was incorporated under the laws of Bermuda on 12 October 2005.

LICL was incorporated under the laws of Bermuda on 28 October 2005, and is authorised by the BMA as a Class 4 general insurer under The Insurance Act 1978 and related Regulations ("the Act").

The registered office of the Group and Company is Power House, 7 Par-La-Ville Road, Hamilton HM 11, Bermuda.

Supervisory Authority and Group Supervisor

The Group and LICL are supervised by the Bermuda Monetary Authority, BMA House, 43 Victoria Street, Hamilton, HM 12, Bermuda.

External Auditor

LHL's external auditor is KPMG LLP, 15 Canada Square, London, E14 5GL.

LICL's external auditor is KPMG Audit Limited, Crown House, 4 Par-la-Ville Road, Hamilton, HM 08, Bermuda.

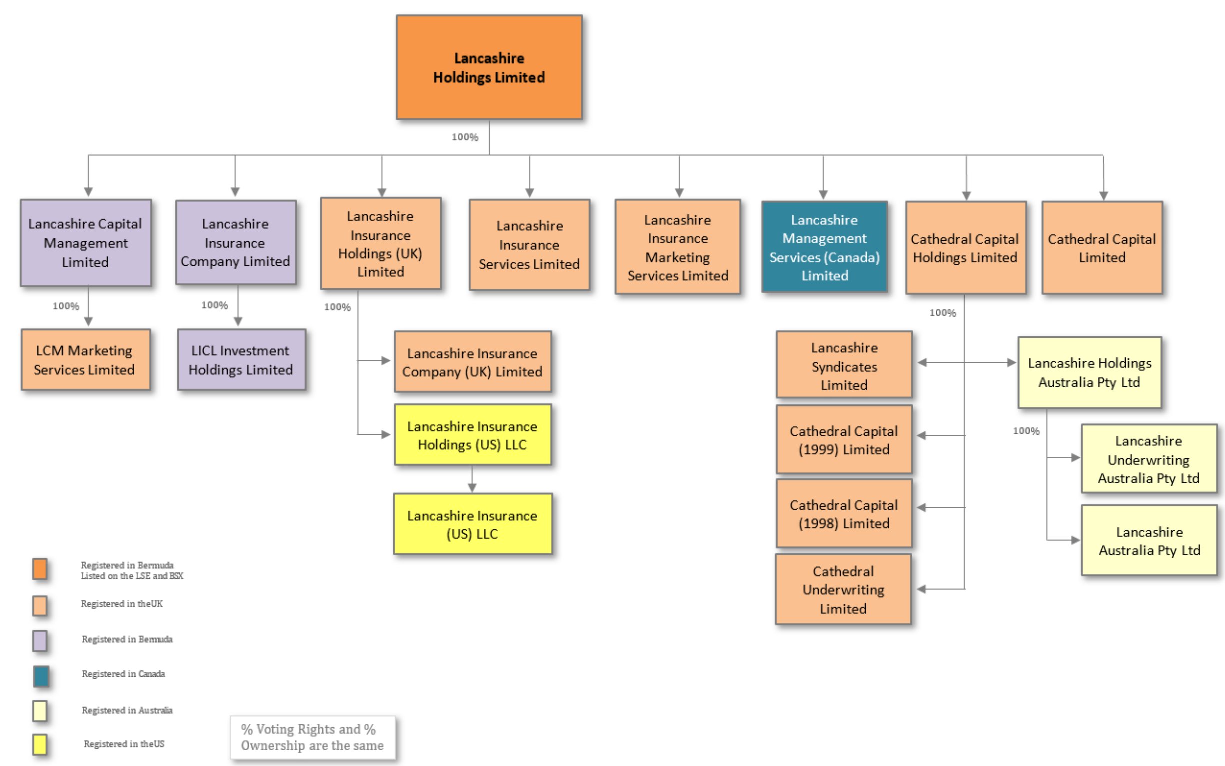
Ownership

LHL's common shares are traded on the main market of the London Stock Exchange ("LSE"), with a secondary listing on the Bermuda Stock Exchange ("BSX"). Voting rights are equivalent to share ownership.

LICL is a wholly owned subsidiary of LHL.

Group Structure

The Group's structure is summarised in the chart below, including country of incorporation:



A. BUSINESS AND PERFORMANCE

A2: UNDERWRITING PERFORMANCE

Management and the Board of Directors review the Group's business primarily by its two operating segments: reinsurance and insurance. These segments are therefore deemed to be the Group's operating segments for the purposes of segmental reporting. Lines of business are underwritten within each operating segment. These lines of business written primarily, but not exclusively, on a reinsurance or insurance basis, are reported under the Head of Reinsurance and the Head of Insurance based on the products that they individually manage.

Operating segment performance is measured by the insurance service result and net insurance ratio. The performance of the overall Group is measured by the combined ratio on both an undiscounted and discounted basis.

The Group and Company's underwriting performance on an IFRS basis for the years ended 31 December 2023 and 2022 (restated) is summarised in the tables below.

LHL:

For the year ended 31 December 2023	**Reinsurance $m**	**Insurance $m**	**Total $m**
U.S. and Canada	339.6	269.4	609.0
Worldwide - multi territory	257.4	276.5	533.9
Europe	62.1	83.2	145.3
Rest of world	55.8	175.9	231.7
Insurance revenue	**714.9**	**805.0**	**1,519.9**
Insurance service expense	(254.2)	(442.0)	(696.2)
Insurance service result before reinsurance contracts held	**460.7**	**363.0**	**823.7**
Allocation of reinsurance premium	(174.6)	(250.2)	(424.8)
Amounts recoverable from reinsurers	(78.2)	61.4	(16.8)
Net expenses from reinsurance contracts held	**(252.8)**	**(188.8)**	**(441.6)**
Insurance service result	**207.9**	**174.2**	**382.1**
Net insurance ratio	**61.5%**	**68.6%**	**65.1%**

For the year ended 31 December 2022	Reinsurance $m	Insurance $m	Restated Total $m
U.S. and Canada	260.8	206.1	466.9
Worldwide - multi territory	195.9	240.9	436.8
Europe	43.8	75.8	119.6
Rest of world	59.9	143.3	203.2
Insurance revenue	560.4	666.1	1,226.5
Insurance service expense	(528.3)	(466.3)	(994.6)
Insurance service result before reinsurance contracts held	32.1	199.8	231.9
Allocation of reinsurance premium	(152.7)	(219.1)	(371.8)
Amounts recoverable from reinsurers	140.0	141.5	281.5
Net expenses from reinsurance contracts held	(12.7)	(77.6)	(90.3)
Insurance service result	19.4	122.2	141.6
Net insurance ratio	95.2%	72.7%	83.4%

A. BUSINESS AND PERFORMANCE

LICL[1]:

For the year ended 31 December 2023	**Reinsurance $m**	**Insurance $m**	**Total $m**
U.S. and Canada	276.6	39.9	316.5
Worldwide - multi territory	226.9	54.4	281.3
Europe	41.8	15.9	57.7
Rest of world	39.9	33.6	73.5
Insurance revenue	**585.2**	**143.8**	**729.0**
Insurance service expense	(216.0)	(97.4)	(313.4)
Insurance service result before reinsurance contracts held	**369.2**	**46.4**	**415.6**
Allocation of reinsurance premium	(143.0)	(4.7)	(147.7)
Amounts recoverable from reinsurers	(60.6)	3.6	(57.0)
Net expenses from reinsurance contracts held	**(203.6)**	**(1.1)**	**(204.7)**
Insurance service result	**165.6**	**45.3**	**210.9**
Net insurance ratio	**62.6%**	**67.4%**	**63.7%**

			Restated
For the year ended 31 December 2022	Reinsurance $m	Insurance $m	Total $m
U.S. and Canada	203.6	22.5	226.1
Worldwide - multi territory	166.2	62.7	228.9
Europe	27.4	15.8	43.2
Rest of world	39.2	32.1	71.3
Insurance revenue	436.4	133.1	569.5
Insurance service expense	(396.3)	(75.7)	(472.0)
Insurance service result before reinsurance contracts held	40.1	57.4	97.5
Allocation of reinsurance premium	(118.0)	(5.6)	(123.6)
Amounts recoverable from reinsurers	124.7	(0.2)	124.5
Net expenses from reinsurance contracts held	6.7	(5.8)	0.9
Insurance service result	46.8	51.6	98.4
Net insurance ratio	85.3%	59.5%	77.9%

[1]As part of the Group's approach to capital management, LICL writes internal quota share treaties ("QSTs") for the other main Group underwriting platforms (LUK and CCL 1998). Under the CCL 1998 QST agreement, 85% of the CCL 1998 financial result is ceded to LICL, this includes both insurance and non-insurance balances, and is disclosed as net other income on the LICL consolidated statement of comprehensive income (see Section A4 for further details). The LUK QST agreement is a more traditionally structured agreement, and the segmentation presentation in the tables above therefore shows the respective underlying business segment for this contract.

INSURANCE REVENUE - REINSURANCE SEGMENT

The Group's reinsurance segment comprises property reinsurance, specialty reinsurance and casualty reinsurance. The property reinsurance portfolio is predominantly written on an excess of loss basis with the 'catastrophe' portfolio exposed to large natural disasters and the 'risk' portfolio exposed to individual, man-made losses such as fire and explosion. The specialty reinsurance portfolio has a mix of exposure, with natural disasters exposing the retrocession portfolio and large, man made risks from complex exposures, such as offshore energy platforms, exposing the marine, energy, terror and aviation portfolios. This product is sold through both excess of loss and proportional reinsurance. Casualty reinsurance is written through quota share reinsurance assuming a mix of general liability and professional lines exposures, predominantly from within the U.S.

The increase in the reinsurance segment was primarily driven by new business in the casualty reinsurance classes as well as the continued successful build out of our specialty reinsurance classes in a strong rating environment. The property reinsurance classes also benefited from strong RPIs and new business, albeit these were somewhat offset by a lower level of reinstatement premiums than in 2022 due to higher catastrophe losses in that year. Overall, the RPI was 122% for the reinsurance segment up from 108% in the prior year.

INSURANCE REVENUE - INSURANCE SEGMENT

The Group's insurance segment is usually written on a direct or facultative basis and comprises aviation insurance, casualty insurance, energy and marine insurance, property insurance and specialty insurance. Within aviation, aviation deductible, aviation hull, aviation liability, aviation war and AV52 are the main exposures. Casualty insurance covers accident and health policies, as well as a small number of consortia arrangements within Lloyd's. Energy insurance covers a variety of energy exposures from upstream and energy construction, downstream processing and storage risks, power generation and energy liability. Marine risks include cargo & specie risks, as well as liability, hull and war. The property insurance account contains a worldwide property exposure with a mix of Fortune 500 business and smaller accounts with exposure in an individual location. Specialty insurance includes political risk, terror and credit exposures and is often written on a multi-year basis.

The increase in the insurance segment was primarily due to strong growth in our property insurance lines of business, which include property direct and facultative and also property construction. In these classes we are seeing the benefit of a strong rating environment and also a more mature book of business following the decision to add new teams in recent years. Gross premiums written in the energy and marine lines also increased meaningfully with new business across all lines of business and rate and exposure increases in power and energy liabilities classes. To a lesser extent, new business contributed to growth across all of our casualty insurance lines of business. Rate and exposure increases were the driver of growth in aviation insurance. Overall, the RPI was 110% for the insurance segment.

ALLOCATION OF REINSURANCE PREMIUM

Reinsurance protection is typically purchased on an excess of loss basis, however it may also include ILW covers, or proportional treaty arrangements. The mix of reinsurance cover is dependent on the specific loss mitigation requirements, market conditions, and available capacity. Reinsurance may also be purchased to optimise the risk-adjusted return of the underwriting portfolio. The structure varies between types of peril and sub-class. The Group regularly reviews its catastrophe and other exposures and may purchase reinsurance in order to reduce the Group’s net exposure to a large natural catastrophe loss and/or to reduce net exposures to other large losses.

Allocation of reinsurance premiums comprises ceded earned premium less outward reinstatement premiums, and is net of outward commission costs. Allocation of reinsurance premiums increased $53.0 million or 14.3% in 2023 compared to the prior year. This increase was largely the result of the rate increases experienced upon renewal of the Group's outwards reinsurance programme, additional cover purchased for some of the newer lines of business and a higher level of quota share reinsurance spend driven by the growth in insurance revenue. Overall, the allocation of reinsurance premiums as a percentage of insurance revenue was 27.9% down from 30.3% in the prior year.

NET CLAIMS

During 2023, the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events totalling $106.1 million. None of these events were individually material for the Group.

In comparison, during 2022, the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe, weather and large loss events of $329.4 million. Within this, catastrophe and weather-related losses for the year ended 31 December 2022, were $232.4 million. This included $181.0 million from hurricane Ian. Large losses for the year amounted to $97.0 million.

Prior year development comprises the undiscounted movement in loss reserves, expense provisions and reinstatement premiums. Favourable development was $78.8 million in 2023 compared to favourable development of $134.3 million in 2022. In 2023, there were reductions in reserves for some of the 2022 natural catastrophe events. The 2022 year included reserve reductions from natural catastrophe loss events in the 2019 and 2018 accident years as well as relatively large beneficial claims settlements on risk losses in the 2017 accident year.

A3: INVESTMENT PERFORMANCE

Net investment income, excluding realised and unrealised gains and losses, was $108.5 million in 2023, an increase of 94.8% compared to 2022. Total investment return, including net investment income, net realised gains and losses and net change in unrealised gains and losses, was $160.5 million in 2023 compared to a loss of $76.7 million in 2022.

In a year of continued volatility, the investment portfolio generated an investment return of 5.7%. The returns were driven primarily from investment income given the higher yields during the year. While the Federal Reserve raised rates by 1.0% this year, the higher yields and tighter spreads mitigated any losses on the portfolio. In addition, the risk assets, notably the bank loans, hedge funds and private credit, all contributed positively to the overall investment return.

In 2022, the investment portfolio generated a negative return of 3.5%. The returns were driven primarily from interest rate increases and the widening of credit spreads, resulting in losses in all asset classes, most of which were unrealised.

The Group's total investment return (excluding foreign exchange) for the years ended 31 December 2023 and 2022 is summarised below:

For the year ended 31 December	LHL 2023 $m	LHL Restated 2022 $m	LICL 2023 $m	LICL Restated 2022 $m
Fixed maturity securities - at FVTPL	123.0	(73.9)	98.5	(61.9)
Index linked securities - at FVTPL	0.3	(2.3)	0.3	(2.3)
Hedge funds - at FVTPL	4.7	(2.6)	4.7	(2.6)
Private investment funds - at FVTPL	9.7	(0.6)	9.7	(0.6)
Other investments	—	(2.1)	—	(2.1)
Cash and cash equivalents	22.8	4.8	12.5	2.0
Total	**160.5**	(76.7)	**125.7**	(67.5)

A4: OTHER MATERIAL INFORMATION

Combined operating expenses for the years ended 31 December 2023 and 2022:

For the year ended 31 December	2023 $m			Restated 2022 $m		
LHL	**Other operating expenses**	**Directly attributable expenses**	**Total expenses**	Other operating expenses	Directly attributable expenses	Total expenses
Employee remuneration costs	70.5	49.4	119.9	33.8	40.2	74.0
Operating expenses	36.9	32.8	69.7	24.5	30.2	54.7
Total	**107.4**	**82.2**	**189.6**	58.3	70.4	128.7

Directly attributable expenses comprise fixed and variable expenses incurred by the Group and the Company in the reporting period that relate directly to fulfilling insurance contracts issued, and have therefore been allocated to insurance service expenses within the consolidated statements of comprehensive income.

Other operating expenses were $189.6 million in 2023 compared to $128.7 million in 2022. A significant driver of the increase in operating expenses is the increase in variable costs related to remuneration of $31.9 million given the strong financial performance of the Group. Fixed expenses have increased by 24.4% or $29.0 million largely due to the Group's growth and subsequent impact on headcount. IT and consulting expenses also increased during the year as we focused on upgrading our systems and data capabilities. For the year ended 31 December 2023, $82.2 million of operating expenses were considered directly attributable to the fulfillment of (re)insurance contracts issued, and have therefore been re-allocated to insurance service expenses and form part of the insurance service result. This compares to $70.4 million in 2022.

For the year ended 31 December	2023 $m			Restated 2022 $m		
LICL	**Other operating expenses**	**Directly attributable expenses**	**Total expenses**	Other operating expenses	Directly attributable expenses	Total expenses
Employee remuneration costs	16.6	11.4	28.0	10.0	8.7	18.7
Operating expenses	12.6	9.4	22.0	8.2	10.6	18.8
Total	**29.2**	**20.8**	**50.0**	18.2	19.3	37.5

LICL conducts business with its parent company and other Group subsidiaries. This includes providing services, including professional and administrative support services, to related entities within the Group. Service agreements are in place to allow corresponding expenses to be re-allocated to the relevant entity with a mark-up to reflect commercial terms.

Net insurance financing result

IFRS 17 requires insurance contracts issued and reinsurance contracts held to be accounted for on a discounted basis. The table below shows the total impact of discounting recognised in the consolidated statement of comprehensive income for the years ended 31 December 2023 and 31 December 2022.

A. BUSINESS AND PERFORMANCE

For the year ended 31 December	2023 $m			2022 $m		
LHL	**Insurance contracts issued**	**Reinsurance contracts held**	**Total**	Insurance contracts issued	Reinsurance contracts held	Total
Initial discount included in insurance service result	**101.9**	**(17.2)**	**84.7**	109.1	(36.6)	72.5
Unwind of discount	(84.2)	28.4	(55.8)	(39.7)	13.7	(26.0)
Impact of change in assumptions	(14.1)	3.3	(10.8)	59.8	(20.4)	39.4
Finance (expense) income	**(98.3)**	**31.7**	**(66.6)**	20.1	(6.7)	13.4
Total net discounting income (expense)	**3.6**	**14.5**	**18.1**	129.2	(43.3)	85.9

For the year ended 31 December	2023 $m			2022 $m		
LICL	**Insurance contracts issued**	**Reinsurance contracts held**	**Total**	Insurance contracts issued	Reinsurance contracts held	Total
Initial discount included in insurance service result	**67.2**	**(5.0)**	**62.2**	62.1	(14.3)	47.8
Unwind of discount	(47.2)	11.6	(35.6)	(21.9)	6.0	(15.9)
Impact of change in assumptions	(9.3)	1.3	(8.0)	34.7	(9.3)	25.4
Finance (expense) income	**(56.5)**	**12.9**	**(43.6)**	12.8	(3.3)	9.5
Total net discounting income (expense)	**10.7**	**7.9**	**18.6**	74.9	(17.6)	57.3

The discounting approach and the yield curves used to discount the cash flows of insurance contracts issued and reinsurance contracts held for our major currencies are provided within the risk disclosures on pages 157 to 158 of the Group's 2023 Annual Report and Accounts.

An analysis of the Group's net investment return is disclosed within note 4. The relationship between the Group's total finance income and expense from insurance contracts issued, and reinsurance contracts held, is not typically expected to correlate directly with the Group's net investment return since:

- the Group's investment portfolio is of greater magnitude than its insurance contract liabilities, net of its reinsurance contract assets;
- in accordance with the requirements of IFRS 17, the discount rate used in respect of the Group's insurance contract liabilities, and reinsurance contract assets, are set with specific reference to the Group's insurance contracts, and not its investment portfolio; and
- there are a mixture of securities within the Group's investment portfolio, certain of which do not have their valuation directly or primarily affected by changes in interest rates.

LICL's other income for the years ended 31 December 2023 and 2022:

The Company has entered into a QST agreement with CCL 1998. Under this agreement CCL 1998 cedes 85% of its financial result, which includes both insurance and non-insurance balances, to LICL.

LICL's share of the CCL 1998 net financial results is shown in the statement of comprehensive income within net other income:

For the year ended 31 December	**2023 $m**	Restated 2022 $m
Insurance revenue	602.7	497.2
Insurance service expenses	(339.2)	(467.0)
Insurance service result before reinsurance contracts held	**263.5**	30.2
Allocation of reinsurance premium	(173.3)	(142.0)
Allocation of recoverable from reinsurers	34.6	138.0
Net expense from reinsurance contracts held	**(138.7)**	(4.0)
Insurance service results	**124.8**	26.2
Net investment income	21.2	(3.5)
Finance income (expense) from insurance contacts issued	14.9	(2.6)
Finance (expense) income from reinsurance contracts held	(35.5)	6.3
Net insurance and investment result	**125.4**	26.4
Other (expense) income	(8.3)	1.8
Other operating expenses	(30.8)	(16.1)
Net result	**86.3**	12.1
LICL 85.0% share of the net result of CCL 1998	**73.4**	10.3

Under this QST agreement, LICL holds $252.3 million (31 December 2022 – $400.9 million) of cash and cash equivalents and fixed maturity securities in Funds at Lloyd's ("FAL") with the remaining FAL requirement covered by an LOC and collateralised pledge facility. Since 15 October 2021, LICL agreed to provide 100% of FAL an increase from the previous 85%. During the year, LICL

A. BUSINESS AND PERFORMANCE

increased the uncollateralised facility for FAL purposes to \$215.5 million (31 December 2022 – \$181.5 million). As at 31 December 2023 \$215.5 million (31 December 2022 – \$181.5 million) of the LOC was issued under this facility.

OECD global minimum tax and Bermuda corporate income tax

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021 the OECD released a draft legislative framework, followed by detailed guidance in March 2022, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws.

Subsidiary companies in the UK, Canada and Australia will be subject to a global minimum tax of 15% from 1 January 2024 as they are implementing an income inclusion rule or a qualifying domestic minimum top-up tax.

Legislation was also passed in Bermuda on 27 December 2023 to implement a corporate income tax regime from 1 January 2025. The Bermuda corporate income tax regime will supercede the previously granted tax assurances which provided an exemption from corporate income taxes until 31 March 2035 for LHL and its Bermuda domiciled subsidiaries. To the extent the Bermuda corporate income tax results in an effective tax rate of less than 15%, the shortfall in tax will be collected applying the Pillar Two, under taxed payments rule which will be implemented on 1 January 2025. Any shortfall in tax will be collected in a jurisdiction that has implemented the under taxed payments rule and in which the Group has operating subsidiaries. For Lancashire this is likely to be the UK, however based on its limited international presence, Lancashire expects to meet the relevant conditions to benefit from exclusion for a period of five years, from 2025 to 2029, from the under taxed payments rule.

The Group will continue during 2024 to assess the potential impact of the Economic Transition Adjustment introduced by the recent Bermuda Corporate Tax legislation. In light of emerging guidance and uncertainty as to the potential impact for the Group, no decision has yet been taken as to whether to take advantage of available tax deductions arising from the Economic Transition Adjustment or to use the opt out available.

The Group does not anticipate that it will become subject to the Bermuda corporate income tax until 1 January 2030, as it expects to fall within the exclusion within the Bermuda corporate income tax rules that means groups with a limited international presence are excluded from scope for a period of up to five years. In the event the Group makes a future decision to make use of the Economic Transition Adjustment it expects to have potential deferred tax assets relating to the transition rules and elections available in the Bermuda corporate income tax legislation but does not consider that taxable profits for 2030 and subsequent years can currently be considered to be sufficiently probable to allow for recognition of any potential deferred tax assets in the short term.

B. GOVERNANCE STRUCTURE

B1: SYSTEM OF GOVERNANCE

The Group strives to implement simple yet effective systems of corporate governance in a way which helps shape strategy, monitors its implementation, balances support and challenge for management and the business, and embeds a positive and open corporate culture throughout the Group. The LICL Board aligns its systems of corporate governance with that of the Group where applicable.

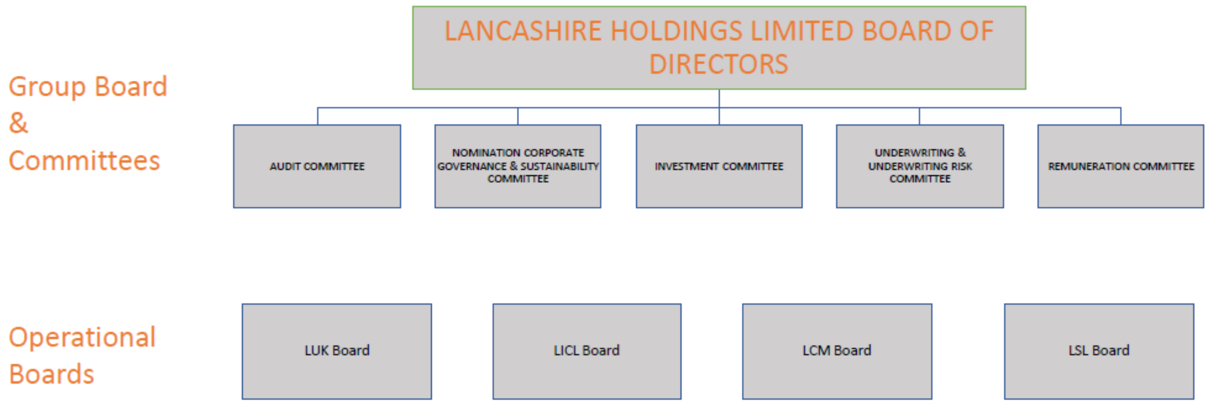
Good strategic debate and decision making remain central to the work of any board. At LHL and LICL, we are fortunate in having a nimble strategy and a simple "flat" structure with a total employee headcount at 31 December 2023 of 393 at LHL of which 66 are LICL employees. This means that all our Directors have regular opportunities to meet with both the members of our management team and other employees within the business. That helps inform the Board's active understanding of the business, its needs and challenges.

Bermuda regulated insurers are required to prepare an ORSA report (GSSA for Group reporting, and CISSA for LICL reporting). Both the management team and the Board have engaged fully with the ORSA process, and use it as a tool to help deepen their understanding of the business, better understand the risks and opportunities facing it, and to refine and focus Lancashire's strategic thinking and priorities.

As a premium-listed company on the LSE, LHL measures its corporate governance compliance against the requirements of the UK Corporate Governance Code published by the UK FRC. The UK's Financial Conduct Authority ("FCA") requires each company with a premium listing to 'comply or explain' against the Code (i.e. to disclose how it has complied with Code provisions or, if the Code provisions have not been complied with, provide an explanation for the non-compliance). The Group monitors its compliance with the Code on at least a quarterly basis. The LICL Board seeks to align its general approach, in relation to the matters that they regularly consider, with that of the LHL Board and Committees, and their terms of reference as adopted from time to time.

As a wholly owned subsidiary of LHL, LICL benefits from the guidance provided by the Group's Board and Committees.

The Group's Board has established Audit, Investment, Nomination Corporate Governance & Sustainability, Underwriting and Underwriting Risk, and Remuneration Committees. Each of the Committees has written terms of reference, which are reviewed regularly and are available on the Group's website. The LHL Board and its Committees are generally scheduled to meet quarterly, although additional meetings and information updates are arranged as business requirements dictate. LICL's Board also generally meets quarterly.



Please refer to the Corporate Governance section of the Group's 2023 Annual Report and Accounts for additional details on the Group's system of governance, supplementary to that disclosed below: Investors - Lancashire Group.

B2: BOARD MEMBERS AND SENIOR EXECUTIVES

The Board of Directors is responsible for the leadership, strategy, and control, and the long-term success and sustainability of Lancashire's business. The Board has reserved a number of matters for its decision, including responsibility for setting the Group's values and standards, and approval of the Group's strategic aims and objectives. The Board is responsible for the approval of the Group's risk appetites, defining its risk tolerances, and setting and monitoring the risk management and internal control systems, including compliance with risk tolerances.

The Board and its Committees meet on at least a quarterly basis. At the regular quarterly Board meetings, the Directors review all areas of the Group's business, strategy and risk management and receive reports from management on underwriting, reserving, reinsurance, finance, investments, capital management, internal audit, risk, legal and regulatory developments, compliance, climate change risk, ESG and sustainability and other matters affecting the Group. Management provides the Board with the information necessary for it to fulfil its responsibilities. In addition, presentations are made by external advisers such as the independent actuary, the investment managers, the external auditors, the remuneration consultants and the corporate brokers. The Board Committees are authorised to seek independent professional advice at the Company's expense.

Further information relating to the Group Board committees can be found on pages 76 to 100 of LHL's 2023 Annual Report and Accounts, available on the Group's website here: Investors - Lancashire Group.

B. GOVERNANCE STRUCTURE

(i) Directors and roles and responsibilities of key functions

LHL Directors

Peter Clarke	Non-Executive Chair
Michael Dawson	Non-Executive Director
Simon Fraser	Non-Executive Director (resigned 26 April 2023)
Robert Lusardi	Senior Independent Non-Executive Director
Irene McDermott Brown	Non-Executive Director
Sally Williams	Non-Executive Director
Jack Gressier	Non-Executive Director
Bryan Joseph	Non-Executive Director (appointed 26 April 2023)
Philip Broadley	Non-Executive Director (appointed 8 November 2023)
Alex Maloney	Group Chief Executive Officer
Natalie Kershaw	Group Chief Financial Officer

LICL Directors

Beverley Todd	Non-Executive Chair
Hayley Johnston	Chief Executive Officer
Jennifer Wilson	Chief Financial Officer
Benjamin Readdy	Group Chief Actuary
James Irvine	Chief Underwriting Officer (resigned 20 April 2023)
Nick Thompson	Chief Underwriting Officer (appointed 20 April 2023)

Philip Broadley has also been appointed as the LHL Chair designate, and Lancashire expects his appointment as Chair to take effect immediately following Lancashire's 2024 AGM to be held on 1 May 2024 ("the 2024 AGM"), subject to shareholder approval. Peter Clarke, who has served as Chair of Lancashire since 2016, has recently completed nine years' service as a Director on the Lancashire Board. In accordance with recommended governance practice, Peter Clarke will therefore step down from his roles as Chair and Non-Executive Director following the 2024 AGM.

See Appendix 2 below for details of the skills and experience of the LHL and LICL Directors.

See section B4(ii) for details on the risk management function holder, B6 for details on the internal audit function holder and B7 for details on the actuarial function holder.

(ii) Remuneration policy and practices

Detailed information concerning the Group's remuneration policies and practices can be found on pages 99 to 117 of LHL's Annual Report and Accounts for 31 December 2023: Investors - Lancashire Group.

The Remuneration Policy is geared towards providing a level of remuneration which attracts, retains and motivates Executive Directors of the highest calibre to further the Group's interests, and to optimise long-term shareholder value creation, within appropriate risk parameters. The Remuneration Policy also seeks to ensure that Executive Directors are provided with appropriate incentives to drive Group and individual performance, and to reward them fairly for their contribution to the successful performance of the Group.

The Group's goal continues to be to reward its employees fairly and responsibly by providing an appropriate balance between fixed remuneration and variable remuneration, linked to the achievement of suitably challenging Group and individual performance measures.

There is a strong link between the Remuneration Policy and the business strategy. The Group's strategy focuses on the effective operation of the business necessary to deliver superior total shareholder returns on a risk-adjusted basis over the course of the insurance cycle. Our Remuneration Policy, and the way it is implemented, are closely aligned to this strategy. The Remuneration Committee of the Board of Directors sets the Remuneration Policy for the Group's Chairman, the Executive Directors, Company Secretary, and other designated senior executives to deliver long-term benefits to the Group. The full terms of reference for the Remuneration Committee are available on the Group's website here: Board Committees - Lancashire Group.

The Remuneration Policy for all staff is, in principle, broadly the same as that for Executive Directors in that any of the Group's employees may be offered similarly structured packages, with participation in annual bonus and long-term incentive plans, although award types (restricted cash, restricted stock or performance shares) and size may vary between different categories of staff. For Executive Directors, with higher remuneration levels, a higher proportion of the compensation package is subject to performance pay, share based remuneration and deferral. This ensures that there is a strong link between remuneration, Group performance and the interests of shareholders.

Bonus Plan

The annual bonus is based on financial and strategic/personal performance. The precise weightings may differ each year, although there will be a greater focus on financial as opposed to strategic/personal performance.

The Remuneration Committee have the ability to increase or decrease the amount payable (subject to the cap) to ensure a robust link between reward and performance. At least one third of each Executive Director's bonus is automatically deferred into shares as nil-cost options or conditional awards over three years, with one-third vesting each subsequent year. The maximum bonus for Executive

B. GOVERNANCE STRUCTURE

Directors for achieving the target level of performance as a percentage of salary is 200%. Maximum opportunity is two times target (i.e. 400%).

The bonus is subject to clawback if:

(i) the financial statements of the Company were materially misstated or an error occurred in assessing the performance conditions of the bonus;
(ii) the Company has suffered an instance of corporate failure which has resulted in the appointment of a liquidator or administrator or resulted in the Company reaching a compromise arrangement with its creditors;
(iii) the Company or the relevant business unit for which the participant works suffers damage to its business or reputation which, in the determination of the Committee, is at least partly due to a breach of corporate risk policies/tolerances and to a failure in the management of the Company or relevant business unit and to which the participant made a material contribution; and/or
(iv) the Executive ceased to be a Director or employee due to gross misconduct.

Strategic/personal performance is based upon achievement of clearly articulated objectives, which may include ESG measures that are aligned with the Company's overall purpose and strategy. A performance rating is attributed to participating Executive Directors, which determines the pay-out for this part of the bonus.

Further details of the performance criteria for the 2023 annual bonus award for the Group's CEO and CFO are disclosed on page 107 to 108 of LHL's Annual Report and Accounts for 31 December 2023: Investors - Lancashire Group.

Long Term Incentives

RSS awards are normally made annually in the form of nil-cost options (or conditional awards), with vesting dependent on the achievement of performance conditions over at least three financial years, commencing with the year of grant. This three-year period is longer than the typical pattern of loss reserve development on the Group's insurance business, which is approximately two years.

Chair and Non-Executive Directors' fees

The Chair is paid a single fee for his responsibilities as Chair. The level of these fees is reviewed periodically by the Remuneration Committee and the Group CEO by reference to broadly comparable businesses in terms of size and operations.

In general, the Non-Executive Directors are paid a single fee for all responsibilities, although supplemental fees may be payable where additional responsibilities are undertaken, including a Non-Executive Director role on a subsidiary board.

Any reasonable business-related expenses (including any personal tax payable) can be reimbursed.

(iii) Pension or early retirement schemes

The Group operates a defined contribution pension scheme (via outsourced pension providers), or cash-in-lieu of pension. There is a salary sacrifice structure in the UK and the opportunity for additional voluntary contributions to be made by individuals, if elected. The pension scheme operates on the same basis for all employees in the Group, and there are no supplementary retirement schemes for executive directors or key function holders. Non-Executive Directors do not receive any retirement benefits.

(iv) Material transactions with shareholders, persons who exercise significant influence, board members, or senior executives

Mr Maloney and his spouse acquired 100.0% of the shares in Nameco on 7 November 2016. Nameco provides capacity to a number of Lloyd's syndicates, including Syndicate 2010 which is managed by LSL. Nameco has provided $0.2 million of capacity to Syndicate 2010 for the 2024 year of account (2023 year of account – $0.2 million). Mr Maloney receives a proportionate share of the underwriting results of Syndicate 2010 to which he is contractually entitled through his participation. These transactions occurred on an arm's length basis.

For the year ended 31 December 2023, the following dividends were declared:

LHL:

Type	Per share amount	Record date	Payment date	$m
Final	$0.10	5 May 2023	2 June 2023	23.9
Interim	$0.05	18 Aug 2023	15 Sep 2023	11.9
Special	$0.50	17 Nov 2023	15 Dec 2023	119.5

LICL:

Type	Per share amount	Record date	Payment date	$m
Final[1]	n/a	8 November 2023	31 January 2024	175.0

[1] As at 31 December 2023, other payables included a dividend payable to LHL of $10.4 million. This was paid in full on 31 January 2024.

SHARE REPURCHASES

At the AGM held on 26 April 2023, LHL's shareholders approved a renewal of the Company's Repurchase Programme authorising the repurchase of a maximum of 24,401,000 common shares, with such authority to expire on the conclusion of the 2024 AGM or, if earlier, 15 months from the date the resolution approving the Repurchase Programme was passed.

B. GOVERNANCE STRUCTURE

During the year ended 31 December 2023, no shares were repurchased by the Company under the Repurchase Programme. During the year ended 31 December 2022, 4,589,592 common shares were repurchased by the Company under its Repurchase Programme, at a weighted average share price of £4.23.

Under the Repurchase Programme, the Board authorised management to repurchase 24,401,000 common shares within certain parameters for a maximum consideration not exceeding $50.0 million, commencing on 22 November 2023 and ending on 29 February 2024. No shares were repurchased by the Company during this period.

B3: FITNESS AND PROPRIETY REQUIREMENTS

(i) Process for assessing Board members and Senior Executives

The Group has implemented a 'fit and proper' policy and process for the individuals who effectively run the Group, or hold other key functions. The fit and proper policy explicitly covers the Chair, CEO, Chair of the Audit Committee, Chair of the Remuneration Committee, Company Secretary, CFO, CRO, Compliance Oversight Officer, and the Heads of the Internal Audit and Actuarial functions. The Group defines key functions as those prescribed by the relevant regulators, as well as those functions which the Group considers to be important within the Group's system of governance. This policy has also been applied to LICL employees that hold these key functions.

The fitness for a role is based on the assessment of the individual's management competence, as well as their technical competence. The assessment of propriety of an individual is based on their reputation, which will reflect on their past conduct, criminal record, financial record, and their supervisory experience.

The Group has the following principal requirements for key function holders:

- integrity;
- soundness of judgement;
- financial competence; and
- sufficient knowledge, experience and professional qualifications.

Sufficient diversity between key functions holders is required so that they are able to govern and operate the Group effectively. Key function holders, as a collective, are required to have sufficient knowledge, experience, and qualifications to ensure that they run the Group professionally and in accordance with the applicable regulations.

The fitness and propriety of individuals is an ongoing requirement, therefore the relevant regulators are notified of any changes regarding the individuals who effectively run the companies within the Group, or are responsible for a key function. If there are changes made to personnel, then their fitness and propriety will need to be assessed. If during an assessment of fitness and propriety it is found that an individual no longer fulfills the requirement set out, then the relevant regulators will be advised.

The Group has a number of processes in place to ensure ongoing fitness and propriety. All individuals who effectively run the organisation, or are key functions holders, complete a tailored induction process, aligned to their particular skill set and responsibilities, and, as with all staff, are subject to an annual performance assessment. An ongoing assessment of the Board and its Committees is completed annually, and includes an overall review of the fitness and propriety of the composition of the Board and Committees, both collectively and individually.

(ii) Skills, knowledge and expertise of the Board and persons in key functions

The skills, knowledge and expertise of the Board and persons in key functions are included in Appendix 2.

B4: RISK MANAGEMENT AND SOLVENCY SELF ASSESSMENT

The Group's risk management system comprises of its governance structures, risk strategy, policies, and procedures, which together encapsulate the way it identifies, analyses, controls, manages, and monitors its risk profile and exposures on a continuous basis. LICL's risk management system and risk strategy is aligned with those of the Group.

(i) Processes and procedures

Risk Strategy

Our risk management strategy remains aligned to the business and capital strategy to ensure that the capital resources held are matched to the risk profile of the Group, and that the balance between risk and reward is considered as part of all key business decisions.

Our overall Group strategic goal remains to maximise risk-adjusted return for our shareholders across the underwriting cycle. The Group aims to target a maximum modelled exposure of 25% of its capital to a peak zone loss, be this to a 1 in 100 wind event, or a 1 in 250 quake event. In order to achieve these objectives, we employ an effective risk management framework. All of the Group's strategic Enterprise risk management ("ERM") objectives have a common aim of supporting its business and capital strategy.

Within this context, the primary strategic ERM objectives are to:

- ensure that all key decisions and risk taking will be undertaken within boundaries that are defined clearly, and aligned to the strategic objectives and risk profile of the Group and the Company; and
- promote informed risk taking that considers the risk reward equation in all major decisions, with a view to optimising risk adjusted change in DBVS.

B. GOVERNANCE STRUCTURE

Other key objectives are to:

- encourage a culture of risk understanding, assessing, challenging and questioning risk, including the use of stress, reverse stress and scenario testing to verify assumptions and loss scenarios;
- quantify and assign risk values to the key risks (within each risk category) to which it is exposed and maintain a risk register to track and manage such risks; and
- ensure that the Group's capital resources are aligned with its predetermined risk levels, and comply with relevant regulatory capital requirements.

Risk Appetite

The Group Board and sub-committees set the annual rolling three year strategy, from which the risk appetite and risk profile are determined. The risk appetites correspond to the level of exposure the Group and its subsidiary undertakings are willing to accept within each risk category. These risk appetites are expressed through detailed risk tolerances at both a Group and Company level. Risk tolerances represent the maximum amount of capital, generally on a modelled basis, that the Group and its subsidiary undertakings are prepared to expose to certain risks.

All risk appetites and tolerances are subject to at least an annual review and consideration by the respective Boards of Directors. The LHL and subsidiary Boards of Directors review actual risk levels versus tolerances, emerging risks, loss event and near miss reporting, key risk indicators, and an overview of the control environment (driven by key control testing and control affirmations, supported by internal audit findings) at least quarterly. In addition, on at least a monthly basis for Probable maximum loss ("PMLs"), and a quarterly basis for Realistic disaster scenarios ("RDSs"), management reviews modelled potential losses against risk tolerances and ensures that risk levels are managed in accordance with them.

The focus on ERM and governance is consistent across the cycle, with full engagement from the Group Board down. Roles and responsibilities with respect to the identification, assessment, mitigation, and monitoring of risks are clearly defined. The risk management framework drives risk culture from the bottom up, through risk and control ownership by management and staff across both the Group and the Company.

Risk Universe

The risk universe is the starting point for the identification and categorisation of all risk exposures within the Group and its subsidiary undertakings. The Group's risk universe articulates the range of risks to which it could potentially be exposed, setting the context for the risk management framework, together with the identification, monitoring, quantification and management of risk.

The risk universe categorises risks into three broad classes: intrinsic risk, operational risk, and other risk. Within these classes we have six principal risks. These risks for the Group and the Company are described in more detail on pages 28 to 31 of the LHL Annual Report and Accounts for 31 December 2023, available on the Group's website here: [Investors - Lancashire Group.]

The categorisation in the risk universe is supported by a more granular risk taxonomy demonstrating the linkage between the risk universe, the capital models, the detailed risk register, and key monitoring and reporting processes. The risk universe and taxonomy are key to enabling the risk profile across different entities to be aggregated and reported coherently, both internally and externally.

Risk Policy Framework

The Group's risk policy framework formalises its approach to the management of its more material risk categories in a way that can easily be communicated to both internal and external stakeholders.

The policies build upon the high level detail in the risk universe and the detailed controls documented in the risk register. For each category, the policies set out the key underlying sources of risk, the processes in place across the first and second line of defence to prevent and/or detect the risk and the approach to risk transfer or mitigation.

The framework documentation is designed to be proportionate to the scale and complexity of the Group's business and organisational structure and is published on the Group's SharePoint platform.

ERM Processes and Reporting Procedures

The ERM processes are effected by the Group's and subsidiary companies' Boards of Directors, management and other personnel, applied in strategy setting and across the Group. They are designed to identify potential events that may affect the Group and subsidiary companies, and manage risks within their risk appetite, to provide reasonable assurance regarding the achievement of the Group's objectives. The processes are centered on the Group's risk policies and integrated in the ERM and ORSA procedure documents which explain the day-to-day activities employed in the Group to manage risks. The Group's overall system of risk governance relies on a number of key committees and management processes to bring together effective reports on the management of risk for each management team and board within the Group.

(ii) Organisational structure and decision-making processes

The governance and the implementation of an effective risk management system within the Group is facilitated by the Group Risk Management function whose role it is to deliver ERM across all aspects of the Group and its subsidiaries. The function is headed up by the Group CRO, who reports directly to the Chairs of the Group and subsidiary boards, and facilitates and aids the identification, evaluation, quantification, mitigation, and control of risks at a Group and subsidiary level, with support from the Risk Management and Actuarial functions as required. Facilitating and embedding of ERM, together with helping the Group improve its ERM practices is a major responsibility assigned to the Group CRO. The Group CRO takes full ownership for the risk assessment process including, maintaining risk registers, and ensuring the efficacy and appropriateness of the risk management procedures and processes.

B. GOVERNANCE STRUCTURE

The Group CRO provides regular reports to the Group and subsidiary Boards covering, amongst other things, actual risk levels against tolerances, emerging risks, loss events and near miss reporting, key risk indicators, and an overview of the control environment (driven by key control testing and control affirmations and supported by internal audit findings). The Group Board considers that a supportive ERM culture, established at the Board level, and embedded throughout the business, is of key importance.

The Risk and return committee ("RRC"), under the chair of the Group CEO, is the key management governance forum for monitoring and challenging the assessment of risk on a regular and continual basis. The RRC agenda is reviewed annually to ensure its activities remain appropriate and aligned with the business cycle.

The risk management function is deemed sufficiently independent and has performed its duties in an objective and fair manner. The function has direct access to the Board to report on any matters that may impact its ability to perform its duties effectively.

(iii) ORSA Process

The ORSA process is integrated into the overall ERM framework, and is embedded throughout the entirety of the Group's risk management processes, which seek to identify, assess, manage, monitor, and report the risk exposures of the business and its strategy. It also encompasses activities used to determine the adequacy of the capital necessary to ensure that the overall solvency requirements of the business are met at all times, and involves continuous current year risk profile monitoring and reporting, as well as forward looking forecasting of the Group's risk profile.

The diagram below illustrates how the various parts of the ERM framework, all of which are underpinned by our risk culture and governance, come together to form the ORSA process.

B. GOVERNANCE STRUCTURE

ORSA Report

Bermuda regulated Groups and insurers are required to prepare an ORSA report (referred to by the BMA as the GSSA for Group reporting, and CISSA for LICL reporting). The Group ORSA report is a material output of the ongoing ORSA and ERM processes. It reports on the dynamic elements of the ORSA process, focusing on the moving components of the Group's solvency and risk profile to enable management to make informed decisions. A separate CISSA report is also completed for LICL.

In summary, the current year monitoring processes feed into the Group CRO's quarterly ORSA report to the Board, whilst the forward looking forecasting process feeds into the annual ORSA report. In both instances the reports are used to support decision making, and are standing agenda items for the Boards and other committees.

Solvency needs and risk profile

The Group considers a wide range of measures when establishing the appropriate level of capital at Group and individual entity level, including its internal measures of capital requirements used for reviewing the risk and solvency profile across entities, applicable minimum regulatory capital requirements, and external rating agency capital requirements.

Risk tolerances are set at a level that aims to prevent the Group and subsidiaries incurring losses that would impair their ability to operate.

The Group's key capital measure is currently its A.M. Best rating. The Group's maintenance of an A.M. Best rating of a minimum of A- remains the key determinant of its ability to attract and retain business in the markets in which it operates. In 2023, the Group maintained its A rating.

The Group actively reviews the level and composition of capital on an ongoing basis as part of its overall capital management processes, which include internal methods to review the profitability of individual classes of business and their relative contribution to the Group's overall capital requirements. The key aim of the capital management process is to maintain a strong balance sheet, whilst:

- maintaining sufficient capital for underwriting opportunities and to meet obligations to policyholders;
- maximising the risk-adjusted return to shareholders within predetermined risk tolerances;
- maintaining adequate financial strength ratings; and
- meeting internal, regulatory and rating agency requirements.

(iv) Board oversight, review, and approval

On an ongoing basis, the Board reviews the risk profile via the quarterly ORSA report produced by the Group CRO for the Board. The quarterly ORSA report covers all material risk exposures within each category of risk, as well as commenting on the solvency capital profile. The annual ORSA report is also reviewed and approved by the Board prior to regulatory submission.

B5: INTERNAL CONTROLS

(i) Internal control system

The LHL Board is responsible for ensuring that an adequate and effective system of internal control is established and maintained throughout the Group. The subsidiary Boards are responsible for approving and periodically reviewing the overall business strategy and significant policies, as well as the organisational structure and internal control strategy of the respective companies. The subsidiary Boards provide direction, guidance and suitable prudential oversight, ensuring that the companies are appropriately and effectively managed, controlled and in compliance with laws and regulations. The Boards are supported in discharging these responsibilities by the relevant company secretarial department, and with advice and guidance from the legal and compliance function, which is led by the Group General Counsel.

The key control activities within the Group and its subsidiaries include approval processes, authorisations, verifications, reconciliations, management reviews, monitoring compliance with agreed exposure limits and follow up on non-compliance.The control activities are proportionate to the risks coming from the processes, and they ensure that any potential conflicts of interest are identified and managed appropriately.

Control Monitoring

The Group has implemented policies and procedures to document the control environment in place, including how it mitigates regulatory risk. The Group recognises that compliance is the responsibility of all staff and directors, including non-executive directors. Ensuring the implementation of a compliance policy throughout the firm is the responsibility of the Group and the subsidiary Boards. On a day-to-day basis, executive management are responsible for ensuring that the compliance policy remains appropriate and effective.

Through its monitoring of the control framework, the Group seeks to have a continual cycle of review and improvement to ensure that the control framework remains appropriate to the needs of the subsidiary companies, and provides management with assurance of the effectiveness of the controls framework, and that appropriate procedures are in place to detect deficiencies.

Each control is allocated to an individual control owner. The risk register identifies the named control owners who are responsible for the effective performance of each of the identified controls. The actual operation of the control can be delegated by the control owner to a control operator, notwithstanding the control owner remains responsible for the suitability and operation of the control.

On a quarterly basis, all control owners/operators affirm the effectiveness and appropriateness of their assigned controls. Results are recorded on Lancashire's risk system in a process that is facilitated by the Group Risk Management function. All control assessments are reviewed by the risk owner and then reviewed and approved by the risk management function. Any material changes are reported by the CRO to the Group or subsidiary Boards on a quarterly basis as appropriate. Detailed follow-up is performed on a sample of controls each quarter, to verify the affirmations made by the control operators. All controls are tested in detail at least once per annum.

(ii) Compliance function

The Group is committed to ensuring compliance with all applicable laws and regulations and has no tolerance for breaches or a failure to adhere to prudential regulatory standards as well as the standards of conduct expected of it in those markets and territories in which it operates.

The Group compliance function oversees all Group and subsidiary compliance matters. The Group's compliance function identifies, assesses, monitors, and reports on, ongoing compliance risk exposure, including the tracking of changes in the environment that could affect compliance and regulatory risk, and the monitoring of the appropriateness of the Group's and LICL's compliance. The function is led by John Cadman, Group General Counsel and LUK CEO, who has direct access to the LHL Board. Within Bermuda, the function is led by Nick Nebard, the Head of LICL Compliance, who has direct access to the LICL Board. Compliance's key responsibilities are to identify, assess, monitor and report on the compliance risks which the Group faces, as well as the establishment of a robust compliance framework, and assessing the appropriateness of the Group's compliance procedures.

The compliance function is deemed sufficiently independent, and has performed its duties in an objective and fair manner. The function has direct access to the LHL Board, via the Group General Counsel, and to the subsidiary Boards via other team members, to report on any matters that may impact its ability to perform its duties effectively.

B6: INTERNAL AUDIT FUNCTION

The internal audit function oversees all Group and subsidiary internal audits. The function is led by Aurelie Heurlin, Head of Internal Audit. The Head of Internal Audit reports to the Group Audit Committee and the LICL Board, and is supported by a number of additional individuals who are deemed to be sufficiently skilled to perform internal audit function duties.

The Head of Internal Audit oversees internal audit and assists executive management, and the Audit Committee of the Board of Directors, in discharging their responsibilities by furnishing them with analysis, advice, and recommendations concerning activities reviewed, and by promoting effective and efficient controls, and pursuing corrective action on significant issues. Annually, Internal Audit submits to the Audit Committee a detailed audit plan outlining the proposed audit methodology, work schedule and budget for the following year. The audit work schedule is developed based on a prioritisation of the audit universe using a risk-based methodology. Any significant deviation from the formally approved work schedule is communicated to senior management and the Audit Committee through periodic activity reports. The Head of Internal Audit also provides reports to the LICL Board in respect of internal audit activities relevant to the Company.

Internal Audit's roles and responsibilities are clearly defined through the Internal Audit Charter, available on the Group's website here: Internal Audit Charter. This states that all internal audit activities shall remain free of influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of independence and objectivity.

The Internal Audit function maintains its independence and objectivity from the activities it reviews by the Head of Internal Audit reporting directly to the Group Audit Committee and subsidiary Boards. In addition, the Group CRO receives a copy of the Terms of Reference of each audit review and of each internal audit report. This integration of internal audit and ERM into the business helps facilitate the Group's protection of its assets and reputation and maintain Internal Audit objectivity.

The Group considers that the internal audit function has the required skills, knowledge and expertise to fulfill its duties.

B7: ACTUARIAL FUNCTION

The actuarial function oversees all the Group and entity level actuarial duties. Ben Readdy is the Group Chief Actuary and Christopher Rhodes is the LICL Chief Actuary, both are Fellows of the Institute and Faculty of Actuaries (IFoA) and also hold UK Practising Certificates, and comply with the additional requirements from the IFoA to maintain this certificate.

The Group and Company Chief Actuaries are supported by a number of additional individuals with the appropriate skill sets and knowledge of financial and insurance mathematics commensurate with the nature, scale and complexity of the Group's business, and deemed to be sufficiently skilled to perform the actuarial function duties. All members of the actuarial function are either fully qualified actuaries, or working towards qualification. As such, experience and skills are maintained through continued professional development, education, and adherence to the relevant professional body's code of conduct, standards or practice. The actuarial function has the required skills, knowledge and expertise to fulfill its duties.

The actuarial functions are deemed sufficiently independent, and have performed their duties in an objective and fair manner. The Group and Company functions have direct access to their respective Boards to report on any matters that may impact their ability to perform their duties effectively. Ben Readdy is also a member of the LICL Board.

In order to demonstrate independence between performing and reviewing work, Lancashire engaged external actuaries during the year to:

- conduct independent reviews of the Group's and LICL's IFRS claims reserves on a six monthly basis;
- perform the duties of the Approved Actuary under the BMA's regime and are responsible for providing an opinion on the adequacy of the EBS technical provisions to the BMA; and
- provide an opinion on the adequacy of the reserves held in the Company's U.S. Multi-beneficiary reinsurance trust ("MBRT").

The Group considers that the above internal and external resource has sufficient knowledge, skills and experience to address the requirements of the actuarial function.

B. GOVERNANCE STRUCTURE

B8: OUTSOURCING

The key objectives of the Group's outsourcing policy are:

- to ensure that the Group and subsidiary undertakings receive optimal value for money whilst also understanding and controlling the risks involved in the engagement of third party providers or outsourcing services; and
- to ensure compliance with the relevant regulatory requirements in which the Group's entities operate in respect of any outsourcing undertaken.

The Group and LICL remains fully responsible for discharging all of its obligations under the relevant rules, laws, regulations and administrative provisions, and therefore cannot contract out its regulatory obligations, and takes care to supervise the discharge of any outsourced functions and/or activities. None of the Group's or Company's key or important functions are outsourced, however external service providers are used in certain instances to provide expertise, skills, or products that are not readily available internally. External service providers have been utlised by the Internal Audit, Actuarial, Finance, (Re)insurance operations and IT functions In all instances, key and important functions are managed and supervised by employees, who retain oversight and responsibility for the functions. With the exception of the underwriting services agreement between Lancashire Capital Management Limited ("LCM"), Kinesis Reinsurance Limitied ("KRL") and Kinesis Holdings Limited ("KHL"), there are no material intra-group outsourcing arrangements in place within the Group.

B9: OTHER MATERIAL INFORMATION

There is nothing else applicable to disclose. All material information regarding the Governance Structure has been described in B1-B8 above.

C. RISK PROFILE

The Group is exposed to risks from various sources. These include underwriting risk, market risk, currency risk, credit risk, liquidity risk, operational risk, strategic risk and group risk. The primary risk to the Group is insurance underwriting risk. There have been no material changes to the Group's material risks, or the measures used to assess these risks over the 2023 reporting period.

C1: UNDERWRITING RISK

Underwriting risk continues to dominate our risk profile. It has the highest impact on the regulatory capital requirements of the BMA BSCR as well as being the primary driver for our capital decisions.

The Group and Company underwrite worldwide insurance and reinsurance contracts that transfer significant insurance risk, including risks exposed to both natural and man-made catastrophes. Historically the focus has been predominantly on short-tail risks, but in recent periods the Group has further diversified its product portfolio by building portfolios in classes that have a longer tail profile to Lancashire's traditional business. These longer tail classes include Accident & Health, casualty reinsurance, and mortgage reinsurance business. The exposure in connection with insurance contracts is, in the event of insured losses, whether premiums will be sufficient to cover the loss payments and expenses.

Insurance risk is considered at an individual contract level, at a segment level, at a geographic level, and at an aggregate portfolio level. This ensures that careful risk selection, limits on concentration, and appropriate portfolio diversification are accomplished.

Some of the business written provides coverage for natural catastrophes (e.g. hurricanes, earthquakes, wildfires and floods) and is subject to potential seasonal variation and the effects of climate change. A proportion of the business written is exposed to large catastrophe losses in North America, Europe and Japan as a result of windstorms. The level of windstorm activity, and landfall thereof, during the North American, European and Japanese wind seasons may materially impact the Group's and Company's loss experience. The North American and Japanese wind seasons are typically June to November and the European wind season November to March. The Group and the Company also bear exposure to large losses arising from other non-seasonal natural catastrophes, such as earthquakes, tsunamis, droughts, floods and tornadoes, from risk losses throughout the year and from war, terrorism and political risk and other events. The Group's associate bears exposure to catastrophe losses and any significant loss event could potentially result in impairment in the value of the Group's investment in associate.

Climate change

The Group is exposed to both climate-related risk and opportunities. The two major categories of risk being transition and physical risk.

Transition risks are those relating to the transition to a lower carbon economy and include risks such as policy and legal risk, technology risk, market risk and reputation risk. Physical risks are those relating to the physical impacts of climate change which can be acute (those from increased frequency and severity of climate related events) or chronic (due to longer-term shifts in climate patterns). As a (re)insurance company, the Group is more significantly affected by physical risk through its exposure to acute and chronic climate change. The potential financial impact from these climate-related risks is assessed through scenario testing and mitigated by the Group's strategic and risk management decisions around managing these risks. A risk radar has been prepared to illustrate the risks identified and the likelihood of these risks. The risk assessment also considers the products currently offered by the Group and how these might change over time during the transition to a lower carbon economy.

Climate change may expose the Group to the risk of heightened severity and frequency of weather-related losses. Climate related risks are identified and assessed as part of the usual risk identification and management process which includes but is not limited to: discussions with risk owners and with subject matter experts across the Group, discussions at the Emerging Risk Forum, the CCWG, and the ESG Co-ordination Committee.

Climate-related risks specific to the (re)insurance portfolios are identified and assessed as part of the day-to-day underwriting process by individual underwriters in their analysis of specific risk information, and more broadly in the context of the wider portfolio during the individual class of Business Quarterly Review and through the fortnightly RRC meetings. These reviews include: the physical location of assets insured, weather-related perils that have impacted the location and their historical frequency and severity, as well as expected short and long-term changes. The insurance and reinsurance underwriting strategy days assess climate-related risks of both current and anticipated future risks, which include but are not limited to transition risk arising from a decline in the value of assets to be insured, changing energy costs, and liability risks that could arise from climate-related litigation. Physical, transition and liability risks are considered by business segment and geographical location, and the expected impact from the risks identified is considered with respect to both magnitude and timescale.

The Group manages climate risk by using stochastic models from third-party vendors which have a long history of data quality governance. We adapt these models based upon our views of climate risk, as well as our clients' exposure data, to create aggregate loss scenarios. Underwriting guidelines support the underwriting process and provide guidance to assist underwriters in their decision making. Performance against guidelines is monitored by the regular meetings, Quarterly Business Reviews and related reporting. We have clear tolerances and preferences in place to actively manage exposures, and the Board regularly monitors our PMLs.

The Group accepts risks for periods primarily of one year, which mitigates the potential short-term impacts of climate risk. The Group has the ability to re-evaluate the portfolio on an annual basis and therefore reprice physical risk and reset exposure levels to consider new data regarding the frequency and severity of elemental catastrophe events.

The Group actively monitors risk levels and manages catastrophe risk accumulations using reinsurance and PML based risk tolerances, which are monitored as part of our climate-related risks. The Group's exposures to certain peak zone elemental losses, as a percentage of tangible capital, including long-term debt, are shown below. Net loss estimates are undiscounted before income tax and net of reinstatement premiums and outwards reinsurance on a first occurrence return period basis.

C. RISK PROFILE

LHL As at 31 December		100 year return period estimated net loss 2023 $m	250 year return period estimated net loss 2023 $m	100 year return period estimated net loss 2022 $m	250 year return period estimated net loss 2022 $m
Zones	**Perils**				
Gulf of Mexico[1]	Hurricane	**300.5**	**364.6**	301.2	348.0
California	Earthquake	**256.0**	**311.2**	248.0	291.9
Non-Gulf of Mexico – U.S.	Hurricane	**237.9**	**448.0**	217.2	362.5
Pan-European	Windstorm	**161.4**	**201.2**	181.2	218.4
Japan	Typhoon	**134.0**	**181.2**	144.5	180.3
Japan	Earthquake	**137.6**	**244.1**	121.6	172.1
Pacific North West	Earthquake	**31.5**	**123.0**	29.5	137.5

[1] Landing hurricane from Florida to Texas.

LICL (excl CCL 1998 quota share) As at 31 December		100 year return period estimated net loss 2023 $m	250 year return period estimated net loss 2023 $m	100 year return period estimated net loss 2022 $m	250 year return period estimated net loss 2022 $m
Zones	**Perils**				
Gulf of Mexico[1]	Hurricane	**211.4**	**251.6**	207.0	252.6
California	Earthquake	**171.6**	**226.1**	163.6	199.5
Non-Gulf of Mexico – U.S.	Hurricane	**167.8**	**339.5**	146.5	252.3
Pan-European	Windstorm	**120.2**	**158.5**	138.2	164.8
Japan	Typhoon	**96.3**	**133.4**	108.6	137.3
Japan	Earthquake	**98.1**	**201.0**	92.5	128.7
Pacific North West	Earthquake	**13.6**	**70.7**	12.1	89.6

[1] Landing hurricane from Florida to Texas.

There can be no guarantee that modelled assumptions and techniques deployed in calculating these figures are accurate. There could also be an unmodelled loss which exceeds these figures. In addition, the models contain loss scenarios which could cause a larger loss to capital than the modelled expectation from the above return periods.

The Group maintains economic capital models at the LICL, LUK and syndicate levels. These models are primarily focused on insurance risks however, they are used to model other risks including market, credit and operational risks. The syndicate models are vetted by Lloyd's as part of its own capital and solvency regulations. The economic capital models produce data in the form of stochastic distributions for all classes, including non-elemental classes. The distributions include the mean outcome and the result at various return periods, including very remote events. Projected financial outcomes for each insurance class are calculated, as well as the overall portfolio including diversification credit. Diversification credit arises as individual risks are generally not strongly correlated and are unlikely to all produce profits or losses at the same time.

Within the Group's economic capital models, insurance risk accounts for the majority of the allocated risk capital, so this is the principal area where the Group and the Company applies controls and reviews. For example, the Group operates a large number of controls around monitoring risk levels across the business, with the level of insurance risk tolerance per peril set by the respective Boards of Directors at both LHL and at an entity level.

The RRC reviews the PML's on a monthly basis and the RDS's on a quarterly basis. They are also reported to the Group, LICL and LUK Boards through the quarterly Group CRO reporting and LSL Risk and Compliance Committee ("RCC") through the quarterly LSL CRO reporting. Any projected or actual breach of limits requires immediate action by management, with the risk owner being required to immediately contact the Group CRO with an explanation and mitigating plan. Actual breaches require a mitigating plan, which must be approved by the Group CRO and the Group CEO and are reported to Group management, the Risk and Return Committee ("RRC") and appropriate Board(s). There were no breaches to underwriting risk tolerance in 2023.

Mitigation

A number of controls are deployed by the Group to manage the amount of insurance exposure assumed:

- a rolling strategic plan that helps establish the business goals that the Board of Directors aims to achieve;
- a detailed three-year business plan is produced annually. The plan is approved by the Board of Directors and is monitored, reviewed and updated on an ongoing basis;
- for LSL, the syndicates' business forecasts and business plans are subject to review and approval by Lloyd's;
- economic capital models are used to model risk levels and capital requirements;
- each authorised class has a predetermined normal maximum line structure;
- each underwriter has a clearly defined limit of underwriting authority;
- the Group and individual operating entities have predetermined tolerances on probabilistic and deterministic losses of capital for certain single events, which are monitored on a regular basis;

- pricing and aggregation models are used to assist with the underwriting process; and
- reinsurance is purchased to mitigate both frequency and severity of losses on a facultative, excess of loss treaty or proportional treaty basis.

Monitoring

The continued effectiveness of the risk mitigation techniques applied is monitored by the LHL and LICL Boards through their review of the quarterly ORSA reports, and by management through the fortnightly RRC meetings.

Use of Special Purpose Vehicles

Although the majority of the Group's reinsurance arrangements are with highly rated counterparties a small number of special purpose vehicles were utilised for outwards reinsurance protection during 2023. These accounted for 9.6% (31 December 2022 – 6.5%) of the Group's reinsurance cover purchases. The fully funded principle is met as all the reinsurance protections were fully collateralized up to the limit of the relevant contracts. The collateral can only be released post expiry of the contract with our agreement.

C2: MARKET RISK

Market risk relates to the uncertainty in the level or volatility of the market prices of financial instruments. Movements in investments resulting from changes in interest and inflation rates, and currency exchange rates, amongst other factors, may lead to an adverse impact on the value of the Group and Company's investment portfolio. Investment guidelines are established by the Investment Committee of the Board of Directors to manage this risk. Investment guidelines set parameters within which the Group's and LICL's external investment managers must operate. Important parameters include guidelines on permissible asset classes, duration ranges, credit quality, currency, maturity, sectors, geographical, sovereign and issuer exposures. Compliance with guidelines is monitored on a monthly basis. Any adjustments to the investment guidelines are approved by the Investment Committee and the Board. In addition, the Group's investment guidelines restricts investments in companies which rely on thermal coal for power generation, or derive revenues from oil sands or Arctic oil/gas, as well as investments in fixed maturity securities with high carbon intensity ratings. A Climate Value at Risk ("VaR") is monitored versus the MSCI benchmark quarterly through analysis of the underlying securities as measured by MSCI for the Group's Level (i) and Level (ii) securities. 96.7% of the Group's externally managed portfolio are managed by signatories of the UNPRI.

Mitigation

The BMA's Insurance Code of Conduct requires companies to invest assets in accordance with the 'prudent person principle'. The Group's investment portfolio includes highly rated securities, across a number of sectors and a number of types of fixed maturity securities, and has a high proportion of government backed securities. The Group also has a diversified low volatility multi-strategy portfolio of hedge funds and private debt funds. Strict guidelines govern investment policy and the portfolio is monitored closely in terms of security, quality, liquidity, profitability and duration.

Risk concentration is closely monitored to ensure that there is no excessive concentration with any one issuer or issuer group, although there is a degree of concentration with the U.S. government and related agencies. Total exposure to U.S. government treasury bonds was $634.9 million at 31 December 2023 (31 December 2022 – $713.5 million), and comprises the main material exposure to a single issuer. Concentration risk is not a material component of the Group's BSCR, representing 3.7% (31 December 2022 – 3.8%) or for the Company's BSCR, representing 3.9% (31 December 2022 – 2.7%).

Assets are held to match the duration of liabilities as far as possible. Given that the majority of liabilities are denominated in U.S. dollars, there is therefore a significant amount of U.S. denominated assets held.

Performance and accounting reports are received for all investments, and a summary report is prepared for management, the Group Investment Committee, and the LICL Board.

Our investment risk is mitigated through the following:
- investment strategy: our strategy is that investment income is not expected to be a significant driver of our returns. Our primary focus remains on underwriting as the engine of profits;
- investment strategy, including investment risk tolerances, is approved annually and monitored on a quarterly basis by the Investment Committee and Board. A detailed strategic asset allocation study is performed biannually;
- investment guidelines: within the investment guidelines are subsets of guidelines for the portion of funds required to meet near-term obligations and cash flow needs following an extreme event. These guidelines add a further degree of requirements, including fewer allowable asset classes, higher credit quality, shorter duration and higher liquidity;
- investment Risk and Return Committee: the IRRC meets quarterly to ensure that the strategic and tactical investment actions are consistent with investment risk preferences, appetite, risk and return objectives and tolerances. The IRRC also helps further develop the risk tolerances to be incorporated in the ERM framework;
- modelling: periods of significant stress are modelled in order to better understand the investment portfolio's risks and exposures. The scenarios represent what could, and most likely will occur (albeit not in the exact form of the securities, which are based on historic periods of volatility);
- diversification: our portfolio is diversified across a number of sectors, geographical areas and types of investment; and
- external advisers: our principal expertise lies in underwriting so we use the services of internationally recognised investment managers who are experts in their fields. The Group's principal investment managers are signatories to the Principles for Responsible Investment.

C. RISK PROFILE

Monitoring

The continued effectiveness of the risk mitigation techniques is monitored by the Investment Committee, and by the Board, through their review of the quarterly ORSA report, and the quarterly management IRRC meetings.

The Group uses a VaR metric to measure potential losses in the estimated fair values of its cash and invested assets, and to understand and monitor risk. The VaR calculation is performed using variance/covariance risk modelling to capture the cash flows and embedded optionality of the portfolio. Securities are valued individually using standard market pricing models. These security valuations serve as the input to many risk analytics, including full valuation risk analyses, as well as parametric methods that rely on option-adjusted risk sensitivities, to approximate the risk and return profiles of the portfolio. The principal VaR measure that is produced is an annual VaR at the 99th percentile confidence level. The appropriateness of this measure is considered by the Investment Committee on behalf of the Board of Directors on an annual basis.

C3: CURRENCY RISK

The Group underwrites from multiple locations and risks are assumed on a worldwide basis. Risks assumed are predominantly denominated in U.S. dollars.

The Group is exposed to currency risk to the extent its assets are denominated in different currencies to its liabilities. The exchange gains and losses which arise on these assets and liabilities impact profit or loss.

The Group hedges monetary non-U.S. dollar liabilities primarily with non-U.S. dollar assets, but may also use derivatives to mitigate foreign currency exposures. The Group's main foreign currency exposure relates to its insurance obligations, cash holdings, investments, premiums receivable and dividends payable.

Mitigation

The Group uses forward foreign currency contracts for the purposes of managing currency exposures.

Monitoring

The continued effectiveness of the risk mitigation techniques is monitored by the Investment Committee and by the Board through their review of the quarterly ORSA report and the quarterly management IRRC meetings.

C4: CREDIT RISK

Credit risk is the risk that a counterparty may fail to pay, or repay, a debt or obligation. The Group and the Company is exposed to credit risk in respect of its fixed maturity investment portfolio, cash and cash equivalents, accrued interest receivable, derivative financial instruments, amounts recoverable from reinsurers within reinsurance contract assets, amounts receivable from insureds and cedants included within insurance contract liabilities, and other receivables. The Group and the Company are exposed to credit risk on the fixed maturity investment portfolio and derivative instruments, its inwards premiums receivable from insureds and cedants, and on any amounts recoverable from reinsurers.

The table below presents an analysis of the major exposures to counterparty credit risk, based on their rating. The table includes amounts due from policyholders and unsettled investment trades. The quality of these receivables is not graded but based on management's historical experience, there is limited default risk associated with these amounts.

LHL As at 31 December	**Cash and cash equivalents** **2023** **$m**	**Fixed maturity securities** **2023** **$m**	**Credit exposed component of reinsurance contracts held** **2023** **$m**	Cash and cash equivalents 2022 $m	Fixed maturity securities 2022 $m	Credit exposed component of reinsurance contracts held 2022 $m
AAA	463.2	246.9	—	382.7	189.3	—
AA+, AA, AA-	2.9	931.8	3.6	2.5	903.4	4.1
A+, A, A-	285.7	587.1	410.3	163.4	459.0	513.1
BBB+, BBB, BBB-	5.1	372.4	2.2	0.0	284.4	2.7
Other[1]	—	141.9	51.9	0.2	128.8	50.5
Total	**756.9**	**2,280.1**	**468.0**	548.8	1,964.9	570.4

[1] Reinsurance contracts held classified as “other” include $43.4 million (31 December 2022 – $42.0 million) which are fully collateralised.

The Group's maximum exposure to credit risk arising from insurance contracts issued is $747.1 million (31 December 2022 – $622.2 million, which relates to the elements of the insurance contract liabilities balance which are considered to be exposed to credit risk, specifically, premium receivables and reinstatement premium receivables, net of profit commissions payable on inwards reinsurance business.

LICL As at 31 December	Cash and cash equivalents 2023 $m	Fixed maturity securities 2023 $m	Credit exposed component of reinsurance contracts held 2023 $m	Cash and cash equivalents 2022 $m	Fixed maturity securities 2022 $m	Credit exposed component of reinsurance contracts held 2022 $m
AAA	291.0	219.6	—	262.5	160.3	—
AA+, AA, AA-	—	715.5	3.6	—	684.3	4.1
A+, A, A-	103.1	432.8	119.4	57.8	323.9	187.6
BBB+, BBB, BBB-	5.1	307.4	0.8	—	222.9	1.1
Other[1]	—	141.9	42.9	0.2	128.7	44.2
Total	**399.2**	**1,817.2**	**166.7**	**320.5**	**1,520.1**	**237.0**

[1] Reinsurance contracts held classified as "other" include $41.4 million (31 December 2022 – $41.5 million) which are fully collateralised.

As at 31 December 2023, the average credit quality of the fixed maturity portfolio was A+ (31 December 2022 – A+).

Mitigation

Credit risk on the fixed maturity portfolio is mitigated through the Group's policy to invest in instruments of high credit quality issuers, and to limit the amounts of credit exposure with respect to particular ratings categories and any one issuer. Securities rated below an S&P or equivalent rating of BBB-/Baa3 may comprise no more than 15.0% of shareholders' equity. In addition, no one issuer, with the exception of U.S. government and agency securities, other G10 government guaranteed securities (excluding Italy), and Australian sovereign debt, should exceed 5.0% of shareholders' equity. The Group is therefore not exposed to any significant credit concentration risk on either its fixed maturity investment portfolio, or cash and cash equivalents, except for fixed maturity securities issued by the U.S. government and government agencies, and other highly-rated governments.

Credit risk on insurance contract cash flows from insureds and cedants is managed by conducting business with reputable broking organisations, with whom the Group has established relationships, and by rigorous cash collection procedures. The Group also has a broker approval process in place. Binding authorities are subject to standard market controls, including credit control. Credit risk from reinsurance contract cash flows is primarily managed by the review and approval of reinsurer security.

Monitoring

The continued effectiveness of the risk mitigation techniques is monitored by the Investment Committee, and the Board of Directors, through their review of the quarterly ORSA reports, and the quarterly management IRRC meetings for credit risk in the investment portfolio, the RSC for credit risk relating to the reinsurance recoverables and the Broker Vetting Committee for credit risk relating to insurance intermediaries.

C5: LIQUIDITY RISK

Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring an unreasonable cost. The Group's main exposures to liquidity risk are with respect to its insurance, investment, and operational activities. The Group is exposed if proceeds from financial assets are not sufficient to fund obligations arising from its insurance contracts issued. The Group can be exposed to daily calls on its available investment assets, principally to settle insurance claims and to fund trust accounts following a large catastrophe loss.

Exposures in relation to insurance activities are as follows:

- large catastrophic events, or multiple medium-sized events in quick succession, resulting in a requirement to pay a large value of claims within a relatively short time frame, or to fund trust accounts;
- failure of insureds or cedants to meet their contractual obligations with respect to the payment of premiums in a timely manner; and
- failure of reinsurers to meet their contractual obligations with respect to the payment of claims in a timely manner.

Exposures in relation to investment activities are as follows:

- adverse market movements and/or a duration mismatch to obligations, resulting in investments being disposed of at a significant realised loss; and
- an inability to liquidate investments due to market conditions.

Subject to maintaining sufficient liquidity in aggregate across the Group's fully aligned entities, Lancashire has the ability to perform intra-group transactions in the event of temporary liquidity shortfalls at the individual entity level. This obviates incurring any costs that might result from raising entity-specific liquidity through external means.

Mitigation

The Group manages its liquidity risks via its investment strategy to hold high quality, liquid securities, sufficient to meet its insurance liabilities and other near-term liquidity requirements. The creation of the core portfolio and core plus portfolios, with their subset of guidelines, aims to ensure funds are readily available to meet potential insurance liabilities in an extreme event, plus other near-term liquidity requirements. Detailed information on the Groups liquidity risk can be found on pages 161 to 163 of LHL's Annual Report and Accounts for 31 December 2023: Investors - Lancashire Group. In addition, the Group has established asset allocation and maturity parameters within the investment guidelines, such that the majority of the investments are in high quality assets which could be converted into cash promptly, and at minimal expense. The Group monitors market changes and outlook, and reallocates assets as deemed necessary. The Group also monitors and reports Group liquidity against tolerances to the LICL Board.

Monitoring

The continued effectiveness of the risk mitigation techniques is monitored by the Board's Investment Committee through quarterly investment performance reports and the Group and LICL Board through their review of the quarterly ORSA report plus the quarterly management IRRC meetings.

As at 31 December 2023, the Group considers that it has more than adequate liquidity to pay its obligations as they fall due.

C6: OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, systems, or non-insurance external events. The Group and its subsidiaries have identified and evaluated their key operational risks, and these are incorporated in the risk registers and modelled within the subsidiaries' capital models.

The Group has also established, and monitors compliance with, internal operational risk tolerances. The RRC reviews operational risk on at least an annual basis and operational risk is covered in the Group CRO's quarterly ORSA report to the LHL Board of Directors, entity level boards, and in the LSL RCC reporting.

Mitigation

In order to manage operational risks, the Group has implemented a robust governance framework. Policies and procedures are documented and identify the key risks and controls within processes. Key risk indicators have been established and are monitored on a regular basis, and a formal loss event and near-miss reporting process has been implemented. The risk management function facilitates a quarterly risk and control affirmation process and performs detailed control testing, the outcomes of which inform the CRO's quarterly opinion of the overall control environment. The Group's internal audit function provides independent feedback with regard to the accuracy and completeness of key risks and controls, and independently verifies the effective operation of these through sample testing. All higher risk areas are subject to an annual audit, while compliance with tax operating guidelines is reviewed quarterly. Frequency of consideration for audit for all other areas varies from quarterly at the most frequent, to a minimum of once every four years, on a rotational basis.

The operational cyber risk that comes with employees working from home is managed through enhanced monitoring of network activity, targeted staff training, a quarterly risk and control affirmation process, annual testing of business continuity plans and disaster recovery plans, and a cyber security incident response plan. The risk is monitored on an ongoing basis through the use of a series of quantitative key risk indicators which are the aggregate of key performance indicators monitored by the Group's information security function.

Monitoring

The continued effectiveness of the risk mitigation techniques is monitored by the LHL and LICL Board through their review of the quarterly ORSA report and the quarterly risk register approval process plus the Board's input into the Company's strategy and business plan.

C7: STRATEGIC RISK

The Group and Company has identified several strategic risks. These include:

- the risks that either the poor execution of the business plan or an inappropriate business plan in itself results in a strategy that fails to adequately reflect the trading environment, resulting in an inability to optimise performance, including reputational risk;
- the risks of failing to maintain adequate capital, accessing capital at an inflated cost or the inability to access capital. This includes unanticipated changes in vendor, regulatory and/or rating agency models that could result in an increase in capital requirements or a change in the type of capital required;
- the risks of inadequate succession planning, lack of staff retention and key man risks; and
- risks of organisational stretch as the Group grows in terms of volume of business written and number of employees as well as from transformation programmes to ensure the company has appropriate systems of infrastructure and data in place to support the business.

Mitigation

Business plan risk – the Group and Company addresses the risks associated with the planning and execution of the business plan through a combination of the following:

- an iterative annual forward-looking business planning process with cross departmental involvement;
- evaluation and approval of the annual business plan by the Board of Directors;
- regular monitoring of actual versus planned results;
- periodic review and re-forecasting as market conditions change; and
- evaluation of climate change and the potential short, medium and long-term implications/considerations for the business.

Capital management risk – risks associated with the effectiveness of the Group and Company's capital management are mitigated as follows:

- regular monitoring of current and prospective regulatory and rating agency capital requirements;
- oversight of capital requirements by the Board of Directors;

C. RISK PROFILE

- ability to purchase sufficient, cost-effective reinsurance;
- maintaining contact with vendors, regulators and rating agencies in order to stay abreast of upcoming developments; and
- participation in industry groups such as the International Underwriters Association, the Association of Bermuda Insurers and Reinsurers and the Lloyd's Market Association.

Retention risk – the risk of inappropriate succession planning, poor staff retention in key roles, and poor management of key person risks. Risks associated with succession planning, staff retention and key person risks are mitigated through a combination of resource planning processes and controls, including:

- the identification of key personnel, together with appropriate succession plans;
- documented recruitment procedures, position descriptions and employment contracts;
- resource monitoring and the provision of appropriate compensation, including equity based compensation which vests over a defined time horizon;
- the use of KRIs for voluntary staff turnovers; and
- training schemes.

Monitoring

The continued effectiveness of the risk mitigation techniques for strategic risk is monitored by the Board through their review of the quarterly ORSA report, and the quarterly capital paper. The Group Board's Nomination, Corporate Governance and Sustainability Committee is responsible for monitoring the adequacy of the Group's succession plans. The LICL Board is responsible for monitoring the adequacy of the Company's succession plans.

C8: GROUP RISK

Group risks are any risks that may not have an impact at the individual entity level but have to be considered at the group level such as contagion risk or aggregation of business risks. Group risk is considered and evaluated by the LHL Board on a quarterly basis, as is the concentration of risk in each individual risk area (e.g. insurance, credit etc.). There are no significant risk concentrations at the Group level that are not otherwise reported above.

Mitigation & Monitoring

Group risks need to be considered on a case-by-case basis and as such there is no one size fits all mitigation strategy. The inclusion of group risk within the Group CRO's quarterly ORSA report ensures it is brought to the attention of the LHL Board and suitable mitigation plans can be put in place.

C9: STRESS TESTING AND SENSITIVITY ANALYSIS

Stress and scenario testing is a key part of the overall ERM framework, and helps to provide a better understanding of the risks that the Group is exposed to in both business as usual and stressed circumstances. It informs the development of risk appetites and tolerances, and acts as a key input to capital management processes. The Group conducts sensitivity, stress (standard and reverse) and scenario testing on both a scheduled and ad-hoc basis as part of a number of the underlying components in the ERM and ORSA frameworks.

A range of sensitivity, stress and scenario testing techniques were applied throughout the year in response to specific actual, and proposed, changes to the business strategy and risk profile.

Sensitivity testing was conducted as part of the on-going development and validation of the internal model, methodology and assumptions across material risk categories. This was overseen by the RRC and involved management and subject matter experts from throughout the business.

Scenario testing was used to assess the risk, return and capital implications of alternative potential planning scenarios. It was supported by the use of modelling outputs and applied both within the annual business planning process and on an ad-hoc basis to support the evaluation of potential changes in business strategy. The scenarios covered the following key risk areas: insurance risk, investment risk, liquidity risk, operational risk and regulatory risk. They are, however, predominately underwriting focused which is deliberate given that underwriting is by far the most significant driver of the Group's tail risk and therefore is the natural focus in terms of stress testing the stability of the Group. Our climate change scenario incorporates underwriting and investment risks as we consider the transition risk and physical risk.

Standard stress testing was used to evaluate the impact of extreme yet plausible events and scenarios that might impact the business in order to test the resilience of the plan and evaluate alternative risk mitigation arrangements. It is supported by the use of catastrophe models and was applied both during the business planning and ORSA processes and reported to the Board as part of the Group CRO's quarterly ORSA report.

Reverse stress testing was focussed on deliberately deconstructing the business model to test for vulnerabilities and potential events that could make it unviable. In addition to the consideration of extreme financial loss scenarios it considered the interaction of risks such as reputational and regulatory failures and loss of key resources that might combine to make the business model unviable. It utilised a combination of quantitative and qualitative techniques. Reverse stress testing to date has been focussed at the Group level to determine the full impact to the business.

The Group considers a wide range of measures when establishing the appropriate level of capital at the Group and individual entity level, this includes our internal view of economic and risk capital, applicable regulatory minimum capital requirements, the expectations of external rating agencies, and the potential stress events or losses to which the Group is exposed. The target level of economic capital is set so as to ensure that Lancashire maintains headroom over the range of current and anticipated capital requirements that is appropriate to its risk profile at a given point in the cycle. This means that the results of stress testing and sensitivity analysis are communicated, and acted upon, as deemed appropriate through the business cycle and within the parameters of the Group's ERM framework.

To assesses the Group's going concern, the financial stability of the Group was modelled for a period of at least 12 months and a number of sensitivity, stress and scenario tests were applied. This included, among other analysis, a best estimate forecast as well as various scenarios. This incorporated different magnitudes of reserve releases and attritional, large and catastrophe loss events plus optimistic and pessimistic investment return scenarios. To further stress the financial stability of the Group, additional testing was performed. This included modelling the breakeven capital requirements of our regulators and rating agencies, the impact of potential management actions to reduce the Group's exposure to climate change-related risks, the occurrence of a number of high severity loss events impacting the Group in 2023, alongside an investment shock and finally a reverse stress test scenario designed to render the business model unviable. The testing identified that even under the more severe but plausible stress scenarios, the Group had more than adequate liquidity and solvency headroom.

In addition to the scheduled and ad-hoc testing as part of our ORSA framework, the Group may at times be required to conduct stress/ scenario testing and report outcomes in response to specific regulatory or rating agency requests.

C10: CLIMATE RISK

The Group's current assessment of risk in relation to climate change is discussed in more detail within the TCFD report on pages 49 to 70 within the Group's 2023 Annual Report and Accounts: Investors - Lancashire Group.

C11: OTHER MATERIAL INFORMATION

There is nothing else applicable to disclose. All material information regarding the Risk Profile has been described in C1-C10 above.

D. SOLVENCY VALUATION

D1: ASSETS

The breakdown of total assets in the EBS balance sheet for the years ended 31 December 2023 and 2022 is as follows:

	LHL		LICL	
As at 31 December	**2023 $m**	2022 $m	**2023 $m**	2022 $m
Cash and cash equivalents	756.9	548.8	632.5	465.5
Quoted investments	2,270.6	1,942.9	2,041.6	1,703.5
Unquoted investments	185.0	262.2	184.5	263.6
Other assets	234.2	255.2	184.0	279.1
Investment in associate	16.2	57.2	n/a	n/a
Total assets	**3,462.8**	3,066.3	**3,042.6**	2,711.7

LICL applies a full "look through" approach to the 85% inter-company quota share agreement with CCL 1998 for BSCR EBS reporting purposes. This is done by adding 85% of each of CCL 1998's assets and liabilities on a line by line basis to LICL's IFRS balance sheet values. This approach was requested by and agreed with the BMA and results in required regulatory capital requirements for LICL which more accurately reflect the risk associated with the CCL 1998 quota share agreement.

The Group and the Company have used the valuation principles outlined by the BMA's 'Guidance Note for Statutory Reporting Regime' for the reporting period's statutory filing. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair-value basis (which is the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date).

Quoted and Unquoted investments are held at fair value. The carrying value of cash and cash equivalents and other assets approximates fair value due to the short-term nature of the receivables. The investment in LCM is accounted for as an associate applying the equity method and no adjustments are required for EBS valuation purposes. Intangible assets and prepaid expenses are valued at nil for EBS valuation purposes. Premium receivable balances that are not yet due are included in the cashflows used to calculate technical provisions and those which are due but not yet received are included in the EBS.

D2: LIABILITIES

The breakdown of total liabilities in the EBS balance sheet as at 31 December 2023 and 31 December 2022 is as follows:

	LHL		LICL	
As at 31 December	**2023 $m**	2022 $m	**2023 $m**	2022 $m
Best estimate loss and loss expense provisions	1,068.4	935.8	972.4	854.4
Best estimate premium provisions net of risk margin[1]	62.7	4.2	66.5	(7.4)
Other liabilities and payables	123.6	76.8	58.7	140.2
Total liabilities	**1,254.7**	1,016.8	**1,097.6**	987.2

[1] The Group risk margin of $106.7 million (31 December 2022 – $80.8 million) and the LICL risk margin of $96.4 million (31 December 2022 – $75.3 million) is included within the EBS technical provisions balance. The increase in loss provisions is driven by continued growth in longer-tailed Casualty Reinsurance lines in the year. Movements in premium provisions are driven by overall growth across the Group but distorted by offsetting future (inward and outwards) premium cashflows.

Other liabilities and payables

Other liabilities and payables are valued for EBS purposes on the same basis as for IFRS accounting purposes, since the carrying value approximates economic value due to their short-term nature.

Best estimate loss provision, best estimate premium provision, and risk margin

The EBS basis technical provisions are comprised of three elements:

- claims provisions – the discounted best estimate of loss reserves on events which have occurred by the balance sheet date, including associated expenses and net of associated future premium;
- premium provisions – the discounted best estimate reserves on the remaining exposure of contracts which the Group is obligated to service as at the balance sheet date, including associated expenses and net of associated future premium; and
- risk margin or "market value margin" – an additional amount, in excess of the best estimate provisions, expected to be required by a third party in order to fund the future regulatory capital required to meet the obligations. This is calculated based on a cost of capital approach.

Best Estimate Future Claims Cashflows

Within the claims provisions, best estimates claim liabilities and associated reinsurance recoveries are derived using standard actuarial reserving techniques, and separately for attritional and large events. The process is overseen by the Group & LICL Reserve Committee, a management committee that reviews the reserves, with particular attention on the large events, and the approach to determining these. The reserves are then recommended for approval by the Audit Committee.

Within the premium provisions, future claims are estimated by applying expected gross ultimate loss ratios to the premiums in respect of unexpired exposure on legally bound policies (whether incepted or not). The loss ratios are sourced from the business plan and represents the best estimate view (i.e. the mean of the distribution of future outcomes) of the losses likely to emerge in future periods, and as such are deemed a reasonable assumption to use. Reinsurance recovery ratios, which are again sourced from the business plan, are applied to the gross future claims to determine the expected future reinsurance cashflows. The Events not in data ("ENID") uplift, see below, is applied to these amounts to move this estimation to an 'all outcomes' basis.

Allowance for Events Not in Data

The actuarial best estimate future claims are uplifted from a 'reasonably foreseeable' basis to include consideration of all potential outcomes whether observed within historical data or not. This implicitly includes a wider range of events in the future claim estimates and introduces the concept of an ENID allowance in the solvency provisions. This may include latent claims or very extreme high severity/low probability claims, but more widely it considers any event not observed within the historical data.

ENID uplift ratios are calculated separately for each line of business claim provisions and premium provisions. The ratios are calculated using the ratio of the mean of the full range of reserve (for claim provisions) and underwriting (for premium provisions) risk outcomes from the Group and Company's internal economic capital model to the mean of a range where outcomes above the 99th-99.5th percentile are truncated depending on the historic experience for each business line. This therefore allows for modelled events over the 1 in 100 outcome level. The same uplift proportions are applied gross and net of reinsurance. Uplifts are generally greater for premium provisions given the higher perceived uncertainty.

Allowance for Expected Reinsurer Default

An allowance is added for credit default risk on reinsurance recoverables in the balance sheet. Recoverables are identified by class based on the gross and net future claims modelling as derived through the IFRS accounting and BMA solvency reserving processes.

Use of simplified method

The following assumptions are made to derive the allowance:

- all counterparties have the same annual probability of default, equivalent to an A-rated counterparty in line with the BSCR calculation;
- a recovery rate of 50% upon default in line with the BSCR calculation;
- default occurring at a future date equal to the modified duration of the recoveries; and
- a constant probability of default in future years.

This adjustment and the assumptions used to derive it ensure consistency between the EBS technical provisions and the BSCR calculations. Further, the approach is deemed proportionate given the generally low utilisation of outwards third party reinsurance at the mean (as the technical provisions target) and also the low levels of industry default data on which to derive another more representative and accurate assumption.

Allowance for Future Expense Cashflows

An expense provision is included on top of the expected future claims to represent the future expenses required to settle the existing insurance obligations on a going concern basis. A provision is included in both the claims and premium provision.

To calculate the additional expense requirement, the Group performs an exercise to allocate historic expenses to the management of in-force business at that time. The in-force attributed expenses are then analysed as a percentage of the historical claim payments, and future expense cashflows are generated by assuming the same percentage applies to the future claim payments. The Group has used the proportionality principle and concluded that the impact of expense inflation is negligible. This is due to the short-tailed nature of the business underwritten by the Group.

Brokerage or other acquisition expenses associated with the existing premium debtors are determined when these amounts are established in the relevant bank accounts; as such these premiums debtors are booked net of acquisition costs. No further allowance for acquisition costs on (re)insurance receivables and payables is made in the technical provisions.

Allowance for Future Premium Cashflows

Future premium cashflows in respect of policies accepted or ceded are included in the technical provisions separately by contracts which have incepted, and bound contracts yet to incept.

The Group quantifies and monitors the expected future premiums balances across all policies. Amounts which are not yet due at the valuation date are included within the technical provisions. Premiums due at the valuation date are reported in the (re)insurance debtors/ creditors lines. All future (re)insurance payable and receivable balances are assumed to relate to the premium provisions within the EBS balance sheet. Amounts quantified are net of acquisition costs.

Future premium in respect of inwards policies yet to incept is taken from underwriting systems. Acquisition cost estimates on these policies are deducted through the application of the business plan brokerage and commission ratios by line of business. Future ceded reinsurance premium is estimated using the approach discussed in the following section.

D. SOLVENCY VALUATION

Allowance for Future Reinsurance Premium Covering future Exposure on Existing Legal Obligations

Credit is being taken in the technical provisions for recoveries on expected future claims events which have yet to occur. These events may occur a number of years in the future and are potentially covered by reinsurance to be purchased in these future years, notably ceded reinsurance contracts on a losses occurring basis. As a consequence, an allowance is made in the technical provisions for the share of this planned future reinsurance premium which covers the future exposure on the existing obligations. This is done by apportioning the business plan future reinsurance premium spend between current and future inwards obligations through an analysis of the gross premium earnings over time and, at each time point, how much relates to existing obligations at the valuation date. The future reinsurance premiums, split between the risk premium and any brokerage brokerage/commissions (using ratios from the business plan) are deducted from the claims and expenses to determine the best estimate provision.

Allowance for Discounting at Risk-Free Rates

The undiscounted future claim, premium and expense amounts are derived, as described above, by class of business and the Group's material currencies. All non-material currencies are grouped together and discounted using a U.S. dollar risk-free yield curve. Cashflow patterns are applied to these to determine the timing of payments and receipts. The claim and premium cashflow patterns have been parameterised from historical company data and expense cashflow assumptions are described above. Future calendar quarter cashflows are generated for all technical provision elements until all payments/receipts are assumed to have been settled.

The present value of the projected cash flows is determined by discounting each currencies' cashflows using yield curves which are published quarterly on the BMA's website. The unadjusted risk-free yield curves are used.

Risk Margin

The best estimate technical provisions on the EBS basis are supplemented by the risk margin, representing the cost of capital which a third party would incur in taking over and running the existing obligations to expiry. The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the BSCR necessary to support the Group's current insurance obligations over their lifetime. This is derived through assuming the obligations are transferred to a 'reference undertaking' at the valuation date who has no existing obligations, does not intend to write further business and is able to invest assets to minimise its market risk. All associated outwards reinsurance is also assumed to be transferred. The rate used to determine the cost of providing the amount of eligible capital is called the Cost-of-Capital rate, and is prescribed in the EBS Regulations.

Use of simplified method

The future BSCR charges for each calendar year will reduce more slowly than the run-off of future claims. For example, an element of operational risk would remain more 'fixed' than the claims run-off would represent, and further, reserve risk is likely to increase proportionally as the technical provisions reduce, as any single claim would increase the overall volatility, and the provisions which take longer to settle are likely to be on more contentious claims. To account for this, the Group assumes the BSCRs beyond time t=0 are reduced proportional to the square root of the remaining claims reserves since time t=0.

This simplification is used as the explicit calculation of every year's BSCR to run-off would hugely increase the complexity required to calculate the technical provisions. As the Group would have minimised its market risk, reserve risk would be the largest driver of the BSCR in runoff. The counterparty default risk is highly correlated with underwriting risk; therefore in a run-off situation with no underwriting risk, the counterparty default risk would also reduce significantly. The operational risk would also be expected to reduce in run-off, as the business volumes and reserves declined. As the BSCR would be driven by reserving risk, an approach to derive the future BSCRs which is a function of the run-off of the technical provisions is deemed appropriate. The slower BSCR decay pattern (using the square root of the payment pattern) allows for the increasing volatility of risk as the provisions reduce (e.g. due to a 'fixed' nature of operational risk, and the likelihood for more uncertainty in the reinsurance recoveries on the claims which take longer to settle).

The calculation is then completed by discounting the future BSCRs using the risk-free yield curves provided by the BMA, and applying the cost of capital. The risk margin is the sum of each future year's discounted cost of capital. For reporting purposes, this is then allocated to class in proportion to the net future claims.

Other Cashflows

Cashflows relating to salvage and subrogation, and those relating to tax payments to be charged to policyholders or which are required to settle insurance or reinsurance obligations are judged to be immaterial based on the Group's past history, and are therefore excluded from the technical provision calculation.

Level of uncertainty in the valuation of technical provisions

The main driver of uncertainty within the technical provisions is the final outcome of claims both in respect of events which have occurred (whether reported or not), and claims which may arise in future from unexpired exposure. Lancashire's business and underwriting model generally results in claims which are low frequency and high severity in nature, making the available historical loss data volatile and less useful for predicting ultimate losses.

Reinsurance assists in reducing the Group's uncertainty and exposure, particularly for known events where, while the gross outcome may be uncertain, the fact that reinsurance protection is in place, particularly excess of loss coverage, the net impact may be relatively stable and known. At the best estimate (i.e. the mean) level, it is generally expected that profit would be ceded to reinsurers as the reinsurance programme generally provides protection in more extreme (i.e. above the mean) outcomes. Given the nature of the outwards reinsurance programme, this provides protection against low frequency, high severity events where, upon occurrence, the reinsurance generates significant benefits to the Group and the Company.

The EBS adjustments to the IFRS technical provisions introduce a number of areas of uncertainty either due to the uncertainty in the amounts and subjectivity of the approach, or through future volatility which could vary the particular element significantly. The most appropriate approaches have been selected as described in this document.

Uncertainty within the claims provisions

In respect of claim events which have occurred, the lack of stable and reliable historical data makes predictions of ultimate losses, particularly for less well developed accident years, or where there is ongoing dispute or litigation, especially uncertain. There is also a time lag inherent in reporting from the original claimant to the primary insurer, to the broker, and then to the reinsurer. In the case of proportional contracts, reliance is placed on an analysis of a contract's historical experience, industry information, and the professional judgement of underwriters, claims handlers and actuaries in estimating reserves for these contracts. In addition, if available, reliance is placed partially on ultimate loss ratio forecasts as reported by insureds or cedants, which are normally subject to a quarterly or six-month lag.

As a result of the time lag described above, an estimate must be made of the technical provisions. Because of the degree of reliance that is necessarily placed on insureds or ceding companies for claims reporting, the associated time lag, the low frequency/high severity nature of much of the business that the Group writes, and the varying reserving practices among ceding companies, reserve estimates are highly dependent on management judgement and are therefore uncertain. During the loss settlement period, which may be years in duration, additional facts regarding individual claims and trends will often become known, and current laws and case law may change, with a consequential impact on reserving. The claims count on the types of insurance and reinsurance written, which are low frequency and high severity in nature, is generally low.

For certain catastrophic events, there are greater uncertainties underlying the assumptions and associated estimated reserves for losses and loss adjustment expenses. Complexity resulting from problems such as policy coverage issues, multiple events affecting one geographic area, and the resulting impact on claims adjusting (including the allocation of claims to the specific event, and the effect of demand surge on the cost of building materials and labour) by, and communications from, insureds or ceding companies, can cause delays to the timing with which the Group is notified of changes to loss estimates.

The majority of the technical provision estimate relates to potential claims on non-elemental risks, where timing delays in insured or cedant reporting may mean losses could have occurred which the Group was not made aware of by the balance sheet date.

Uncertainty within the premium provisions

In respect of unexpired exposure, compared to the claims provision, the fact that claim events have yet to occur makes the final outcome on this exposure less certain. Furthermore, under IFRS, profit is generally not recognised on insurance obligations until service is provided and coverage passed, compared to the EBS basis where the cashflow and market value approach permits the recognition of expected profit at contract recognition.

Whilst the profit outcome will ultimately be the same over time, the accounting treatment differs between the IFRS balance sheet and the EBS. There is a greater uncertainty in the EBS with regard to unexpired exposures than on the IFRS balance sheet as there is more reliance on assumptions about future claims experience.

Reinsurance recoverables

Reinsurance recoverables consist of amounts due from reinsurers for third party reinsurance. They comprise reinsurers' share of premium and claims provisions, and are calculated explicitly in the process using a similar methodology as the underlying gross claims and premium provisions.

Reinsurance recoveries on gross reported claims are determined when the gross losses are assessed. The recoveries on future unreported claims (on both incepted business, and unincepted but legally obliged business) are determined by applying reinsurance/gross claims ratios to the gross claims. The ratios are derived from the Group's business plan using a methodology consistent with that used for determining the gross amounts. An allowance is given for credit default risk on reinsurance recoverables as described above.

Reinsurance recoverables are included in the liability table above, shown net within the best estimate loss and loss expense provisions.

Material changes in calculation assumptions

Material changes have been made to the methods and processes used in the calculations of the technical provisions due to the adoption and implementation of IFRS 17. The assumptions used in the process do however change from period to period due to internal and external factors such as change in business mix, claims events and perceived profitability of the business underwritten.

D3: OTHER MATERIAL INFORMATION

There are no other material valuation assumptions that are not already covered in D1 and D2 above.

E. CAPITAL MANAGEMENT

E1: MANAGEMENT OF CAPITAL

The Group actively reviews the level and composition of it's capital on an ongoing basis. Decisions on acceptable capital levels are also an integral part of the Group's business planning process, which covers a 3 year time horizon. Internal methods have been developed to review the profitability of classes of business and their estimated capital requirements, and the capital requirements of a combination of a wide range of other risk categories.

The key aim of the Group's capital management process is to maintain a strong EBS, whilst:

- maintaining sufficient capital for underwriting opportunities, and to meet obligations to policyholders;
- maximising the risk-adjusted return to shareholders within predetermined risk tolerances;
- maintaining adequate financial strength ratings; and
- meeting internal, regulatory and rating agency requirements.

The subsidiary operating entities also conduct capital requirement assessments under internal measures and in compliance with local regulatory requirements. All capital actions require approval by the Board of Directors. The retention of earnings generated also leads to an increase in capital at both an individual entity and group level.

There have been no material changes in the approach to capital management over the reporting period.

E2: ELIGIBLE CAPITAL

(i) Eligible capital by tier

	LHL		LICL	
	2023 $m	2022 $m	**2023 $m**	2022 $m
Tier 1				
Fully paid common shares	122.0	122.0	1.0	1.0
Contributed surplus	1,203.5	1,188.1	1,303.9	1,303.9
Statutory economic surplus	436.0	293.3	640.1	419.6
Excess encumbered assets transferred to Tier 2	(153.8)	(105.2)	(121.1)	(173.1)
Total Tier 1 capital	**1,607.7**	1,498.2	**1,823.9**	1,551.4
Tier 2				
Eligible capital ancillary instruments	446.6	446.1	—	—
Excess encumbered assets deducted from Tier 1	153.8	105.2	121.1	173.1
Total Tier 2 capital	**600.4**	551.3	**121.1**	173.1
Total eligible capital	**2,208.1**	2,049.5	**1,945.0**	1,724.5

Tier 1 capital is basic capital which includes fully paid up capital shares and contributed surplus, plus statutory economic surplus and minority interest, subject to certain adjustments. As at 31 December 2023 LHL and LICL continued to hold excess encumbered assets, that are effectively treated as Tier 2 capital. For the Group these excess encumbered assets were predominantly held in LICL's U.S. MBRT. In addition, the Company has excess encumbered assets associated with the FAL requirements that it provides under the QST agreement within CCL 1998, which is discussed in Section A4 above.

At the AGM held on 26 April 2023, LHL's shareholders approved a renewal of the Company's Repurchase Programme authorising the repurchase of a maximum of 24,401,000 common shares, with such authority to expire on the conclusion of the 2024 AGM or, if earlier, 15 months from the date the resolution approving the Repurchase Programme was passed.

During the year ended 31 December 2023, no shares were repurchased by the Company under the Repurchase Programme. During the year ended 31 December 2022, 4,589,592 common shares were repurchased by the Company under its Repurchase Programme, at a weighted average share price of £4.23.

Under the Repurchase Programme, the Board authorised management to repurchase 24,401,000 common shares within certain parameters for a maximum consideration not exceeding $50.0 million, commencing on 22 November 2023 and ending on 29 February 2024. No shares were repurchased by the Company during this period.

(ii) Eligible capital composition and regulatory minimums

The Act stipulates certain minimum capital requirements needed to meet the Minimum Margin of Solvency ("MSM") and the Enhanced Capital Requirement ("ECR"). The Act requires that Tier 1 capital contributes at least 80% to the MSM and 60% to the ECR. The Group and Company currently meet both these requirements, as Tier 1 capital covers over 100% of both the MSM and the ECR.

(iii) Eligible capital transitional arrangements

The Group and Company's eligible capital is not subject to any transitional arrangements under the BMA's Eligible Capital Rules.

(iv) Eligible capital encumbrances

Not applicable.

E. CAPITAL MANAGEMENT

(v) Eligible capital ancillary instruments

During the year ended 31 December 2021, LHL issued $450.0 million (being the aggregate principal amount) of 5.625% fixed-rate reset junior subordinated notes, repayable on 18 September 2041. The long-term debt was issued in two tranches forming part of the same series of notes, with $400.0 million issued on 18 March 2021, and $50.0 million issued on 31 March 2021. The majority of the net proceeds from the long-term issuance were used by the Group to redeem its then existing senior and subordinated indebtedness, with the balance being used for general corporate purposes. The long-term debt was approved as 'Tier 2 Ancillary Capital' by the BMA.

(vi) Identification of differences in shareholder's equity – IFRS accounting versus Available Statutory Capital and Surplus

	LHL		LICL	
	2023 $m	2022 $m	**2023 $m**	2022 $m
Shareholder's equity – IFRS accounting	1,507.9	1,267.9	1,522.9	1,386.2
Non-admitted assets removed	(183.2)	(174.0)	(0.6)	(0.2)
Long term debt - approved Tier 2 ancillary capital	446.6	446.1	—	—
Valuation adjustments relating to technical provisions	436.8	509.5	415.8	338.4
Cathedral Capital (1998) Limited[1]	n/a	n/a	6.9	0.1
Shareholder's equity – Available Statutory Economic Capital	**2,208.1**	2,049.5	**1,945.0**	1,724.5

[1] As noted in Section D1, LICL applies a full "look through" approach to the 85% inter-company quota share arrangement with CCL 1998 for BSCR EBS reporting purposes.

E3: REGULATORY CAPITAL REQUIREMENTS

Amount of MSM and ECR at the end of the reporting period:

LHL	**2023 $m**	**2023 %[1]**	2022 $m	2022 %[1]
Minimum Margin of Solvency	479.0	461 %	376.7	544 %
Enhanced Capital Requirement	673.3	328 %	665.4	308 %

LICL	**2023 $m**	**2023 %[1]**	2022 $m	2022 %[1]
Minimum Margin of Solvency	455.5	427 %	358.2	481 %
Enhanced Capital Requirement	602.6	323 %	604.2	285 %

[1] Coverage ratio of Available Statutory Economic Capital and Surplus.

Both LHL and LICL have held capital in excess of their regulatory requirements throughout 2023 and 2022.

E4: INTERNAL CAPITAL MODEL

Not applicable – the Group and Company have not applied to have its internal capital model approved to determine its regulatory capital requirements.

F. SUBSEQUENT EVENTS

F1: DESCRIPTION OF EVENTS

Dividends

On 5 March 2024, the Board of Directors declared the payment of a special dividend of $0.50 per common share, which will result in an aggregate payment of approximately $119.0 million. The dividend will be paid on 12 April 2024 to shareholders of record on 15 March 2024. An amount equivalent to the dividend accrues on all RSS awards and is paid at the time of exercise, pro-rata according to the number of RSS options that vest.

On 5 March 2024, the Board of Directors also declared the payment of an ordinary dividend of $0.15 per common share, the dividend will be paid on 7 June 2024 to shareholders of record on 10 May 2024. An amount equivalent to the dividend accrues on all RSS awards and is paid at the time of exercise, pro-rata according to the number of RSS options that vest.

On 28 February 2024, the LICL Board of Directors declared a dividend of $200.0 million to LHL.

Investment commitment

On 11 January 2024, the Group entered into an agreement to invest in a private investment fund, with an initial commitment of $44.4 million. The capital commitment is expected to be partially drawn down quarterly throughout 2024.

Other

There have been no other significant events that are material to the Group or the Company that have taken place since the end of the 2023 financial year, to the date of filing this Financial Condition Report.

APPENDIX 1: GLOSSARY

ABIR
Association of Bermuda Insurers and Reinsurers

THE ACT
The Insurance Act 1978 and related regulations

AFS
Available for sale

AGGREGATE
Accumulations of insurance loss exposures which result from underwriting multiple risks that are exposed to common causes of loss

AGM
Annual General Meeting

AIR
AIR Worldwide

A.M. BEST COMPANY (A.M. BEST)
A.M. Best is a full-service credit rating organisation dedicated to serving the financial services industry, focusing on the insurance sector

BOARD OF DIRECTORS
Unless otherwise stated refers to the Group's Board of Directors

BMA
Bermuda Monetary Authority

BSCR
Bermuda Solvency Capital Requirement

BSX
Bermuda Stock Exchange

CCL 1998
Cathedral Capital (1998) Limited

CCWG
Climate Change Working Group

CEDED
To transfer insurance risk from a direct insurer to a reinsurer and/or from a reinsurer to a retrocessionaire

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CHANGE IN DBVS
The IRR of the change in DBVS in the period plus accrued dividends

CISSA
Commercial Insurer Solvency Self-Assessment

THE COMPANY
Lancashire Insurance Company Limited

CRO
Chief Risk Officer

DILUTED BOOK VALUE PER SHARE (DBVS)
Calculated based on the value of the total shareholders' equity attributable to the Group and dilutive restricted stock units as calculated under the treasury method, divided by the sum of all shares and dilutive restricted stock units, assuming all are exercised

DURATION
Duration is the weighted average maturity of a security's cash flows, where the present values of the cash flows serve as the weights. The effect of the convexity, or sensitivity, of the portfolio's response to changes in interest rates is also factored in to the calculation

EBS
Economic balance sheet

ECR
Enhanced Capital Requirement

ENID
Events Not In Data

ERM
Enterprise Risk Management

ESG
Environmental, Social and Governance

EXCESS OF LOSS
Reinsurance or insurance that indemnifies the reinsured or insured against all or a specified portion of losses on an underlying insurance policy in excess of a specified amount

FACULTATIVE REINSURANCE
A reinsurance risk that is placed by means of a separately negotiated contract as opposed to one that is ceded under a reinsurance treaty

FAL
Funds at Lloyd's

FCA
Financial Conduct Authority

FRC
Financial Reporting Council

FVTPL
Fair value through profit or loss

THE GROUP, LANCASHIRE, OR THE LANCASHIRE GROUP
LHL and its subsidiaries

GSSA
Group Solvency Self-Assessment

INDUSTRY LOSS WARRANTY (ILW)
A type of reinsurance or derivative contract through which one party will purchase protection based on the total loss arising from an event to the entire insurance industry rather than their own losses

IFoA
Institute and Faculty of Actuaries

IFRS
International Financial Reporting Standard(s)

IRR
Internal rate of return

IRRC
Investment Risk and Return Committee

KHL
Kinesis Holdings Limited

APPENDIX 1: GLOSSARY

KRL
Kinesis Reinsurance Limited

LCM
Lancashire Capital Management Limited

LHL (THE GROUP)
Lancashire Holdings Limited

LICL (THE COMPANY)
Lancashire Insurance Company Limited

LOC
Letter of credit

LOSSES
Demand by an insured for indemnity under an insurance contract

LSE
London Stock Exchange

LSL
Lancashire Syndicates Limited

LUK
Lancashire Insurance Company (UK) Limited

MBRT
Multi-beneficiary reinsurance trust

MSCRIM
A provider of tools and services for the global investment community

MSM
Minimum margin of solvency

ORSA
Own Risk and Solvency Assessment

PML
Probable maximum loss. The Group's exposure to certain peak zone elemental losses

PRO-RATA/PROPORTIONAL
Reinsurance or insurance where the reinsurer or insurer shares a proportional part of the original premiums and losses of the reinsured or insured

QST
Quota Share Treaty

RCC
Risk and Compliance Committee

RDS
Realistic Disaster Scenarios

RENEWAL PRICE INDEX (RPI)
The PRI 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 PRI does not include new business, to offer a consistent basis for analysis. The calculation involves a degree of judgement in relation to comparability of contracts and assessment noted above. To enhance the RPI methodology assumptions underlying the RPI, so that the trends in premium rates reflected in the PRI 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 contacts. The future profitability of the portfolio within the RPI is dependent upon many factors besides the trends in premium rates. RPIs are expressed as an aapproximatepercentage of pricing achieved on similar contracts written in the corresponding year

RETROCESSION
The insurance of a reinsurance account

RRC
Risk and Return Committee

RSC
Reinsurance Security Committee

RSS
Restricted share scheme

SYNDICATE 2010
Lloyd's Syndicate 2010 managed by CUL. The Group provides capital to support 69.2% of the stamp capacity for the 2023 underwriting year

SYNDICATE 3010
Lloyd's Syndicate 3010 managed by CUL. The Group provides capital to support 100.0% of the stamp capacity for all underwriting years

TCFD
Task Force on Climate-related Financial Disclosures

VAR
Value At Risk

APPENDIX 2: KEY PERSON BIOGRAPHIES

Peter Clarke - LHL Non-Executive Chair

Peter Clarke was Group Chief Executive of Man Group plc between April 2007 and February 2013. In 1993, Mr Clarke joined Man Group plc, a leading global provider of alternative investment products and solutions as well as one of the world's largest futures brokers. He was appointed to the board in 1997 and served in a variety of roles, including Head of Corporate Finance and Corporate Affairs and Group Company Secretary, before becoming the Group Finance Director in 2000. During this period, he was responsible for investing in and developing one of the leading providers of third-party capital insurance and reinsurance products. In November 2005, he was given the additional title of Group Deputy CEO. Mr Clarke previously served as the Chairman of the National Teaching Awards Trust. Mr Clarke took a first in Law at Queens' College, Cambridge and is a qualified solicitor, having practised at Slaughter and May, and has experience in the investment banking industry, working at Morgan Grenfell and Citibank. External appointments / Other roles: Mr Clarke is currently a Non-Executive Director of RWC Partners Limited, RWC Holdco Limited, RWC Midco Limited, and Lombard Odier Asset Management.

Michael Dawson - LHL Non-Executive Director

Michael Dawson has more than 40 years' experience in the insurance industry, having started his career at Lloyd's in 1979. He joined Cox Insurance in 1986 where he was the Chief Executive from 1995 to 2002. In 1991, Mr Dawson formed and became the underwriter of Cox's and subsequently Chaucer's specialist nuclear syndicate 1176, where he remains the active underwriter. Between 2005 and 2008, Mr Dawson was appointed Chief Executive of Goshawk Insurance Holdings PLC and its subsidiary Rosemont Re, a Bermuda reinsurer. Mr Dawson served on the Council of Lloyd's from 1998 to 2001 and on the Lloyd's Market Board from 1998 to 2002. External appointments/Other roles: Mr Dawson is Deputy Chairman of the Management Committee of Nuclear Risk Insurers Limited. He is also a director of Knoll Investments Limited, and Glengau Limited, all private family companies.

Simon Fraser - LHL Non-Executive Director (resigned 26 April 2023)

Simon Fraser was Head of Corporate Broking at Merrill Lynch and subsequently Bank of America Merrill Lynch until his retirement in 2011. He began his career in the City in 1986 with BZW and joined Merrill Lynch in 1997. He led initial public offerings, rights issues, placings, demergers and mergers and acquisitions transactions during his career, and advised many UK companies on stock market and LSE issues. Mr Fraser has an MA degree in modern history from the University of St Andrews.

Robert Lusardi - LHL Senior Independent Non-Executive Director

From 1980 until 1998, Robert Lusardi was an investment banker in New York, ultimately as Managing Director of the insurance and asset management industries. From 1998 until 2005, he was a member of the Executive Management Board of XL Group plc, first as Group CFO then as CEO of one of their three operating/reporting segments; from 2005 until 2010 he was an EVP of White Mountains (an insurance merchant bank) and CEO of certain subsidiaries; and from 2010 to 2015 he was CEO of PremieRe Holdings, a private insurance entity. He has been a director of a number of insurance-related entities including Symetra Financial Corporation, Primus Guaranty Ltd., OneBeacon Insurance Group Ltd., Esurance Inc., Delos Inc., Pentelia Ltd. and FSA International Ltd. He received a BA and MA degree in Engineering and Economics from Oxford University an MBA from Harvard University and a PhD from Barry University. External appointments/Other roles: He is also on the board of Symetra Financial Corporation, a diversified financial services company, and a board member of Oxford University's 501(c)3 charitable organisation.

Irene McDermott - LHL Non-Executive Director

Irene McDermott Brown most recently held the position of Chief Human Resources Officer at M&G plc, a FTSE 100 international savings and investments firm, retiring from that role on 31 December 2021. Her executive career has included international Human Resources roles at Barclays, BP, and Cable and Wireless. Ms McDermott Brown's UK experience includes over 12 years at Mercury Communications, Digital Equipment Company and the Electricity Supply Industry. She has an MSc from the London School of Economics in Industrial Relations and is a Fellow of the Chartered Institute of Personnel and Development.

Sally Williams - LHL Non-Executive Director

Sally Williams has more than 30 years' experience in the financial services sector, with extensive risk, compliance and governance experience, having held senior positions with Marsh, National Australia Bank and Aviva. Ms Williams is a chartered accountant and spent the first 15 years of her career with PwC, where she was a director specialising in financial services risk management and regulatory relationships. She also undertook a two-year secondment from PwC to the Supervision and Surveillance Department at the Bank of England. Ms Williams is also a Director of Lancashire Insurance Company (UK) Limited. External appointments/Other roles: Ms Williams is a Non-Executive Director of Family Assurance Friendly Society Limited (OneFamily), where she is chair of both their Audit Committee and their With Profits Committee, and a member of the Risk, Nominations, and Member and Customer Committees. Ms Williams is also a Non-Executive Director of Close Brothers Group plc and Close Brothers Limited, where she is a member of their Audit and Risk Committees.

Jack Gressier - LHL Non-Executive Director

Jack Gressier has over thirty years' experience in the insurance industry, including as Chief Operating Officer of Axis Capital Holdings Ltd. and the Chief Executive Officer of its Insurance segment. He served as an underwriter at Charman Underwriting Agencies from 1989 until 1998, when acquired by ACE Limited. At ACE, he served in a number of senior roles including as a member of the Global Markets Executive Underwriting Committee and was appointed Joint Active Underwriter of Syndicate 2488 and director of the ACE Agency Board, where he served until joining AXIS in 2002. External appointments/Other roles: Currently serving as Non-Executive Chair to strategic intelligence firm, Herminius Holdings Ltd. Previous Non-Executive appointments include Chair of Syndicate Holdings Corp, the holding company for the Lloyd's managing agency, Vibe Syndicate Management. In addition, Jack served as Non-Executive Chair of Limehouse Agencies Limited.

APPENDIX 2: KEY PERSON BIOGRAPHIES

Bryan Joseph – LHL Non-Executive Director

Bryan is a Fellow of the Institute and Faculty of Actuaries with over forty years of experience in the insurance and reinsurance industry. Having started his career as a trainee actuary in Legal & General, Bryan held a number of senior roles in the industry including partner and global chief actuary for PwC. Bryan left PwC in 2015 and founded Vario Partners LLP, an ILS consultancy specialising in transforming underwriting risk into capital markets. In 2016 Bryan joined XL Catlin (now AXA XL) as an independent non-executive director serving in a variety of non-executive director and committee chair roles within the AXA XL group including as Chair of the UK audit committees, and as Chair of XL Insurance Company SE, the group's European and Asia Pacific focused entity, overseeing its move to the Republic of Ireland and merger with AXA. Bryan stepped down from all AXA XL Directorships in 2023 to take on his role with Lancashire. Other roles: Bryan remains a partner on Vario Partners LLP and a director of Vario Global Capital Limited, the Vario operating company. Bryan was appointed as a Non-Executive Director for Sabre Insurance Group plc in June 2023.

Philip Broadley – LHL Non-Executive Director

Philip Broadley is Senior Independent Director and Audit Committee Chair at AstraZeneca PLC and a Non-Executive Director of Legal & General Group Plc and is expected to continue in those roles. Mr. Broadley began his career at Arthur Andersen in 1983, becoming a partner in 1993, where he specialised in auditing banks and insurance companies. Mr. Broadley was Group Finance Director at both Prudential plc from 2000 and at Old Mutual plc from 2008 until 2014. He has served as Chair of the 100 Group of Finance Directors and as a member of the Code Committee of The Takeover Panel. He chaired the Group Audit Committee of Legal & General for six years. He is Treasurer of the London Library and Chair of the Board of Governors at Eastbourne College.

Alex Maloney - LHL Chief Executive Officer

Alex Maloney joined Lancashire in December 2005 and was appointed Group Chief Executive Officer in April 2014. On joining, Mr Maloney was responsible for establishing and building the energy underwriting team and account and, in May 2009, was appointed Group Chief Underwriting Officer. Since November 2010, Mr Maloney has served as a member of the Board and was appointed Chief Executive Officer of Lancashire Insurance Company (UK) Limited in 2012. Mr Maloney has over 30 years' underwriting experience and has also worked in the New York and Bermuda markets.

Natalie Kershaw – LHL Chief Financial Officer

Natalie Kershaw joined Lancashire in December 2009 as the Group Financial Controller and has also held the positions of Chief Financial Officer of Lancashire Insurance Company Limited and Group Chief Accounting Officer. She has over 20 years' experience of the insurance/reinsurance sector with previous roles at Swiss Re, ALAS (Bermuda) Ltd and PwC. Natalie graduated from Jesus College, Oxford University in 1996 with a first class degree in Geography and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Beverley Todd – LICL Non-Executive Chair

Beverley Todd was appointed to the LICL Board in February 2016. Beverley has extensive experience of international insurance and reinsurance, specifically with JLT Insurance Management where she has held senior roles in Bermuda and Florida. In particular, she has a detailed knowledge of Bermuda's insurance regulatory framework which will be invaluable in her role as Chair of the LICL Board of Directors. Beverley was educated in England and received her Bachelors of Arts in Business Administration (Honours) from South Bank University in London; Beverley is a member of the Chartered Institute of Management Accountants of England and Wales and brings with her significant insurance accounting expertise; she additionally holds the Associate in Risk Management (ARM) and the CPCU designations, as well as the Institute of Directors Certificate in Company Direction.

Hayley Johnston - LICL Chief Executive Officer

Hayley Johnston joined Lancashire in September 2007 as a member of the underwriting team. In May 2014 Hayley was appointed Chief Underwriting Officer for Lancashire Insurance Company (UK) Limited, in addition to her Outwards Reinsurance Manager role. Previously she was responsible for the underwriting of the Marine and Aviation accounts and from May 2011 acted as the Deputy Chief Underwriting Officer for Lancashire Insurance Company (UK) Limited. Hayley previously worked for Axis Specialty Europe where she was the Underwriting Manager and Outwards Reinsurance Manager for their European headquarters based in Dublin, Ireland. Hayley became CEO of Lancashire Insurance Company Limited in 2020.

Jennifer Wilson – LICL Chief Financial Officer

Jennifer Wilson joined Lancashire in April 2010 and is the LICL Chief Financial Officer, in addition to the Head of Planning & Analysis for the Group. Jennifer previously worked as a consultant and spent much of her time from 2007 onwards providing consulting services to Lancashire. Jennifer graduated from the University of Alberta with a Bachelor of Commerce and gained her Chartered Accountancy qualification from the Institute of Chartered Accountants of Alberta. In 2018 she obtained a Certificate and Diploma in Company Direction from the Institute of Directors.

Benjamin Readdy – Group Chief Actuary

Ben Readdy joined Lancashire in June 2010. Ben's role includes leading the capital modelling and reserving processes for the Lancashire Group and he is also involved in Group's ERM strategy and approach, and responsible for rating agency capital models & relationships. Prior to joining Lancashire, Ben was a Senior Manager in the PwC's actuarial consulting practice in Bermuda, and before moving to Bermuda worked for PwC's actuarial practice in London. Prior to joining PwC in 2005, Ben spent five years at Lloyd's of London as a manager within the Franchise Performance Directorate. Ben is a Fellow of the Institute of Actuaries (FIA) and holds a BSc (Hons) degree in Mathematics from the University of Warwick.

APPENDIX 2: KEY PERSON BIOGRAPHIES

Paul Gregory - Group Chief Underwriting Officer

Paul Gregory has led the underwriting operations of the Lancashire Group since May 2014 as Group Chief Underwriting Officer. Paul joined Lancashire in 2007 as part of the team responsible for underwriting the energy portfolio. In January 2009, he was appointed Chief Underwriting Officer of Lancashire Insurance Company (UK) Ltd and was responsible for all business underwritten from the platform. Paul also served as Chief Executive Officer of Lancashire Insurance Company (UK) Ltd between 2014 and 2019. Paul has been a member of the Lancashire Holdings board's Underwriting and Underwriting Risk Committee since 2010 and has served as Chief Executive Officer of Lancashire Capital Management (LCM) since 2021. Prior to working at Lancashire, Paul was an energy underwriter at AIG and he started his career at Marsh as an Account Executive in the Energy team as part of the Marsh graduate scheme.

James Irvine – Chief Underwriting Officer: Reinsurance

James Irvine joined Lancashire in April 2010 as a member of the underwriting team in London and transferred to the Bermuda office in 2011. He is a part of the Bermuda underwriting team with special responsibilities for the property reinsurance portfolio. Previously James worked for Guy Carpenter Reinsurance Brokers as a North American specialist.

Nick Thompson - Chief Underwriting Officer, Lancashire Insurance Company Limited

Nick Thompson joined Lancashire in 2020 as Group Head of Non-Marine Reinsurance Strategy. Previously, Nick worked as a broker for 12 years, at Aon Benfield and more recently Willis Re, specialising in Property Reinsurance and Retrocession. Nick moved to Bermuda and became LICL Chief Underwriting Officer in April 2023.

Christopher Rhodes - Chief Actuary, Lancashire Insurance Company Limited

Christopher Rhodes joined Lancashire as an actuary in August 2018. In January 2023 Chris was appointed Chief Actuary for Lancashire Insurance Company Limited. In his current role, and previous role as Head of Actuarial, Chris has been responsible for the pricing, reserving and capital for Lancashire Insurance Company Limited. Chris previously worked in the London market across a variety of roles, he started his career with PwC in 2012 and qualified as a Fellow of the Institute and Faculty of Actuaries in 2015.

James Flude – Chief Underwriting Officer: Insurance

James Flude joined Lancashire in January 2014 as Head of Energy and Marine underwriting having worked at the Watkins Syndicate for over 14 years, most recently as Energy Underwriter and Account Manager. Whilst at Watkins he spent 5 years working as the Energy Underwriter in Singapore as part of the Lloyd's Asia platform where he had responsibility for the upstream energy portfolio in Asia. James became Chief Underwriting Officer in 2020 and Group Chief Underwriting Officer: Insurance in 2022.

John Cadman - Group General Counsel and Chief Executive Officer, Lancashire Insurance Company (UK) Limited

John Cadman joined Lancashire in March 2013. He is responsible for all legal issues affecting the group and is Chief Executive Officer of Lancashire Insurance Company (UK) Limited. Prior to joining Lancashire, John was a partner in the corporate department of CMS Cameron McKenna LLP, a City law firm, and between 1998 and 2007 was a partner at Barlow Lyde & Gilbert. John is an English qualified lawyer and qualified as a solicitor in 1990. John is an experienced corporate and transactional lawyer and advised numerous insurance and reinsurance entities on legal issues during his time in private practice.

Christopher Head - Group Company Secretary and Head of Corporate Affairs

Christopher Head joined Lancashire in September 2010. He was appointed Company Secretary of LHL in 2012 and advises on issues of corporate governance and more generally on legal affairs for the Group. He also advises on the structuring of Lancashire's third-party capital underwriting initiatives, which have included the Accordion and Kinesis facilities. Prior to joining Lancashire, he was in-house Counsel with the Imagine Insurance Group, advising specifically on the structuring of reinsurance transactions. He transferred to Max at Lloyd's in 2008 as Lloyd's and London Counsel. Between 1998 and 2006, Mr Head was Legal Counsel at KWELM Management Services Limited, where he managed an intensive programme of reinsurance arbitration and litigation for insolvent members of the HS Weavers underwriting pool. Mr Head is a qualified solicitor having worked until 1998 at Barlow Lyde & Gilbert in the Reinsurance and International Risk Team. Mr Head has a History MA and legal qualification from Cambridge University.

Steve Yeo - Group Head of Claims

Steve Yeo joined Lancashire in February 2008 and is responsible for providing Operational & Technical leadership and control of all Group claim activity as well as participating in the calculation and development of IBNR. Steve has extensive experience in the insurance industry having previously worked within the AIG Property & Energy Major Loss Team in London where he specialised in handling large, complex CAR and Operational losses across a wide range of offshore and onshore energy and commercial property risks.

Aurelie Heurlin - Group Head of Internal Audit

Aurelie was appointed as Group Head of Internal Audit in May 2023. Aurelie is an experienced audit professional with 25 years' experience in the Financial Services industry in the UK, France and Continental Europe. Prior to joining Lancashire, Aurelie worked at Ernst & Young, Aviva and the London Clearing House Group.

Denise O'Donoghue - Group Chief Investment Officer

Denise O'Donoghue joined Lancashire in June 2007 and is responsible for all aspects of the investment portfolio and treasury functions for the group. Denise is also a member of the Investment Committee. Prior to joining Lancashire, Denise was at Oil Insurance Limited managing the investment portfolio and heavily involved in capital market transactions. Prior to this, Denise was at Zurich Investment Services, and obtained her CFA designation while working there.

APPENDIX 2: KEY PERSON BIOGRAPHIES

Louise Wells – Group Chief Risk Officer

Louise Wells has been with Lancashire since September 2011 and is responsible for the Group's Enterprise Risk Management function, having previously held the role of Head of Internal Audit. Prior to joining Lancashire, Louise spent almost 6 years at Lloyd's of London acting as Deputy Head of Internal Audit, Senior Risk Executive and Chief Risk Officer of Centrewrite. Louise has 19 years audit and risk experience within the insurance market having worked in London, Sydney and Bermuda.

Nicholas Nebard – Group Assistant Company Secretary, Money Laundering Reporting Officer and Head of LICL Compliance

Nick joined Lancashire in February 2017 and is responsible for the Group's Bermuda compliance function. He has over 20 years of experience in the UK and Bermuda insurance markets. He spent the previous 8 years at XL Catlin where duties included the implementation and maintenance of the group's ERM framework at the local level across the Americas & Bermuda region, and overseeing regulatory and operational compliance issues for XL Catlin's Bermuda operations. Prior to joining XL Catlin, Nick spent 8 years at the UK's Financial Services Authority in both supervisory and technical specialist roles within the insurance sector. He is ACII qualified, a certified member of the Institute of Risk Management and holds a BA (Hons) degree in Planning and Local Economic Development from Coventry University.