LANCASHIRE HOLDINGS LIMITED

GROWTH IN FULLY CONVERTED BOOK VALUE PER SHARE, ADJUSTED FOR DIVIDENDS AND EXCLUDING WARRANT EXERCISES, OF 2.6% IN Q3 2015 AND 9.3% YEAR TO DATE; INCLUDING WARRANT EXERCISES, YEAR TO DATE GROWTH IS 7.2%

COMBINED RATIO OF 70.2% IN Q3 2015, 73.5% YEAR TO DATE
SPECIAL DIVIDEND OF $0.95 PER COMMON SHARE
FULLY CONVERTED BOOK VALUE PER SHARE OF $6.78 AS AT 30 SEPTEMBER 2015

5 November 2015
London, UK

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its results for the third quarter of 2015 and the nine months ended 30 September 2015.

Financial highlights

	30 September 2015	**30 September 2014**
Fully converted book value per share	**$6.78**	**$7.74**
Return on equity excluding warrant exercises[1] – Q3	**2.6%**	**1.6%**
Return on equity excluding warrant exercises[1] – YTD	**9.3%**	**8.8%**
Return on equity[2] – Q3	**2.6%**	**1.6%**
Return on equity[2] – YTD	**7.2%**	**8.1%**
Return on tangible equity[3] – Q3	**2.9%**	**2.0%**
Return on tangible equity[3] – YTD	**7.6%**	**10.7%**
Operating return on average equity – Q3	**2.7%**	**2.4%**
Operating return on average equity – YTD	**9.0%**	**9.3%**
Special dividends per common share[4]	**$0.95**	**$1.20**

1 Return on equity excluding the impact of warrants exercised in the period.
2 Return on equity is defined as growth in fully converted book value per share, adjusted for dividends.
3 Return on equity excluding goodwill and other intangible assets.
4 See "Dividends" below for Record Date and Dividend Payment Date.

Financial highlights:

	Three months ended		Nine months ended	
	30 Sept 2015	**30 Sept 2014**	**30 Sept 2015**	**30 Sept 2014**
Highlights ($m)				
Gross premiums written	120.4	152.1	544.0	787.2
Net premiums written	110.1	137.6	394.4	632.5
Profit before tax	32.9	36.1	121.5	135.0
Profit after tax*	34.1	37.6	126.7	142.5
Comprehensive income*	30.3	28.6	124.8	143.7
Net operating profit*	37.1	36.2	127.6	142.5
Per share data				
Diluted earnings per share	$0.17	$0.19	$0.64	$0.72
Diluted earnings per share – operating	$0.18	$0.18	$0.65	$0.72
Financial ratios				
Total investment return including internal currency hedging	(0.2%)	-	0.8%	0.8%
Total investment return excluding internal currency hedging	(0.3%)	(0.3%)	0.5%	0.6%
Net loss ratio	26.4%	44.8%	30.2%	37.9%
Combined ratio	70.2%	82.4%	73.5%	74.5%
Accident year loss ratio	47.2%	50.1%	50.6%	39.4%

* These amounts are attributable to Lancashire and exclude non-controlling interests.

Alex Maloney, Group Chief Executive Officer, commented:

"While Patricia was a record storm, thankfully it did remarkably little damage and Mexico's evacuation efforts meant fatalities were far fewer than they might otherwise have been. With the exception of Patricia, the catastrophe loss environment has been relatively benign and whilst capital continues to accumulate, the downwards pressure on reinsurance and insurance pricing and terms also continues. Given this environment, I am pleased to report a return on equity for the quarter of 2.6%.

Our principal strategic objective is to generate attractive risk adjusted underwriting returns over the course of the market cycle. Underwriting is what we understand and what we do best. We do not subscribe to the model, used by some in our industry, of ramping up risk on the investment side when underwriting conditions and returns remain depressed. I believe that in the current market the most important priority remains to focus on disciplined underwriting, adding value for our clients and brokers (many of whom are themselves facing challenging times) and thereby maintaining and servicing with excellence a core book of business.

Premiums are down for the quarter – in line with experience across the market and as I would expect. In the current market one has to question the wisdom of driving for top line growth. I take comfort in this environment that the Group, across its Lloyd's, London and Bermuda businesses, continues to be relevant to the needs of our core clients and brokers.

The year to date has seen a flurry of activity on the M&A front within the industry, much of this, in my view, is driven by the need to rationalise and refocus oversized and over stretched businesses. We also continue to see a bout of initiatives and innovations in the market, the sustainability and longer term viability of which are questionable. These are symptoms of where we are in the cycle. We have seen these types of trends before and in all likelihood, will see them again. We will remain focused and committed to excellence and discipline, employing talented staff, not only on the underwriting side, but across our whole business so as to add value over time. Indeed, I would like to thank all our staff for their continuing hard work as we enter the busy year-end renewal and reporting season. We remain committed to managing the cycle intelligently over the longer term."

Elaine Whelan, Group Chief Financial Officer, commented:

"With heightened volatility in the investment markets during the quarter, we were delighted that our investment strategy bore up well, producing only a small negative return of 0.2%. With a dearth of any major losses, plus continued favourable development on prior year reserves, our underwriting results were solid with a combined ratio for the quarter of 70.2%, or 66.6% including fees and profit commissions on our third party capital management activities. Overall results for the quarter were therefore reasonable, with an RoE of 2.6%, bringing us to 9.3% for the year to date.

Our outlook for 2016 is for a continuation of current market trends. While we expect to maintain our core book, with our current reinsurance programme we won't need as much capital as we are currently carrying. We are therefore returning more than earnings with a special dividend of $188.0 million. That represents 151.0% of comprehensive income for the year to date. We have now returned $2.5 billion or 104.7% of total comprehensive income since inception."

Lancashire Companies' Renewal Price Index for major classes

The Lancashire Companies' Renewal Price Index ("RPI") is an internal methodology that management uses to track trends in premium rates on a portfolio of insurance and reinsurance contracts. The RPI is calculated on a per contract basis and reflects the Lancashire Companies' assessment of relative changes in price, terms, conditions and limits on like for like renewals only, and is weighted by premium volume (see "Note Regarding RPI Methodology" at the end of this announcement for further guidance). The RPI does not include new business and only covers business written by the Lancashire Companies to offer a consistent basis for analysis and therefore does not include Lancashire's Lloyd's business. The following RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in 2014:

Class	YTD 2015	Q3 2015	Q2 2015	Q1 2015
Aviation (AV52)	94%	98%	94%	94%
Gulf of Mexico energy	94%	60%	95%	88%
Energy offshore worldwide	87%	80%	83%	91%
Marine	91%	92%	91%	91%
Property retrocession and reinsurance	88%	93%	84%	89%
Terrorism	91%	92%	92%	89%
Combined	**89%**	**89%**	**89%**	**90%**

Underwriting results

Gross premiums written

	Q3				YTD			
	2015 $m	2014 $m	Change $m	Change %	2015 $m	2014 $m	Change $m	Change %
Property	40.8	50.9	(10.1)	(19.8)	169.4	238.3	(68.9)	(28.9)
Energy	18.9	31.4	(12.5)	(39.8)	97.0	208.6	(111.6)	(53.5)
Marine	4.7	10.9	(6.2)	(56.9)	38.4	59.5	(21.1)	(35.5)
Aviation	9.3	8.6	0.7	8.1	27.0	40.3	(13.3)	(33.0)
Lloyd's	46.7	50.3	(3.6)	(7.2)	212.2	240.5	(28.3)	(11.8)
Total	**120.4**	**152.1**	**(31.7)**	**(20.8)**	**544.0**	**787.2**	**(243.2)**	**(30.9)**

Gross premiums earned

	Q3				YTD			
	2015 $m	**2014 $m**	**Change $m**	**Change %**	**2015 $m**	**2014 $m**	**Change $m**	**Change %**
Property	52.6	63.3	(10.7)	(16.9)	163.3	193.4	(30.1)	(15.6)
Energy	38.9	50.7	(11.8)	(23.3)	129.3	162.3	(33.0)	(20.3)
Marine	11.4	17.8	(6.4)	(36.0)	38.7	50.6	(11.9)	(23.5)
Aviation	10.9	15.8	(4.9)	(31.0)	32.0	43.0	(11.0)	(25.6)
Lloyd’s	65.3	71.8	(6.5)	(9.1)	188.3	204.4	(16.1)	(7.9)
Total	**179.1**	**219.4**	**(40.3)**	**(18.4)**	**551.6**	**653.7**	**(102.1)**	**(15.6)**

Gross premiums written decreased by 20.8% in the third quarter of 2015 compared to the same period in 2014. In the nine months to 30 September 2015, gross premiums written decreased by 30.9% compared to the nine months to 30 September 2014. The decrease in premiums for the quarter and year to date came primarily from the property and energy segments where a number of multi-year deals written in 2014 are not yet due to renew. Of the total reduction of $243.2 million in gross premiums written for the year to date, non-annual deals in those segments accounted for $167.3 million. Excluding the impact of these deals, the year to date reduction in gross premiums written was 9.6%. Gross premiums earned for the quarter and year to date decreased by 18.4% and 15.6% respectively. The Group’s five principal segments, and the key market factors impacting them, are discussed below.

Property gross premiums written decreased by 19.8% for the third quarter of 2015 compared to the same period in 2014 and decreased by 28.9% in the nine months to 30 September 2015 compared to the nine months to 30 September 2014. Similar to the first half of 2015, while some pricing pressure remains, the vast majority of the decrease in the quarter was driven by multi-year deals written in the third quarter of 2014 which are not due to renew, mainly on the political risk book. This has been offset somewhat by new business written in the political risk book. The property catastrophe excess of loss, terrorism and political risk books all saw reductions due to the timing of multi-year contract renewals in all three quarters of 2015, although this is more typical of the terrorism and political risk books. In addition, business flow can be less predictable in the political risk book.

Energy gross premiums written decreased by 39.8% for the third quarter of 2015 compared to the same period in 2014 and decreased by 53.5% in the nine months to 30 September 2015 compared to the nine months to 30 September 2014. The worldwide offshore book was responsible for most of the decrease in the quarter with $9.1 million of multi-year deals written in the third quarter of 2014 not yet due for renewal. As in prior quarters, we also saw some rate reductions on this book. The Gulf of Mexico book was responsible for most of the rest of the decrease in the year to date with $64.5 million of multi-year deals written in the second quarter of 2014 not yet due for renewal. The reduction in gross premiums earned in the energy book is significantly less than the reduction in gross premiums written, reflecting the impact of continued earnings on the prior year multi-year deals. While year to date gross premiums written have decreased by 53.5%, multi-year deals written in 2014 represent 39.7% of this decrease. Year to date gross premiums earned have decreased by 20.3%.

Marine gross premiums written decreased by 56.9% for the third quarter of 2015 compared to the same period in 2014 and decreased by 35.5% in the nine months to 30 September 2015 compared to the nine months to 30 September 2014. The decrease for both the quarter and year to date was due to non-annual contracts written in 2014 in the marine hull book which are not yet due to renew. Overcapacity in the market continued to put downward pressure on pricing, especially in the hull book.

Aviation gross premiums written increased by 8.1% for the third quarter of 2015 compared to the same period in 2014 but decreased by 33.0% in the nine months to 30 September 2015 compared to the nine months to 30 September 2014. The increase in the quarter was due to new business in the aviation satellite book. The decrease for the year to date is mainly due to the timing of satellite launches on contracts written in previous years.

In the Lloyd's segment gross premiums written decreased by 7.2% for the third quarter of 2015 compared to the same period in 2014 and decreased by 11.8% in the nine months to 30 September 2015 compared to the nine months to 30 September 2014. The decrease in the quarter compared to the same period in 2014 was mainly due to ongoing pricing pressure. For the year to date, the decrease was due to pricing pressure across all historic lines of business, slightly offset by growth in the energy, terrorism and aviation classes that Cathedral began writing in 2014.

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Ceded reinsurance premiums decreased by $4.2 million, or 29.0%, for the third quarter of 2015 and decreased by $5.1 million, or 3.3%, for the nine month period to 30 September 2015, in each case compared to the same periods in 2014. The reduction in the quarter was due to a multi-year programme placed in the third quarter of 2014 in our Lloyd's segment, which is not yet due for renewal. The Lancashire marine, energy and terrorism programmes were restructured in the first quarter of 2015 at a reduced cost. The saving from the restructuring was offset by new cover purchased on the political risk book in the second quarter. Lancashire and Cathedral have both taken advantage of favourable conditions in the reinsurance market this year to buy more limit at a lower attachment point for around the same outlay.

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Net premiums earned as a proportion of net premiums written were 110.6% in the nine months to 30 September 2015, compared to 85.5% in the same period in 2014. The increased percentage was due to the impact of multi-year deals written in 2014 where we are seeing the benefit of earnings coming through on those deals in 2015. For the third quarter the proportion was 126.0% versus 130.5% in the third quarter of 2014.

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The Group's net loss ratio for the third quarter of 2015 was 26.4% compared to 44.8% for the same period in 2014 and 30.2% for the nine month period to 30 September 2015 compared to 37.9% for the same period in 2014. The accident year loss ratio for the third quarter of 2015, including the impact of foreign exchange revaluations, was 47.2% compared to 50.1% for the same period in 2014 and 50.6% for the nine months ended 30 September 2015 compared to 39.4% for the same period in 2014. While there were no significant losses in the third quarter or the first nine months of 2015, we experienced a few mid-sized claims across a number of our segments. Attritional losses have otherwise been relatively low. There were no significant losses in the third quarter and the first nine months of 2014, although there were higher attritional losses in our aviation and Lloyd's segments.

Prior year favourable development for the third quarter of 2015 was $29.9 million, compared to $11.3 million for the third quarter of 2014. Favourable development was $91.1 million for the nine months to 30 September 2015 driven by IBNR releases and additional recoveries on our 2011 Thai flood losses. This compared to favourable development of $9.4 million for the same period in 2014 where favourable development from IBNR releases was offset somewhat by adverse development on prior accident year mid-sized marine and energy claims.

The table below provides further detail of the prior year's loss development by class, excluding the impact of foreign exchange revaluations.

	Q3		**YTD**	
	2015 $m	**2014 $m**	**2015 $m**	**2014 $m**
Property	3.4	1.2	31.1	18.5
Energy	9.3	5.6	26.7	(2.2)
Marine	3.6	3.3	10.7	(11.9)
Aviation	2.5	0.5	2.3	0.5
Lloyd's	11.1	0.7	20.3	4.5
Total	**29.9**	**11.3**	**91.1**	**9.4**

Note: Positive numbers denote favourable development.

Excluding the impact of foreign exchange revaluations, previous accident years' ultimate losses developed as follows during 2015 and 2014:

	Nine months ended 30 Sept 2015 $m	**Nine months ended 30 Sept 2014 $m**
2006 accident year	0.9	0.4
2007 accident year	0.9	(0.3)
2008 accident year	(2.4)	2.3
2009 accident year	3.8	3.6
2010 accident year	(2.2)	5.6
2011 accident year	23.2	(5.8)
2012 accident year	4.9	4.2
2013 accident year	28.4	(0.6)
2014 accident year	33.6	-
Total	**91.1**	**9.4**

Note: Positive numbers denote favourable development.

The ratio of IBNR to total net loss reserves was 35.4% at 30 September 2015 compared to 29.9% at 30 September 2014.

Investments

Net investment income was $7.8 million for the third quarter of 2015, an increase of 16.4% from the third quarter of 2014. Net investment income was $22.4 million for the nine months ending 30 September 2015, an increase of 4.7% compared to the same period in 2014. Total investment return, including net investment income, net other investment income, net realised gains and losses, impairments and net change in unrealised gains and losses, was a loss of $3.7 million for the third quarter of 2015 compared to a loss of $1.8 million for the third quarter of 2014, and was a gain of $17.4 million for the nine months ended 30 September 2015 compared to a gain of $18.3 million for the same period in 2014.

The Group's portfolio weathered the third quarter market volatility well, generating only a small loss of 0.2%. Losses on the Group's equity, hedge fund and bank loan portfolios were mitigated by modestly positive returns in the high quality fixed income portfolios, despite the widening of credit spreads during the quarter. In the corresponding quarter of 2014 an increase in treasury yields combined with widening credit spreads led to negative returns in the Group's fixed income portfolio. 2015 year to date returns remain positive driven by the fixed income portfolios and positive bank loan returns. A decline in treasury yields combined with coupon income has more than offset wider credit spreads on a year-to-date basis in the fixed income portfolios. During the first nine months of 2014 a decline in treasury yields, combined with narrowing credit spreads, led to positive returns in the Group's fixed income portfolio.

The corporate bond allocation represented 31.3% of managed invested assets at 30 September 2015 compared to 29.1% at 30 September 2014. At 30 September 2015 the Group's allocation to bank loans represented 5.9% of the portfolio compared to 5.6% at 30 September 2014.

The managed portfolio was as follows:

	As at 30 Sept 2015	**As at 31 Dec 2014**	**As at 30 Sept 2014**
Fixed income securities	83.8%	81.9%	83.6%
Cash and cash equivalents	7.7%	10.6%	11.6%
Hedge funds	7.8%	6.8%	4.0%
Equities	0.7%	0.7%	0.7%
Other investments	-	-	0.1%
Total	**100.0%**	**100.0%**	**100.0%**

Key investment portfolio statistics were:

	As at 30 Sept 2015	As at 31 Dec 2014	As at 30 Sept 2014
Duration	1.5 years	1.5 years	1.5 years
Credit quality	AA-	AA-	AA-
Book yield	1.6%	1.5%	1.4%
Market yield	1.6%	1.5%	1.3%

Third party capital management

The $2.7 million and $4.3 million share of profit of associates for the third quarter and first nine months of 2015 respectively reflect Lancashire's 10% equity interest in the Kinesis vehicle. The share of profit of associates of $1.8 million for the third quarter of 2014 and $4.3 million for the nine months to 30 September 2014 is related to the Kinesis vehicle and remaining interest in the Accordion vehicle.

Other income consists of the following items:

	Q3		YTD	
	2015 $m	2014 $m	2015 $m	2014 $m
Kinesis underwriting fees	2.6	2.9	4.1	4.3
Kinesis profit commission	1.9	-	7.2	-
Lloyd's managing agency fees & profit commission	0.6	0.4	3.6	3.9
Saltire profit commission	-	-	-	3.0
Total	**5.1**	**3.3**	**14.9**	**11.2**

During the first half of 2014 profit commission of $6.7 million was received following the commutation of our quota share agreement with Accordion, with the vehicle subsequently liquidated. The profit commission was recorded in net insurance acquisition expenses and reduced the net acquisition cost ratio by 3.9%.

Other operating expenses

Other operating expenses consist of the following items:

	Q3		YTD	
	2015 $m	2014 $m	2015 $m	2014 $m
Employee salaries and benefits	14.0	13.6	41.8	41.7
Payroll taxes and national insurance on equity compensation	1.3	-	2.5	(1.9)
Other operating expenses	9.8	11.6	31.6	36.1
Amortisation of intangible assets	-	1.5	-	8.4
Total	**25.1**	**26.7**	**75.9**	**84.3**

While there were one-off costs associated with the previous CEO's retirement in 2014, the addition of new underwriting teams in the second half of 2014 added to costs in 2015. Employee remuneration costs for the third quarter and first nine months of 2015 were therefore in line with the same periods in the prior year. The third quarter and the first nine months of 2014 included a reversal of national insurance accruals in relation to equity compensation exercises driven by both the timing of exercises and fluctuations in the share price.

Other operating expenses were lower in the third quarter and first nine months of 2015 compared to the same periods in the prior year primarily due to reduced donations to the Lancashire Foundation, as the Foundation had sufficient funds to meet its goals in the current year. In addition, some legal and consulting costs incurred in 2014 in relation to the retirement of the previous CEO did not recur in 2015. The amortisation of intangible assets arising on the acquisition of Cathedral was completed in the third quarter of 2014 and there was no further amortisation in 2015.

Equity based compensation was $7.4 million in the third quarter of 2015 compared to $3.7 million in the same period last year. For the nine months to 30 September 2015 and 30 September 2014 the charges were $12.2 million and $14.4 million, respectively.

Capital

At 30 September 2015, total capital available to Lancashire was $1.684 billion, comprising shareholders' equity of $1.361 billion and $323.4 million of long-term debt. Tangible capital was $1.530 billion. Leverage was 19.2% on total capital and 21.1% on total tangible capital. Total capital and total tangible capital at 30 September 2014 were $1.858 billion and $1.705 billion respectively.

Warrants

The outstanding warrants to purchase Lancashire's common shares were issued on 16 December 2005 and expire on 16 December 2015. Warrant exercises during the prior and current quarters were as follows:

	Number of Management Team Ordinary & Performance warrants	Number of Founder warrants	Number of Lancashire Foundation warrants	Number of Ordinary warrants	Total Number of warrants
Outstanding and exercisable as at 31 December 2014	676,662	15,032,679	648,143	2,350,000	**18,707,484**
Exercised during the period	(676,662)	(14,183,729)	-	(2,350,000)	(17,210,391)
Outstanding and exercisable as at 31 March 2015	-	848,950	648,143	-	**1,497,093**
Exercised during the period	-	(254,174)	(648,143)	-	(902,317)
Outstanding and exercisable as at 30 June 2015	**-**	594,776	-	**-**	**594,776**
Exercised during the period	**-**	-	-	**-**	**-**
Outstanding and exercisable as at 30 September 2015	**-**	594,766	-	**-**	**594,776**

Dividends

During the third quarter of 2015, the Lancashire Board of Directors declared an interim dividend for 2015 of $0.05 (£0.03) per common share. The dividends and dividend equivalent payments, totalling $9.9 million in aggregate, were paid on 25 September 2015 to shareholders and warrant holders of record on 28 August 2015.

Special Dividend

Lancashire today announces that its Board of Directors has declared a special dividend for 2015 of $0.95 per common share (approximately £0.61 per common share at the current exchange rate), which will result in an aggregate payment of approximately $188.0 million. The dividend will be paid in Pounds Sterling on 18 December 2015 (the "Dividend Payment Date") to shareholders of record on 27 November 2015 (the "Record Date") using the £ / $ spot market exchange rate at 12 Noon London time on the Record Date.

In addition to the special dividend payment to shareholders, a dividend equivalent payment of approximately $0.5 million in aggregate will be paid on the Dividend Payment Date to holders of the remaining warrants issued by Lancashire pursuant to the terms of the warrants.

Shareholders interested in participating in the dividend reinvestment plan ("DRIP") or other services including international payment, are encouraged to contact the Group registrars, Capita Registrars for more details at: http://www.capitaassetservices.com

The Group will continue to review the appropriate level and composition of capital for the Group with the intention of managing capital to enhance risk-adjusted returns on equity.

Note: In this release the term "Cathedral" means Cathedral Capital Limited (a wholly owned subsidiary of Lancashire) and its subsidiaries and the term "Lancashire Companies" means the subsidiaries of Lancashire excluding Cathedral.

Financial information

Further details of our 2015 third quarter results can be obtained from our Financial Supplement. This can be accessed via our website www.lancashiregroup.com.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 1:00pm UK time / 8:00am EST on Thursday, 05 November 2015. The conference call will be hosted by Lancashire management.

The call can be accessed by dialling (International) + 1 201 689 8567 (Toll Free US & Canada + 1 877 407 0782 / Toll Free UK + 0 800 756 3429). The call can also be accessed via webcast, please go to our website (www.lancashiregroup.com) to access.

A replay facility will be available until 05 December 2015. The dial in number for the replay facility is (International) +1 201 612 7415 or Toll Free US & Canada +1 877 660 6853 with Conference ID#: 13620318. The replay facility will also be accessible at www.lancashiregroup.com

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Investor enquiries and questions can also be directed to info@lancashiregroup.com or by accessing the Group's website www.lancashiregroup.com.

About Lancashire

Lancashire, through its UK and Bermuda-based operating subsidiaries, is a global provider of specialty insurance and reinsurance products. The Group companies carry the following ratings:

	Financial Strength Rating (1)	**Financial Strength Outlook (1)**	**Long Term Issuer Rating (2)**
A.M. Best	A (Excellent)	Stable	bbb
Standard & Poor's	A-	Stable	BBB
Moody's	A3	Stable	Baa2

(1) Financial Strength Rating and Financial Strength Outlook apply to Lancashire Insurance Company Limited and Lancashire Insurance Company (UK) Limited.

(2) Long Term Issuer Rating applies to Lancashire Holdings Limited

Cathedral benefits from Lloyd's ratings: A.M. Best: A (Excellent); Standard & Poor's: A+ (Strong); and Fitch: AA- (Very Strong).

Lancashire has capital in excess of $1.5 billion and its common shares trade on the premium segment of the Main Market of the London Stock Exchange under the ticker symbol LRE. Lancashire has its corporate headquarters and mailing address at Level 29, 20 Fenchurch Street, London EC3M 3BY, United Kingdom and its registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

For more information on Lancashire and Lancashire's subsidiary and Lloyd's segment, Cathedral Capital Limited ("Cathedral"), visit the Lancashire's website at www.lancashiregroup.com

Lancashire Insurance Company Limited is regulated by the Bermuda Monetary Authority in Bermuda.

Lancashire Insurance Company (UK) Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the UK.

Kinesis Capital Management Limited is regulated by the Bermuda Monetary Authority in Bermuda.

Cathedral Underwriting Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the UK. It is also authorised and regulated by Lloyd's.

NOTE REGARDING RPI METHODOLOGY

LANCASHIRE'S RENEWAL PRICE INDEX ("RPI") IS AN INTERNAL METHODOLOGY THAT ITS MANAGEMENT USES TO TRACK TRENDS IN PREMIUM RATES OF A PORTFOLIO OF INSURANCE AND REINSURANCE CONTRACTS. THE RPI DOES NOT TAKE INTO ACCOUNT ANY BUSINESS OR CONTRACTS OF THE CATHEDRAL GROUP, WHICH IS LANCASHIRE'S LLOYD'S SEGMENT. THE RPI WRITTEN BY THE LANCASHIRE COMPANIES IN THE PROPERTY, ENERGY, MARINE AND AVIATION SEGMENTS IS CALCULATED ON A PER CONTRACT BASIS AND REFLECTS LANCASHIRE'S ASSESSMENT OF RELATIVE CHANGES IN PRICE, TERMS, CONDITIONS AND LIMITS AND IS WEIGHTED BY PREMIUM VOLUME. THE CALCULATION INVOLVES A DEGREE OF JUDGEMENT IN RELATION TO COMPARABILITY OF CONTRACTS AND THE ASSESSMENT NOTED ABOVE. TO ENHANCE THE RPI METHODOLOGY, MANAGEMENT OF LANCASHIRE MAY REVISE THE METHODOLOGY AND ASSUMPTIONS UNDERLYING THE RPI, SO THE TRENDS IN PREMIUM RATES REFLECTED IN THE RPI MAY NOT BE COMPARABLE OVER TIME. CONSIDERATION IS ONLY GIVEN TO RENEWALS OF A COMPARABLE NATURE SO IT DOES NOT REFLECT EVERY CONTRACT IN LANCASHIRE'S PORTFOLIO. THE FUTURE PROFITABILITY OF THE PORTFOLIO OF CONTRACTS WITHIN THE RPI IS DEPENDENT UPON MANY FACTORS BESIDES THE TRENDS IN PREMIUM RATES.

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE IN THIS RELEASE OR OTHERWISE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING, WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS "BELIEVES", "ANTICIPATES", "PLANS", "PROJECTS", "FORECASTS", "GUIDANCE", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "CAN", "LIKELY", "WILL", "SEEKS", "SHOULD", OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. ALL SUCH STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDING, WITHOUT LIMITATION, THE GROUP'S FINANCIAL POSITION, LIQUIDITY, RESULTS OF OPERATIONS, PROSPECTS, GROWTH, CAPITAL MANAGEMENT PLANS AND EFFICIENCIES, ABILITY TO CREATE VALUE, DIVIDEND POLICY, OPERATIONAL FLEXIBILITY, COMPOSITION OF MANAGEMENT, BUSINESS STRATEGY, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS (INCLUDING DEVELOPMENT PLANS AND OBJECTIVES RELATING TO THE GROUP'S INSURANCE BUSINESS) ARE FORWARD LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE

GROUP TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS.

THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: THE GROUP'S ABILITY TO INTEGRATE ITS BUSINESSES AND PERSONNEL; THE SUCCESSFUL RETENTION AND MOTIVATION OF THE GROUP'S KEY MANAGEMENT; THE INCREASED REGULATORY BURDEN FACING THE GROUP, THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT THE GROUP WRITES OR MAY WRITE; THE GROUP'S ABILITY TO IMPLEMENT SUCCESSFULLY ITS BUSINESS STRATEGY DURING 'SOFT' AS WELL AS 'HARD' MARKETS; THE PREMIUM RATES WHICH MAY BE AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN THE GROUP'S TARGETED BUSINESS LINES; THE POSSIBLE LOW FREQUENCY OF LARGE EVENTS; POTENTIALLY UNUSUAL LOSS FREQUENCY; THE IMPACT THAT THE GROUP'S FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS MAY HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES OR DIVIDENDS; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN THE GROUP'S UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; INCREASED COMPETITION FROM EXISTING ALTERNATIVE CAPITAL PROVIDERS, INSURANCE LINKED FUNDS AND COLLATERALISED SPECIAL PURPOSE INSURERS AND THE RELATED DEMAND AND SUPPLY DYNAMICS AS CONTRACTS COME UP FOR RENEWAL; THE EFFECTIVENESS OF THE GROUP'S LOSS LIMITATION METHODS; THE POTENTIAL LOSS OF KEY PERSONNEL; A DECLINE IN THE GROUP'S OPERATING SUBSIDIARIES' RATING WITH A.M. BEST, STANDARD & POOR'S, MOODY'S OR OTHER RATING AGENCIES; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; A CYCLICAL DOWNTURN OF THE INDUSTRY; THE IMPACT OF A DETERIORATING CREDIT ENVIRONMENT FOR ISSUERS OF FIXED INCOME INVESTMENTS; THE IMPACT OF SWINGS IN MARKET INTEREST RATES AND SECURITIES PRICES; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITIES IN ITS INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE THE GROUP CONDUCTS BUSINESS; ANY OF THE GROUP'S BERMUDIAN SUBSIDIARIES BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE UNITED KINGDOM; THE INAPPLICABILITY TO THE GROUP OF SUITABLE EXCLUSIONS FROM THE UK CFC REGIME; AND ANY CHANGE IN UK GOVERNMENT POLICY WHICH IMPACTS THE CFC REGIME.

ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

Consolidated statement of comprehensive income

(Unaudited)

	Quarter 3 2015 $m	Quarter 3 2014 $m	YTD 2015 $m	YTD 2014 $m
Gross premiums written	120.4	152.1	544.0	787.2
Outwards reinsurance premiums	(10.3)	(14.5)	(149.6)	(154.7)
Net premiums written	**110.1**	**137.6**	**394.4**	**632.5**
Change in unearned premiums	58.7	67.3	7.6	(133.5)
Change in unearned premiums ceded	(30.1)	(25.3)	34.3	41.9
Net premiums earned	**138.7**	**179.6**	**436.3**	**540.9**
Net investment income	7.8	6.7	22.4	21.4
Net other investment (losses) income	(5.3)	0.9	(1.1)	-
Net realised (losses) gains and impairments	(2.4)	(0.4)	(2.0)	(4.3)
Share of profit of associates	2.7	1.8	4.3	4.3
Other income	5.1	3.3	14.9	11.2
Net foreign exchange (losses)	(2.0)	(0.1)	(5.0)	(3.4)
Total net revenue	**144.6**	**191.8**	**469.8**	**570.1**
Insurance losses and loss adjustment expenses	38.2	92.4	153.4	218.2
Insurance losses and loss adjustment expenses recoverable	(1.6)	(11.9)	(21.7)	(13.0)
Net insurance acquisition expenses	35.7	40.7	113.1	113.7
Equity based compensation	7.4	3.7	12.2	14.4
Other operating expenses	25.1	26.7	75.9	84.3
Total expenses	**104.8**	**151.6**	**332.9**	**417.6**
Results of operating activities	**39.8**	**40.2**	**136.9**	**152.5**
Financing costs	(6.9)	(4.1)	(15.4)	(17.5)
Profit before tax	**32.9**	**36.1**	**121.5**	**135.0**
Tax credit	1.4	1.8	5.7	7.6
Profit after tax	**34.3**	**37.9**	**127.2**	**142.6**
Non-controlling interest	(0.2)	(0.3)	(0.5)	(0.1)
Profit after tax attributable to Lancashire	**34.1**	**37.6**	**126.7**	**142.5**
Net change in unrealised losses/gains on investments	(3.7)	(9.2)	(1.9)	1.1
Tax (expense) recovery on net change in unrealised gains/losses on investments	(0.1)	0.2	-	0.1
Other comprehensive (loss) income	**(3.8)**	**(9.0)**	**(1.9)**	**1.2**
Other comprehensive income attributable to Lancashire	**30.3**	**28.6**	**124.8**	**143.7**
Net loss ratio	26.4%	44.8%	30.2%	37.9%
Net acquisition cost ratio	25.7%	22.7%	25.9%	21.0%
Administrative expense ratio	18.1%	14.9%	17.4%	15.6%
Combined ratio	70.2%	82.4%	73.5%	74.5%
Basic earnings per share	$0.17	$0.20	$0.65	$0.77
Diluted earnings per share	$0.17	$0.19	$0.64	$0.72
Change in fully converted book value per share	2.6%	1.6%	7.2%	8.1%

Consolidated balance sheet
(Unaudited)

	30 Sept 2015 $m	30 Sept 2014 $m	31 Dec 2014 $m
Assets			
Cash and cash equivalents	251.1	364.5	303.5
Accrued interest receivable	7.5	7.6	7.7
Investments	2,007.4	2,188.7	1,986.9
Reinsurance assets			
- Unearned premiums on premiums ceded	59.0	56.8	24.7
- Reinsurance recoveries	87.9	124.3	112.4
- Other receivables	3.4	6.8	5.3
Deferred acquisition costs	98.0	119.6	104.6
Other receivables	24.1	20.2	36.6
Inwards premiums receivable from insureds and cedants	307.6	368.8	316.2
Corporation tax receivable	-	4.6	4.3
Investment in associate	28.2	30.1	52.7
Property, plant and equipment	7.6	9.4	9.1
Intangible assets	153.8	153.8	153.8
Total assets	**3,035.6**	**3,455.2**	**3,117.8**
Liabilities			
Insurance contracts			
- Losses and loss adjustment expenses	697.8	843.8	752.6
- Unearned premiums	471.5	575.6	479.1
- Other payables	42.4	36.1	40.8
Amounts payable to reinsurers	39.0	40.9	34.2
Deferred acquisition costs ceded	0.7	0.4	0.1
Other payables	61.1	60.3	83.5
Corporation tax payable	5.0	-	-
Deferred tax liability	27.2	35.6	38.7
Interest rate swap	6.5	3.4	4.9
Long-term debt	323.4	328.5	326.6
Total liabilities	**1,674.6**	**1,924.6**	**1,760.5**
Shareholders' equity			
Share capital	100.2	96.1	96.1
Own shares	(24.9)	(28.6)	(43.3)
Other reserves	872.4	881.5	887.1
Accumulated other comprehensive income	(1.1)	4.1	0.8
Retained earnings	413.9	576.7	416.1
Total shareholders' equity attributable to Lancashire	**1,360.5**	**1,529.8**	**1,356.8**
Non-controlling interest	0.5	0.8	0.5
Total shareholders' equity	**1,361.0**	**1,530.6**	**1,357.3**
Total liabilities and shareholders' equity	**3,035.6**	**3,455.2**	**3,117.8**
Basic book value per share	$6.88	$8.10	$7.24
Fully converted book value per share	$6.78	$7.74	$6.96

Statement of consolidated cash flows
(Unaudited)

	Nine months 2015 $m	Nine months 2014 $m	Twelve months 2014 $m
Cash flows from operating activities			
Profit before tax	121.5	135.0	226.5
Tax refunded	4.4	1.0	1.0
Depreciation	1.5	1.5	2.1
Amortisation of intangible asset	-	23.4	23.4
Interest expense on long-term debt	11.2	11.6	15.5
Interest and dividend income	(31.0)	(37.4)	(50.5)
Net amortisation of fixed income securities	6.6	7.5	9.9
Equity based compensation	12.2	14.4	23.3
Foreign exchange losses	16.6	6.8	7.3
Share of profit of associates	(4.3)	(4.3)	(5.9)
Net other investment losses (income)	1.1	0.1	(1.4)
Net realised losses and impairments	2.0	4.1	5.9
Net unrealised losses on interest rate swaps	1.6	3.3	4.7
Changes in operational assets and liabilities			
- Insurance and reinsurance contracts	(53.3)	37.5	(35.5)
- Other assets and liabilities	(10.4)	(24.7)	(13.8)
Net cash flows from operating activities	**79.7**	**179.8**	**212.5**
Cash flows from (used in) investing activities			
Interest and dividends received	31.2	41.0	52.0
Net purchase of property, plant and equipment	-	(8.2)	(8.7)
Investment in associate	28.8	38.8	17.9
Purchase of investments	(776.0)	(1,719.4)	(2,153.7)
Proceeds on sale of investments	737.1	1,531.7	2,159.0
Net cash flows from (used in) investing activities	**21.1**	**(116.1)**	**66.5**
Cash flows used in financing activities			
Interest paid	(13.1)	(13.5)	(15.5)
Dividends paid	(128.9)	(73.6)	(321.0)
Dividends paid to minority shareholders	(0.5)	-	-
Shares repurchased	-	(8.1)	(25.0)
Warrants exercised	-	14.1	14.1
RSS Compensation	-	(9.8)	(9.8)
Distributions by trust	(4.4)	(6.0)	(6.7)
Issue of shares to non-controlling interest	-	-	(1.1)
Net cash flows used in financing activities	**(146.9)**	**(96.9)**	**(365.0)**
Net decrease in cash and cash equivalents	**(46.1)**	**(33.2)**	**(86.0)**
Cash and cash equivalents at beginning of period	303.5	403.0	403.0
Effect of exchange rate fluctuations on cash and cash equivalents	(6.3)	(5.3)	(13.5)
Cash and cash equivalents at end of period	**251.1**	**364.5**	**303.5**