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Investor presentation
Q1 2010

February 2010

www.lancashiregroup.com

2009 full year review

1. **How we have done**

2. **Where we are now**

3. **Where we are going**

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How we have done

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2009 headlines: Another excellent year

- **Combined ratio of 44.6%**
  - Reported loss ratio of 16.6%; accident year loss ratio of 27.2%
  - Combined ratio since inception of 57.5% (including G&A)
- **Total investment return of 3.9%**
  - Positive total return in 15 out of 16 quarters since inception
- **Return on equity of 26.5%**
  - Compound annual return since inception of 19.8%
- **Entered London main market in March 2009, joined FTSE 250 in June 2009**
- **Initiated recurring dividend in July 2009**
- **$315m of 2009 capital returned to date[1], including final dividend**
  - Represents 81% of 2009 comprehensive income
  - Capital levels have steadily risen more than risk levels

[1] As at 26th February 2010

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Lancashire has an excellent track record

- **Consistently strong performance**
  - Investment return, Combined ratio and ROE all positive 15 out of 16 quarters
  - Inception to date[1] : Combined ratio = 57.5%, compound annual ROE = 19.8%, annualised investment return = 4.8%

- **Excellent Risk Management**
  - Hurricane Ike was in the top 3 most destructive offshore energy losses ever
  - Our loss was underweight our market share
  - In 2008 market meltdown Lancashire had best investment performance of our peer group[2] = 3.1% total return
  - Excellent Combined Ratio for 2009

- **Disciplined**
  - Gross premiums written shrank 15% in 2008, the largest reduction in our peer group
  - Shown nimbleness in evolving underwriting market

[1] Through 31st December 2009

[2] comprises Amlin, Arch, Axis, Endurance, Flagstone, Hiscox, Montpelier, Partner Re, Platinum, Ren Re, and Validus.

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Consistency: Exceptional underwriting performance

	2006	2007	2008	2009	4 year average [1]
Loss ratio	16.1%	23.9%	61.8%	16.6%	32.1%
Acquisition cost ratio	14.3%	12.5%	16.4%	17.8%	15.4%
Expense ratio	13.9%	9.9%	8.1%	10.2%	10.0%
Combined ratio	44.3%	46.3%	86.3%	44.6%	57.5%
Sector combined ratio[2]	70.4%	68.4%	86.9%	73.7%[3]	74.8%[3]
Lancashire out-performance	26.1%	22.1%	0.6%	29.1%	17.3%

[1] Lancashire ratios weighted by annual net premiums earned. Sector ratios are straight average over four years.

[2] Sector includes Amlin, Arch, Axis, Endurance, Flagstone, Hiscox, IPC Re, Montpelier, Partner Re, Platinum, Ren Re, and Validus. Information source company reports, SNL & Numis. Methods of calculation can vary between companies.

3 Sector return includes earnings release information through February 22, 2010: Arch, Axis, Endurance, Flagstone, Montpelier, Partner Re, Platinum, Ren Re and Validus

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Consistency: Excellent investment performance

	2006	2007	2008	2009	4 year cumulative annualised return
***Total return*[1]**	6.1%	6.2%	3.1%	3.9%	**4.8%**
***Sector total return*[2]**	**5.2%**	**5.8%**	**-2.3%**	**7.8%**	**4.1%**
Lancashire out-performance	**+0.9%**	**+0.4%**	**+5.4%**	**-3.9%**	**+0.7%**

1 Total investment return = [Net investment income + Net realised gains or losses + Impairments + Change in unrealised gains or losses] divided by Average Invested Assets.

2 Sector includes Amlin, Arch, Axis, Endurance, Flagstone, Hiscox, IPC Re, Montpelier, Partner Re, Platinum, Ren Re, and Validus. Information source company reports, SNL & Numis. Methods of calculation can vary between companies.

3 Sector return includes earnings release information through February 22, 2010: Arch, Axis, endurance, Flagstone, Montpelier, Partner Re, Platinum, Ren Re and Validus

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Consistency: Excellent Return On Equity

	Lancashire	*Sector* [1]	*S&P 500*
2006	17.8%	25.4%	15.8%
2007	31.4%	22.8%	5.5%
2008	7.8%	-0.7%	-37.0%
2009	26.5%	32.8%[4]	26.5%
Compound [2]	19.8%	18.5%[4]	-2.7%

Return on Equity [3] = growth in fully diluted/converted book value per share, adjusted for dividends

[1] Sector includes Amlin, Arch, Axis, Endurance, Flagstone, Hiscox, IPC Re, Montpelier, Partner Re, Platinum, Ren Re, and Validus.
[2] Compound annual return from inception through December 31, 2009. The S&P 500 figures include effect of reinvested dividends.
[3] Source: Company reports. Based on reported growth in fully converted or fully diluted book value per share, plus dividends. Methods of calculation can vary between companies.
[4] Sector return includes earnings release information through February 22nd 2010: Aspen, Arch, Axis, Endurance, Flagstone, Montpelier, Partner Re, Platinum, Ren Re, and Validus.

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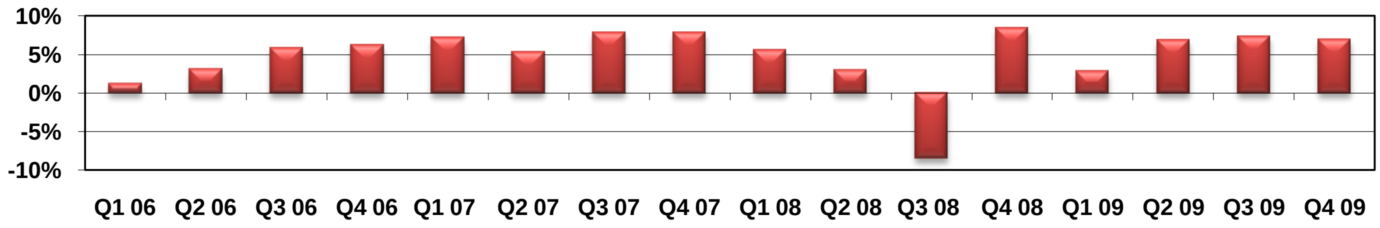
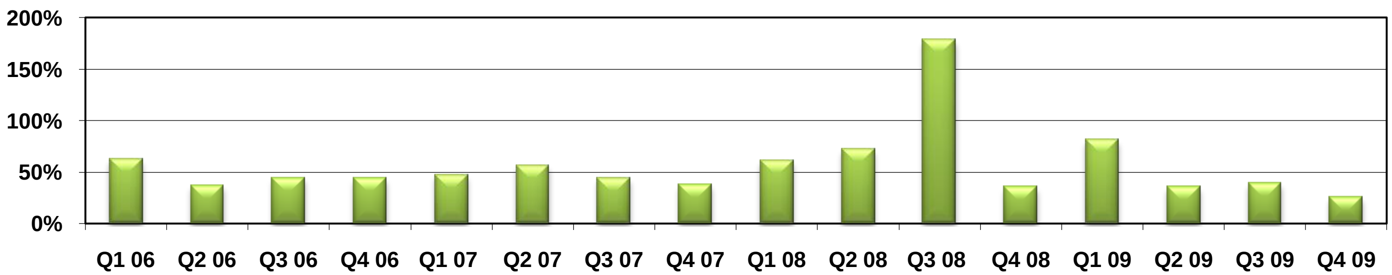
Consistency: Only One Negative Qtr. Since Inception

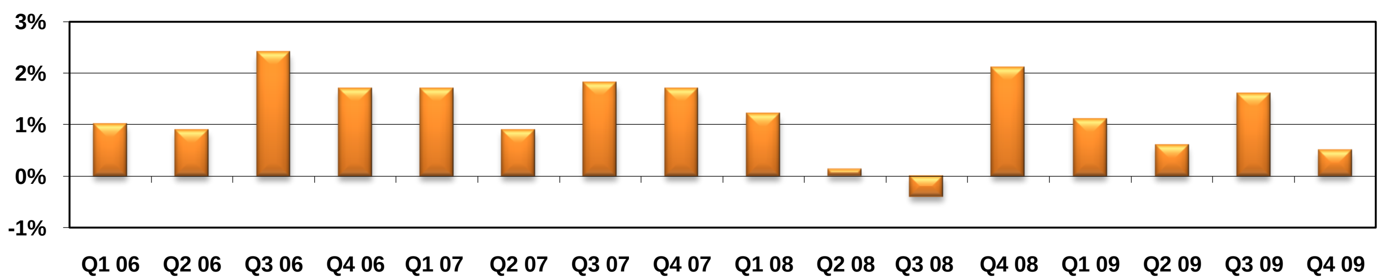
ROE* since inception



Combined Ratio since inception



Total Investment Return since inception



* ROE is defined as growth in fully converted book value per share, adjusted for dividends.

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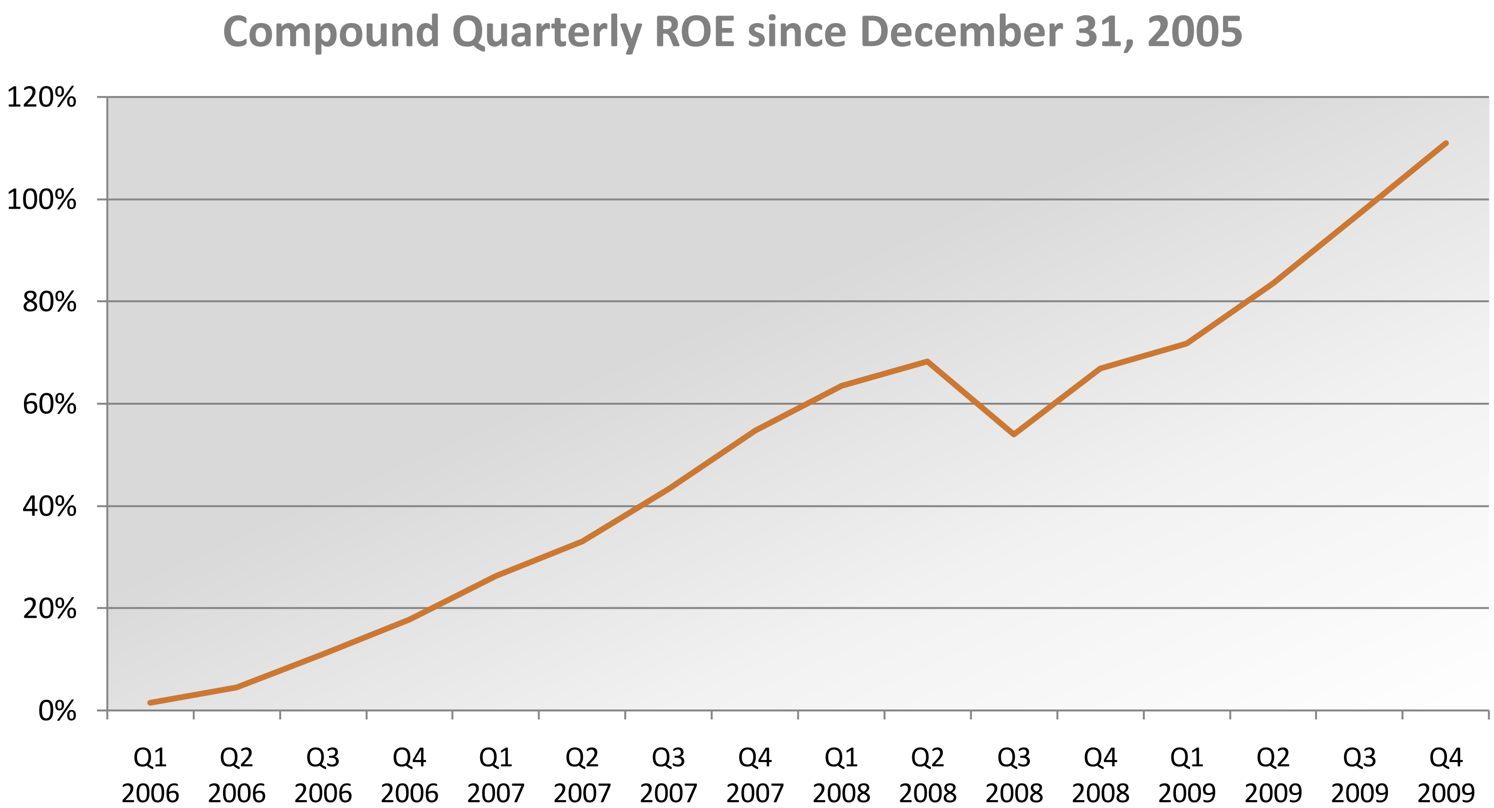
Consistency: Returns



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Where we are now

STRATEGY	SUCCESS	SUSTAINABILITY
Underwriting comes first	57.5% combined ratio since inception	
Stay nimble	Very active cycle management	Deliver a cross-cycle return of at least risk-free rate plus 13%
Maintain a strong balance sheet	Consistently profitable investments	
Manage capital through the cycle	Majority of IPO capital returned in under 4 years	

Compound annual ROE = 19.8%

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Underwriting Management Conference Call (UMCC)

Modeling
PROPEL output per account
EQ, Flood, Named Windstorm, Tornado/Hail
PML. AAL, Loss Cost
DTC Analysis

Rating Sheet
Occupancy Loss Frequency Curves
Default rates by Occupancy
Underwriter qualitative selection

Claims
Account History
Sector review
Losses Avoided

RPI
Price and Exposure
Loss-Affected / Non Loss-Affected
Elemental / Non Elemental

Marketing
Client Presentation
Sector Review
Attachment Point Review

REVIEW
ACCOUNT
INDUSTRY
GEO-POLITICAL
PORTFOLIO

ALWAYS
CUO: Group & Operating company
CEO: Group & Operating company
Senior underwriter: Operating company

OFTEN
Chief Actuary
Chief Risk Officer
Modelers

OCCASIONALLY
CFOs &
General Counsel

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2009: Renewal Price Index vs. 2006

Class	2006	2007	2008	2009
Property Reinsurance	100	97	96	127
Property Direct & Facultative	100	92	83	90
Energy Gulf of Mexico	100	80	64	137
Energy Worldwide Offshore	100	80	68	84
Energy Construction	100	90	81	100
Marine	100	88	80	82
Terrorism	100	86	71	66
Aviation (AV52)	100	80	69	68

[1] These estimates are based on a number of factors including rates achieved on recently renewed contracts plus significant judgement on factors influencing supply and demand of the classes illustrated above. The estimated rates are based on information available at the time of the preparation of this presentation, and may be materially incorrect.

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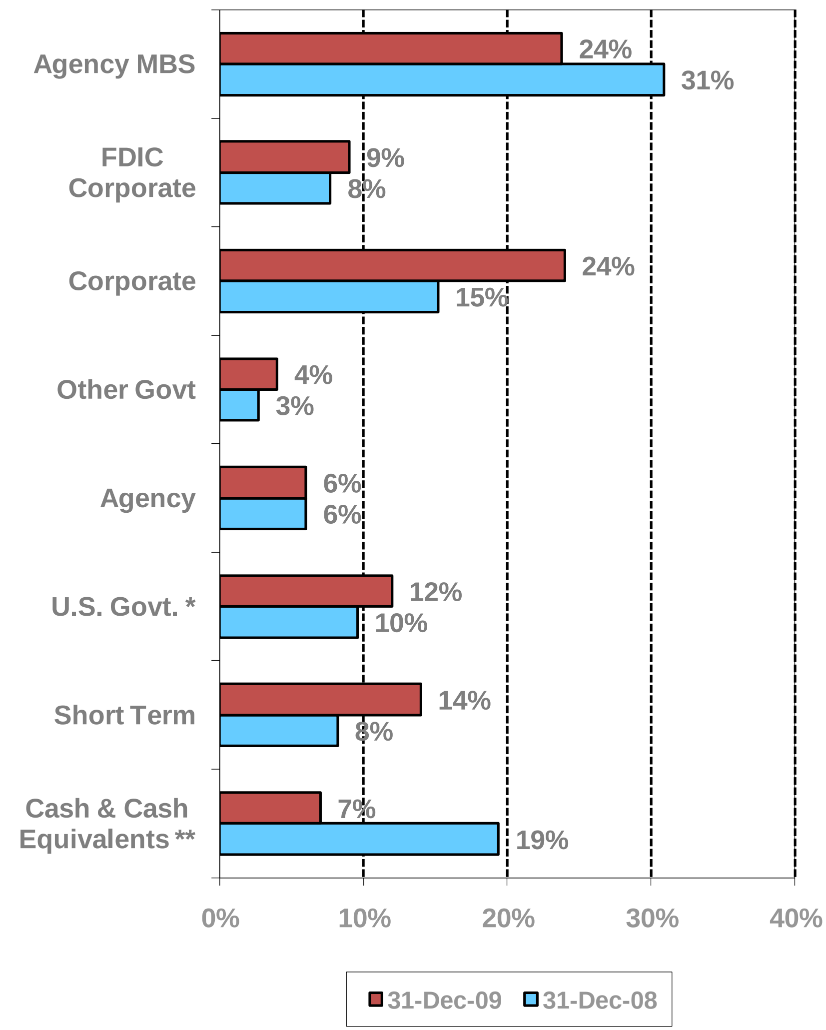
Maintain a Strong Balance Sheet: Conservative approach

- We have consistently maintained our philosophy: Rule #1: “don’t lose your money”
  - Positive investment return in 15 out of 16 quarters
  - Close management involvement in tactical decision making
- Conservative investment strategy:
  - Emphasis on preservation of invested assets
  - Provide sufficient liquidity for prompt payment of claims
  - No exposure to alternative asset classes
  - Transparency: financial supplement includes a list of assets on a security by security basis
- Average portfolio rating of: AA+
- Short duration: 2.3 years
- Book Yield: 2.8%
- Book Yield excl managed cash: 3.0%



* U.S. Government includes 3.6% of Treasury Inflation Protection Securities

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2009 Reserve adequacy

- **We use industry loss data benchmarks**
- **Reserving record has demonstrated conservative reserving:**
  - 2006 Accident Year developed favourably 30% so far
  - 2007 Accident Year developed favourably 34% so far
  - 2008 Accident Year developed favourably 8% so far
- **We do not write casualty business – we write lines of business where the loss discovery period is short**
- **Being an insurer (75% of premium) rather than a reinsurer, means we get much better loss data, in a more timely manner**
- **Towers Watson review reserves quarterly**
- **Reserve duration is approximately 2 years**

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2009 moderate appetite for risk

Zones	Perils	100 year return period ($m)	250 year return period ($m)
South East U.S.	Hurricane	278	391
California	Earthquake	190	292
Europe	Windstorm	163	262
Japan	Earthquake	138	236
Japan	Typhoon	86	171

As of 31/12/09

The company has developed the estimates of losses expected from certain natural catastrophes using commercially available catastrophe models in conjunction with its proprietary BLAST model. These estimates include assumptions regarding the location, size and magnitude of any event, the frequency of events, the construction type and damageability of property in a zone, and the cost of rebuilding property in a zone, among other assumptions. Return period refers to the frequency with which losses of a given amount or greater are expected to occur.

Net loss estimates are before income tax, net of reinstatement premium, and net of retrocessional recoveries. The estimates set forth are based on assumptions that are inherently subject to significant uncertainties and contingencies. These uncertainties and contingencies can affect actual losses and could cause actual losses to differ materially from the loss estimates expressed above. In particular, modelled loss estimates do not necessarily accurately predict actual losses, and may significantly misestimate actual losses. Such estimates, therefore, should not be considered as an accurate representation of actual losses. Investors should not rely on the foregoing information when considering investing in the company. The company undertakes no duty to update or revise such information to reflect the occurrence of future events.

2009 Capital Management

- **Lancashire is one of most active managers of capital in the market. Why?**
  - Capital is the means not the end
  - Too little capital = weak balance sheet, missed opportunities
  - Too much capital = hurts ROE, burns hole in pocket
  - Goldilocks strategy = “capital levels are just right”
- **Lancashire capital management track record:**
  - 2007 - total profits returned = $340M or 87%
    - First $100M share repurchase completed late 2007
    - Strategic dividend of $1.10 (56 pence) per share paid early 2008
  - 2008 - further $100M share repurchase authority in place - approximately $78.8M repurchased to date[1] at 88% of book value on average
  - 2009
    - Lancashire introduced its first recurring dividend of $0.15
    - Lancashire announces special dividend of $1.25 (76 pence) = $263m
    - Lancashire Board authorises a further $150m share buy back programme

When we don’t have any smart ideas, what do we do with it? We give it back to shareholders

88% of IPO capital returned or authority to return

[1] As at 26th February 2010

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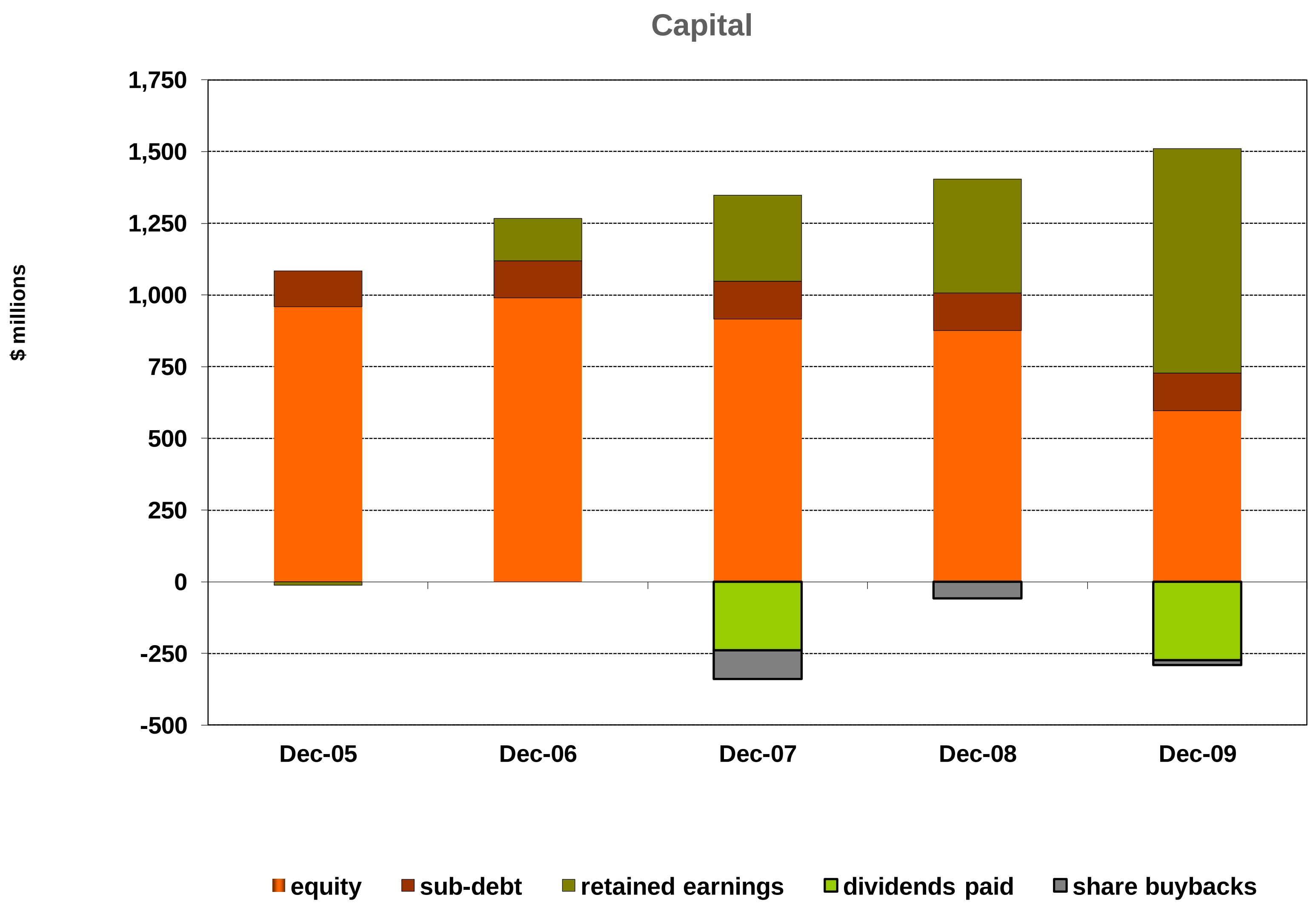
2009 Capital Management



Where we are going

2010: Consistent Lancashire strategy

- **Underwriting**
  - "Stick to our knitting" - no plans to dramatically change our business plan or execution
  - Further improve sophistication of capital allocation – Return on Capital ("RoC") methodology
  - Expect 2010 risk levels to remain comfortably below tolerance levels
  - Return capital where insufficient underwriting opportunities

- **Investments**
  - Maintain conservative asset allocation and overall philosophy
  - Resist temptation to "reach for return" in low yield environment; duration remains short (2.5 years)
  - Small portfolio allocation to Emerging Market Debt (5%)
  - Rule # 1: Don't lose your money

- **Operational**
  - Maintain relatively steady headcount, no current plans to acquire new teams – or companies
  - Majority of personnel and business in UK office

2010: Trading outlook = acceptable for Lancashire

- **Estimated that industry capacity restored in 2009 but further growth limited**
  - Number of peers returning capital
  - Increased share buy back activity expected by Lancashire
- **Rates in general falling: projected average 10% reduction across Lancashire portfolio**
  - In Lancashire areas of competitive strength rates are falling slower than general market
  - Risk selection and nimbleness have reaped rewards e.g. Property cat portfolio
  - Front load capacity
- **Many of our customers are ‘capacity purchasers’**
  - We are less impacted by shrinking demand than many of our peers
  - Surplus capital allows larger lines on well priced business
- **Very strong balance sheet – ready to take advantage of opportunities**
  - Very profitable past four years; can absorb large loss with no need to raise capital
  - Conservative investment portfolio: low threat to our capacity

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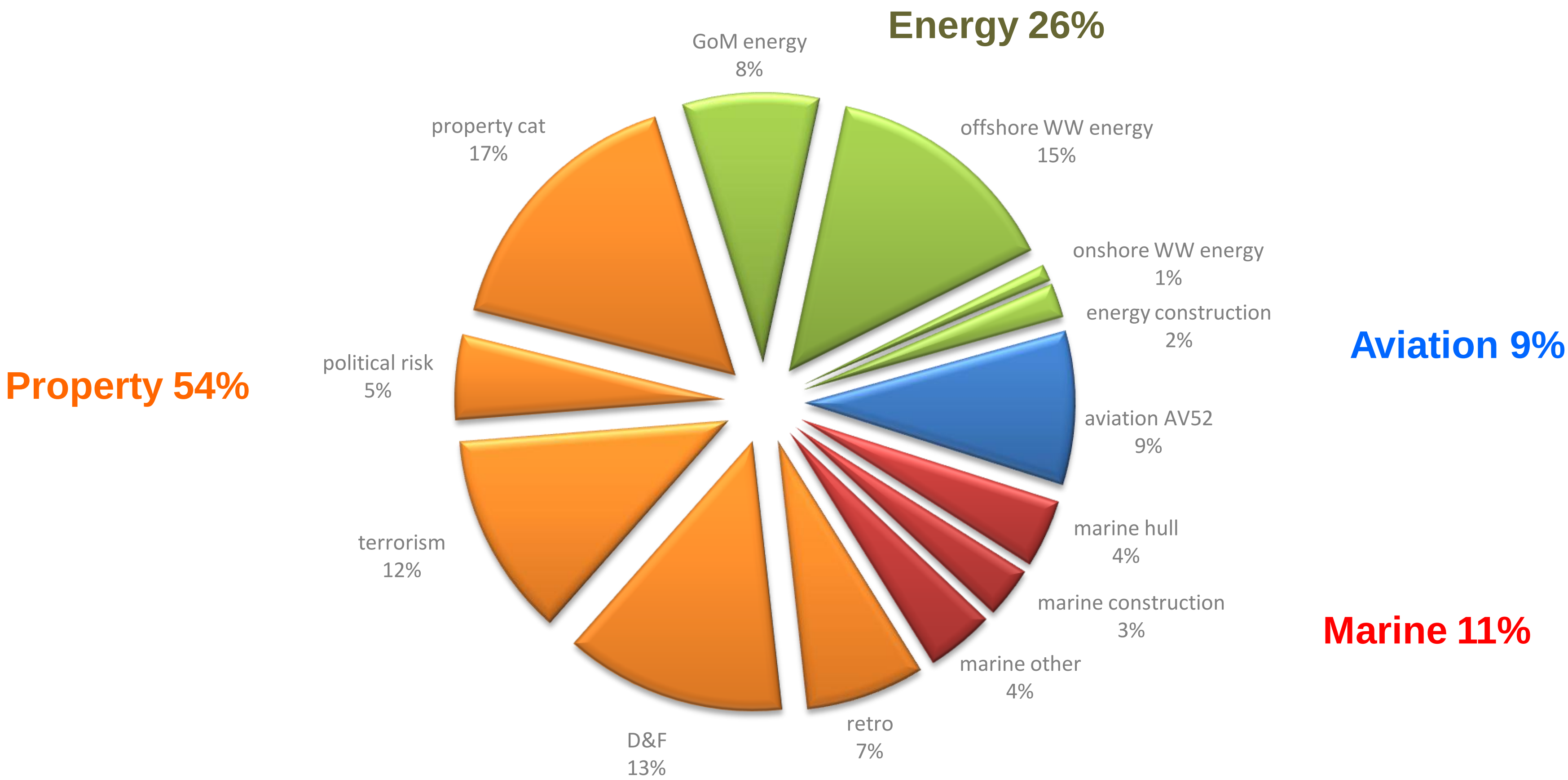
2010: Expected Portfolio Split

75% insurance **25% reinsurance** **36% nat-cat exposed** **64% other**



Based on estimates as of 31st December 2009. Estimates could change without notice in response to several factors, in

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2010: Product focus & diversification - Property

- **Reinsurance and Retro**
  - Price reductions at 1/1: retro 5 to 10%; property cat 5 to 9% (U.S.) and 3 to 5% (Europe)
  - Further price reductions in retro unlikely, but buying likely to reduce as property cat market softens
  - Pricing pressure on property cat in the U.S. expected at mid year renewals
  - Key relationship developed in property cat
  - Canadian property cat portfolio built
  - European property cat portfolio expanded

- **Terrorism**
  - U.S. market capacity increasing as U.S. domestic markets actively seeking terrorism business following elimination of TRIA domestic terrorism exclusion
  - Some new markets very aggressive on metropolitan pricing
  - Non-U.S. market capacity increasing marginally as property markets diversify into terrorism
  - Lancashire now established market leader – leads 70% of accounts

2010: Product focus & diversification - Property

- **Political Risk/ Sovereign Risk**
  - Very stable market, no significant entrants or leavers
  - Sovereign risk opportunity identified, producers seen and actively pursuing opportunities

- **Direct & facultative property**
  - **CORE business**
    - Low process hazard (i.e. Office building, municipality, hotel)
    - Attachment point greater than 15% of T.I.V
  - **NON-CORE business**
    - High process hazard (i.e. mining, steel, heavy fabrication)
    - Primary, Quota Share
  - **Market trends**
    - Continuing dislocation in pricing in different markets for U.S. Cat-Exposed accounts, now increasingly accepted by clients and brokers
    - More competition due to new entrants, increased pressure on signings
    - Client expectation of RPI varying between reductions of 5 and 15% depending on cat exposure profile
    - U.S. admitted markets continuing to be very aggressive on price and writing traditional E&S business

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2010: Product focus & diversification - Energy

- **CORE business:**
  - Offshore operating risks
    - Focus on internationally recognised operators and contractors
- **NON-CORE business:**
  - Onshore operating risks
    - Focus on excess of loss policies
  - Offshore construction risks
    - Prefer excess of loss policies and projects run by internationally recognised operators and contractors
- **Gulf of Mexico energy**
  - Rush of buyers back to market not expected, but stronger oil price may bring back some demand
  - Rates expected to experience modest reductions from all-time historical highs of 2009
  - Lancashire continues to focus on high quality deepwater assets with excellent loss records
- **Other energy**
  - Rate reductions expected across all other energy lines
  - Larger reductions currently being seen in Onshore, represents <5% of the overall energy portfolio
  - Increase in offshore construction activity expected

2010: Product focus & diversification – Marine & Aviation

Lancashire has an extremely focused marine and aviation portfolio and believes the majority of the marine and aviation sector is inadequately priced

- **CORE business:**
  - Larger, higher quality marine hull fleets which offer newer tonnage, which historically performs significantly better than older tonnage; LNG's, cruise lines and high profile market risks
  - There has not been a total loss from LNG in the last 20 years.
  - In builders risk, target the most reputable yards (surveyed and graded by the BMT).
- **NON-CORE business:**
  - Bulker fleets, container fleets, ferries, general old/low valued vessels
  - Cargo
  - Avoid builds where prototypical technology/methods are being undertaken
- **Marine**
  - Market expected to remain relatively flat, larger risks experiencing downward rating pressure
  - Tighter terms and conditions for piracy risks, significant rate increases in this peril (in Gulf of Aden)
  - Expect to see a small increase in builders risk opportunities
- **Aviation**
  - AV52 market starting to show signs off softening following relatively flat 2009
  - AV52 premium volumes still affected by the global economic crisis with departures and passenger volumes down

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Safe Harbour Statements

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING WITHOUT LIMITATION, STATEMENTS CONTAINING WORDS 'BELIEVES', 'ANTICIPATES', 'PLANS', 'PROJECTS', 'FORECASTS', 'GUIDANCE', 'INTENDS', 'EXPECTS', 'ESTIMATES', 'PREDICTS', 'MAY', 'CAN', 'WILL', 'SEEKS', 'SHOULD', OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDING, WITHOUT LIMITATION, THOSE REGARDING THE GROUP'S FINANCIAL POSITION, RESULTS OF OPERATIONS, LIQUIDITY, PROSPECTS, GROWTH, CAPITAL MANAGEMENT PLANS, 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 ACHIEVMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS.

THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT WE WRITE; THE PREMIUM RATES AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN OUR TARGETED BUSINESS LINES; THE ABSENCE OF LARGE OR UNUSUALLY FREQUENT LOSS EVENTS; THE IMPACT THAT OUR FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN OUR UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; LOSS OF KEY PERSONNEL; A DECLINE IN OUR OPERATING SUBSIDIARIES' RATING WITH A.M. BEST COMPANY; 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 CREATED BY THE FINANCIAL MARKETS AND CREDIT CRISIS; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITES IN OUR INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE LANCASHIRE CONDUCTS BUSINESS; LANCASHIRE OR ITS BERMUDIAN SUBSIDIARY BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE UNITED KINGDOM; AND THE EFFECTIVENESS OF OUR LOSS LIMITATION METHODS. ANY ESTIMATES RELATING TO LOSS EVENTS INVOLVE THE EXERCISE OF CONSIDERABLE JUDGMENT AND REFLECT A COMBINATION OF GROUND-UP EVALUATIONS, INFORMATION AVAILABLE TO DATE FROM BROKERS AND INSUREDS, MARKET INTELLIGENCE, INITIAL TENTATIVE LOSS REPORTS AND OTHER SOURCES. JUDGMENTS IN RELATION TO FLOOD LOSSES INVOLVE COMPLEX FACTORS POTENTIALLY CONTRIBUTING TO THIS TYPE OF LOSS, AND WE CAUTION AS TO THE PRELIMINARY NATURE OF THE INFORMATION USED TO PREPARE ANY SUCH ESTIMATES.

THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE HOLDINGS LIMITED 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.

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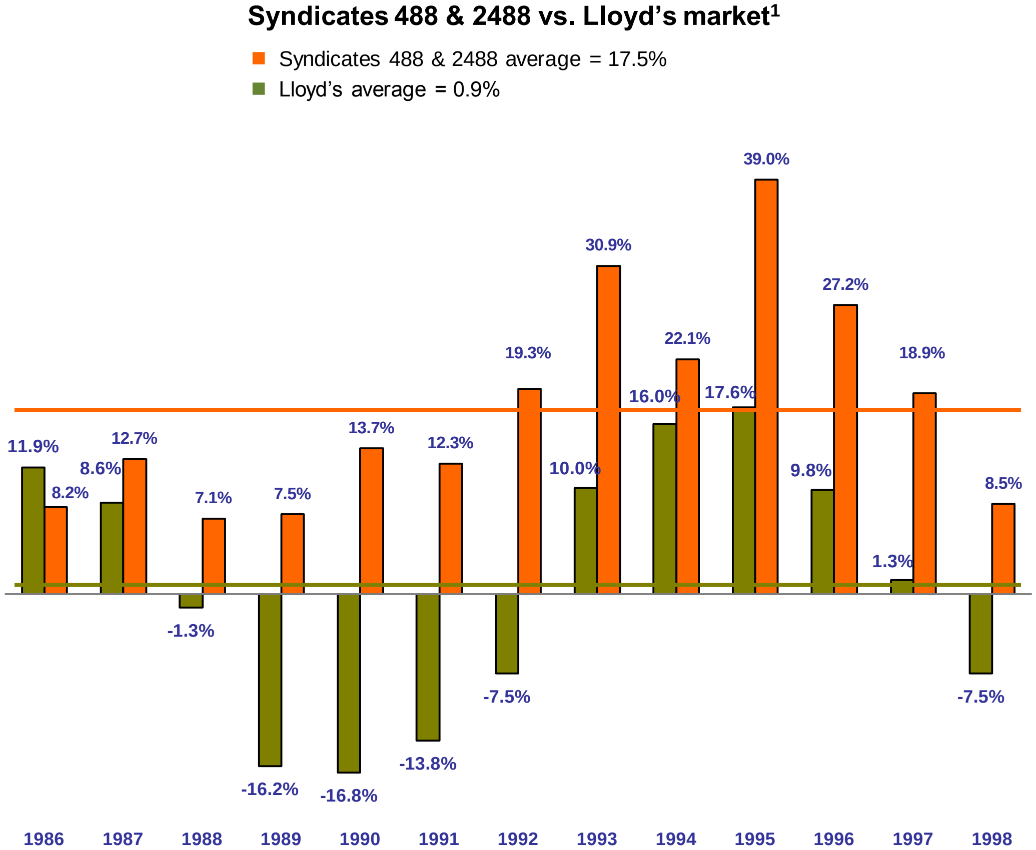
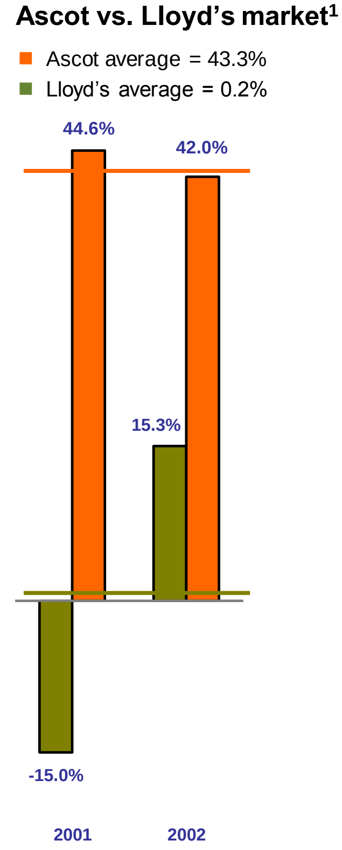
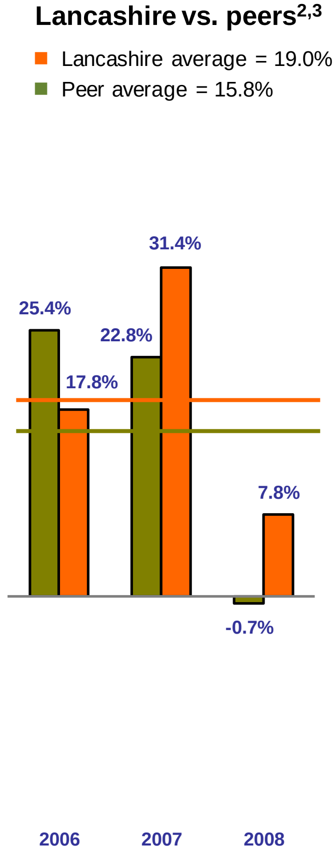
Appendix 1: Richard Brindle Has a Track Record of Long-term Outperformance







[1] Profit before personal expenses as a percentage of capacity
[2] Return on equity
[3] Peers include Amlin, Arch, Axis, Endurance, Flagstone, Hiscox, Montpelier, Partner Re, Platinum, Ren Re, and Validus

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