Underwriting comes first

Effectively balance risk and return

Operate nimbly through the cycle

Investor Presentation
Q3 2010

September 2010
www.lancashiregroup.com

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 THE 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 LOW FREQUENCY OF LARGE EVENTS; UNUSUAL LOSS FREQUENCY; 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 AND/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 CREATED BY THE FINANCIAL MARKETS; 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 AND/OR TENTATIVE LOSS REPORTS AND OTHER SOURCES. JUDGMENTS IN RELATION TO LOSSES ARISING FROM NATURAL CATASTROPHE AND MAN MADE EVETNS INVOLVE COMPLEX FACTORS POTENTIALLY CONTRIBUTING TO THESE TYPES 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.

an established and successful market leader

Lancashire is a global provider of specialty insurance products operating in Bermuda, London and Dubai. Lancashire focuses on short-tail, mostly on a direct basis, specialty insurance risks under four general categories: property, energy, marine and aviation.

- Fully converted book value per share plus accumulated dividends has grown at a compounded annual rate of 19.4% since inception
- Total shareholder return of 131.2% since inception in late 2005, compared with 8.8% for S&P 500, 15.8% for FTSE 100, -49.1% for S&P P&C Insurance Index and 9.7% for FTSE 350 Insurance Index
- Returned 86.2% of original share capital raised at inception by 10 September 2010, or an average of 63.0% of annual comprehensive income
- Traded on London Stock Exchange (LRE.L) with market capitalisation of $1.3 billion
- Member of FTSE 250 index

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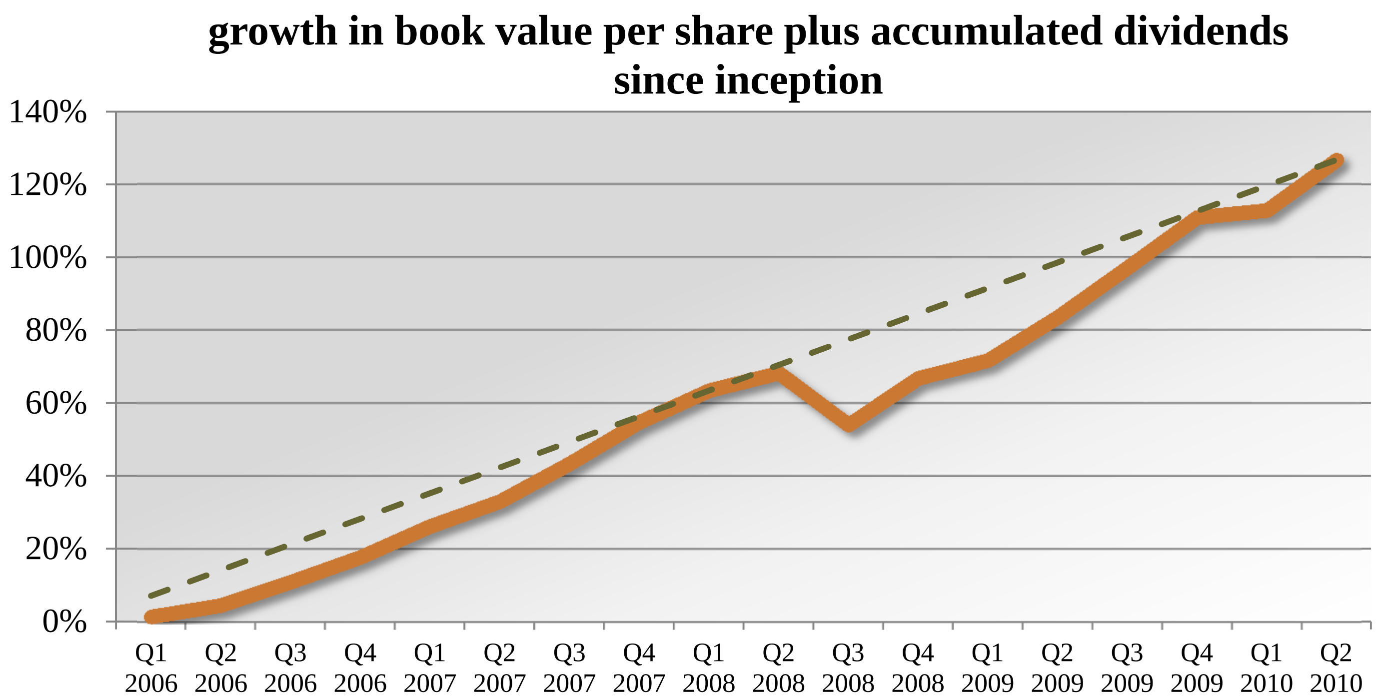
our goal: to provide an attractive risk-adjusted total return to shareholders over the long-term



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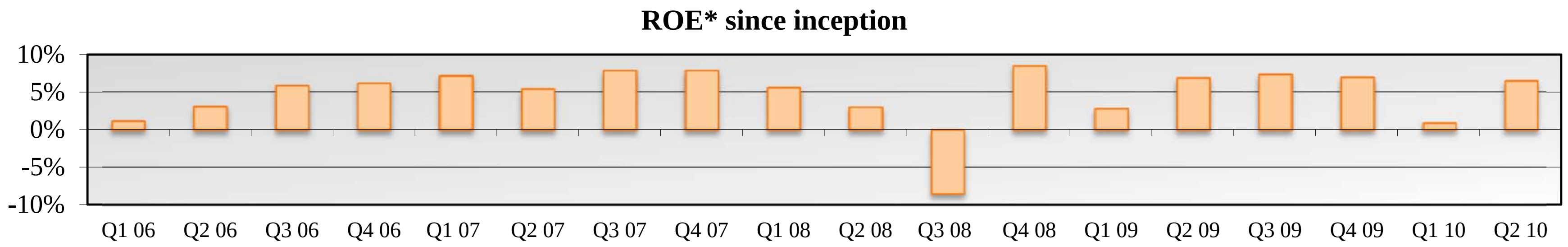
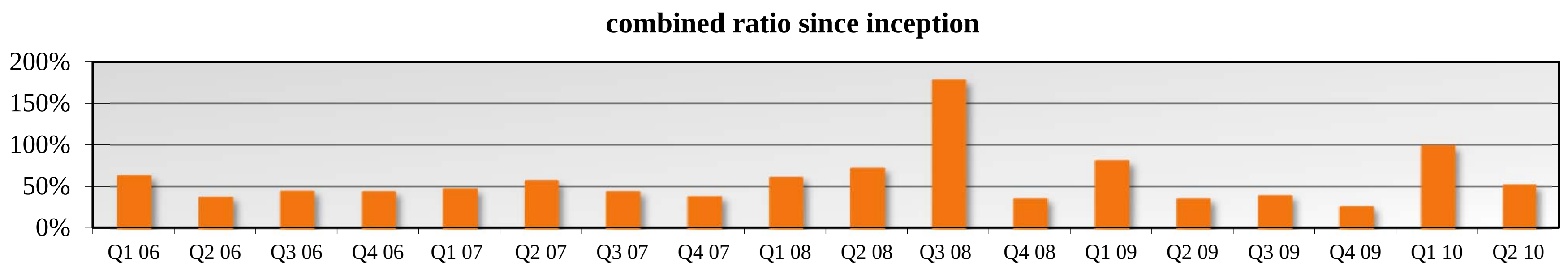
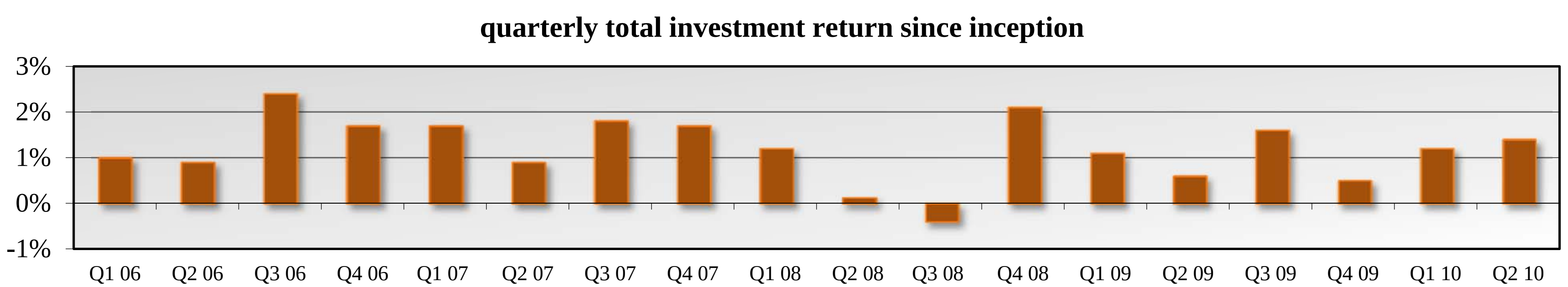
consistency







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

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strategy for long-term success

our goal

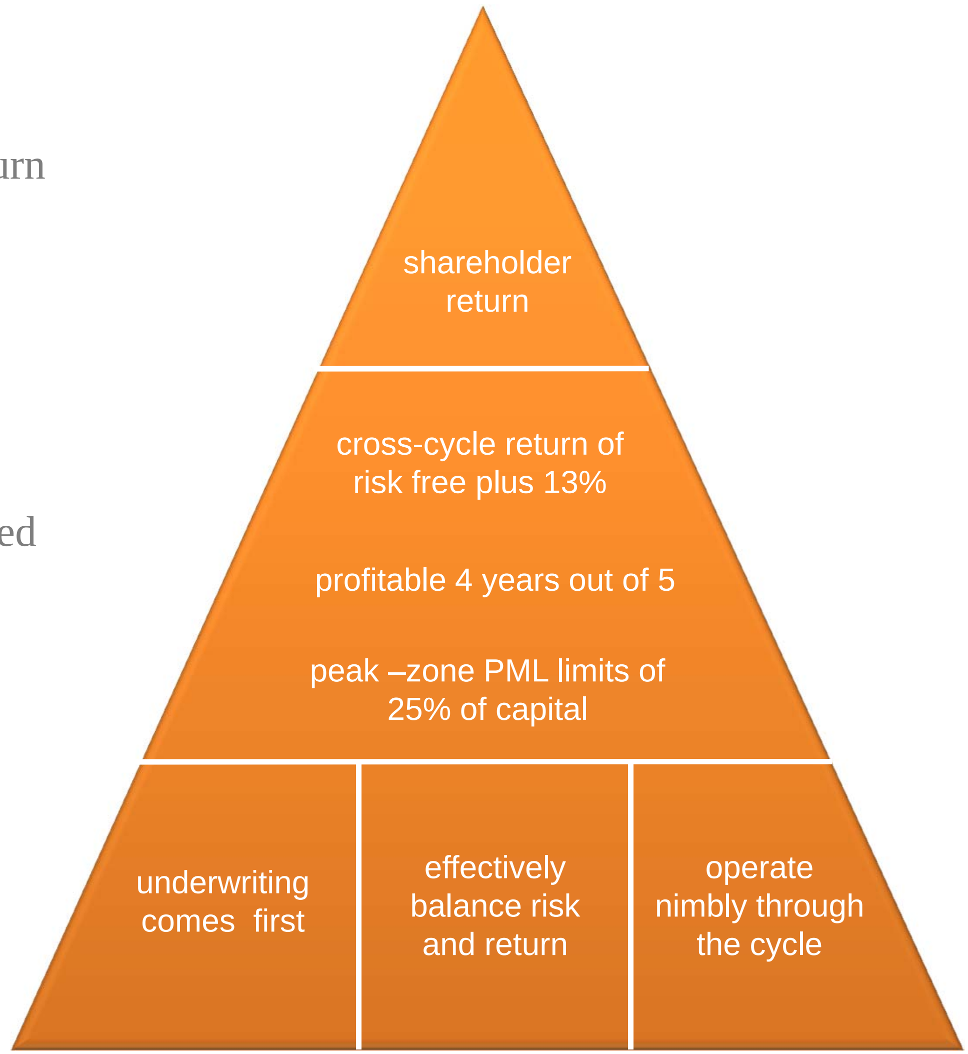
to provide an attractive risk-adjusted return to shareholders over the long-term

financial targets

success in achieving our goals is measured against risk and return targets

strategic priorities

financial targets are achieved by concentrating on a small number of priorities



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underwriting comes first

appropriate mix of technology and culture

Culture and Techniques

- Daily underwriting call
- Collegiate approach
- Multiple pricing assessments
- No premium targets
- Underwriters compensated on Group ROE

BLAST proprietary model

- Remetrica platform
- Lancashire custom features
- Blends multiple types of risk
- Optimisation capability to improve risk : return of portfolio

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effectively balance risk and return

major losses offset by strong underlying profits

Year	Return on Equity	Major Industry Losses
2006	17%	US tornado storms
2007	32%	UK floods
2008	8%	Hurricane Ike, financial market meltdown
2009	26%	US winter storm ‘Klaus’
2010 H1	8%	Chile earthquake, Deepwater Horizon

Peak 1 in 100 PML wind loss = 16% of capital at 1 July 2010
Peak 1 in 250 PML quake loss = 14% of capital at 1 July 2010

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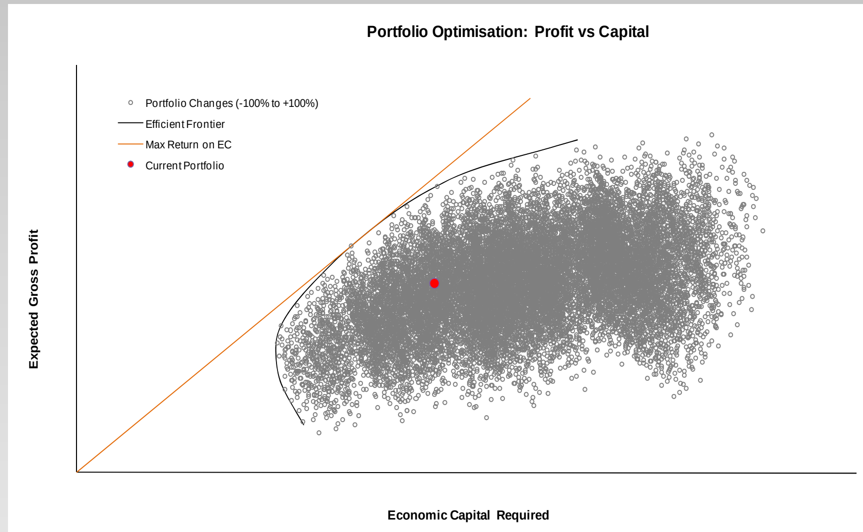
effectively balance risk and return

enhancing sophistication of portfolio efficiency

optimisation process

1. establish RoC per class
2. run optimisation scenarios in BLAST: establish theoretically most efficient portfolio risk:return frontier
3. adapt outcomes for the real-world: choose an efficient portfolio that considers all relevant factors

example scenarios



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Zones	Perils	100 year return period $m (% of capital)	250 year return period $m (% of capital)
North East U.S.	Hurricane	177(12%)	350 (24%)
South East U.S.	Hurricane	245 (16%)	352 (24%)
California	Earthquake	119 (8%)	198 (13%)
Europe	Windstorm	133 (9%)	208 (14%)
Japan	Earthquake	123 (8%)	211 (14%)
Japan	Typhoon	85 (6%)	172 (12%)

As at 31st July 2010

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.

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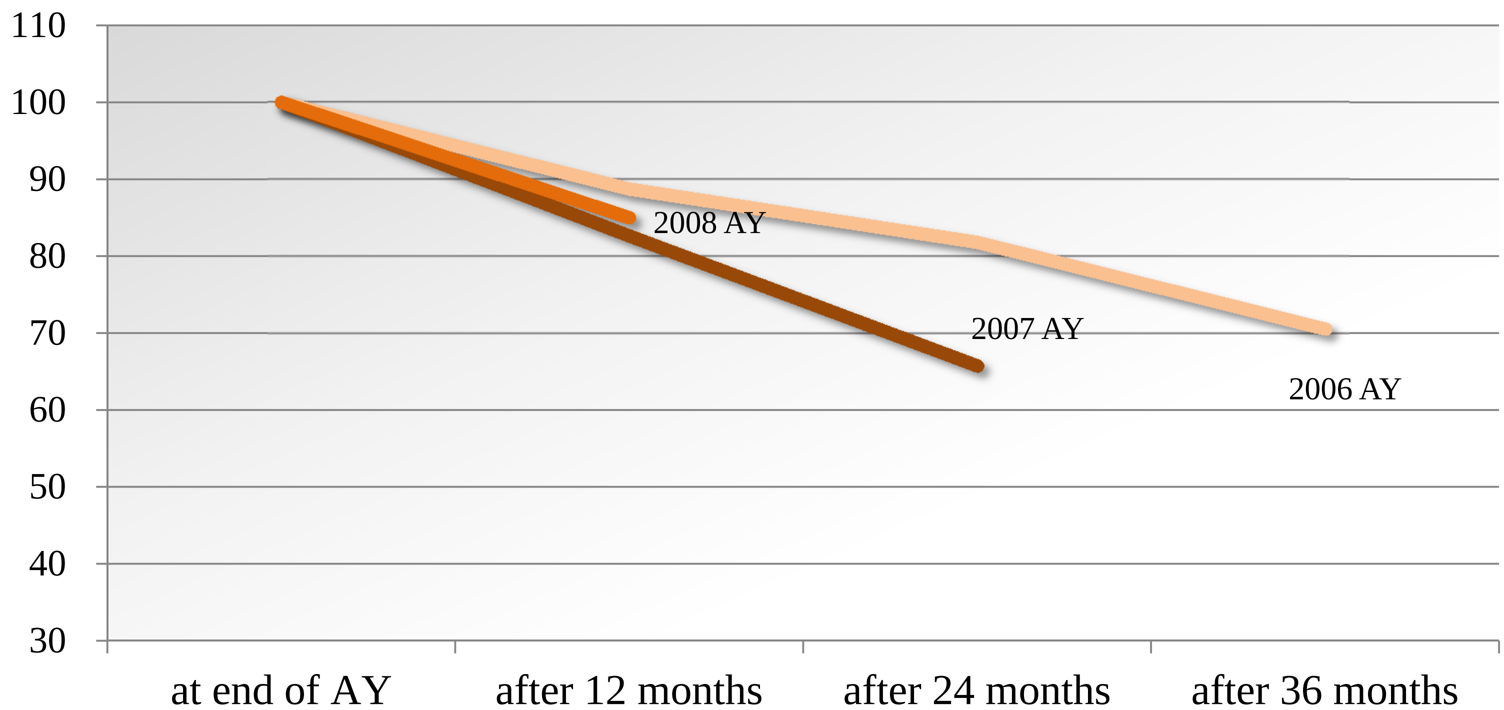
effectively balance risk and return

consistent positive reserve development
(net reserves at end of accident year = index of 100)



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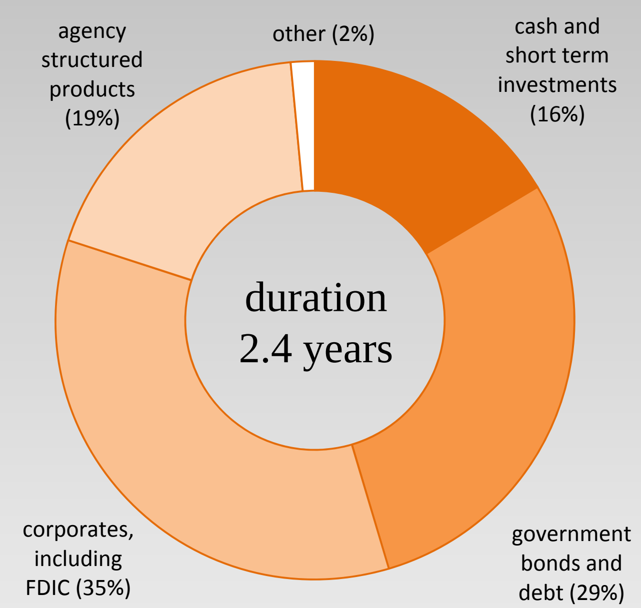
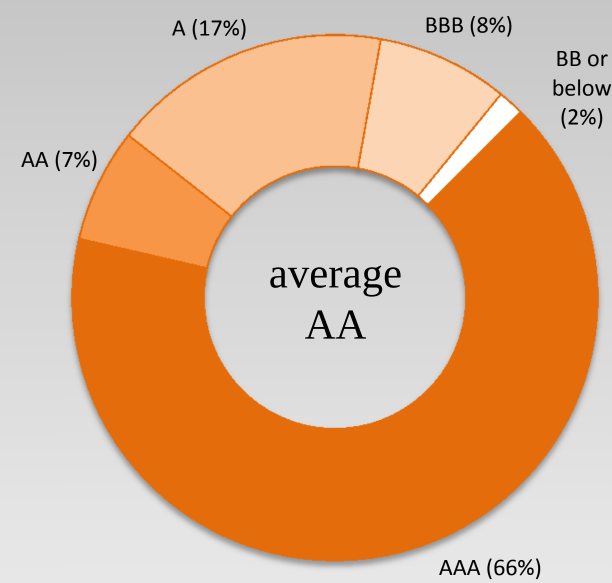
investments rule #1: 'Don't lose your money'

asset allocation



credit quality



total portfolio at 30 June 2010 = $2,079m

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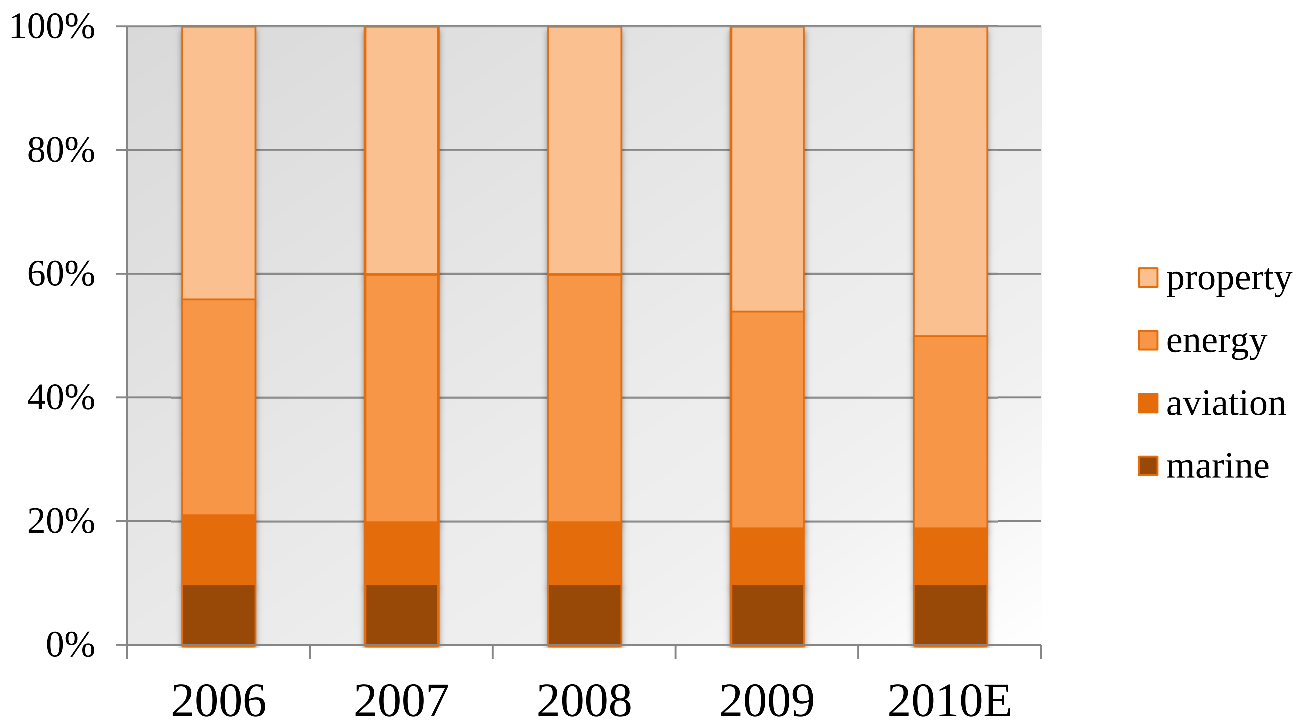
operate nimbly through the cycle

active portfolio rebalancing as opportunities evolve

swift reallocation of capital; minimal tactical inertia
decisions made ahead of the competition
energy proportion expected to increase in 2011



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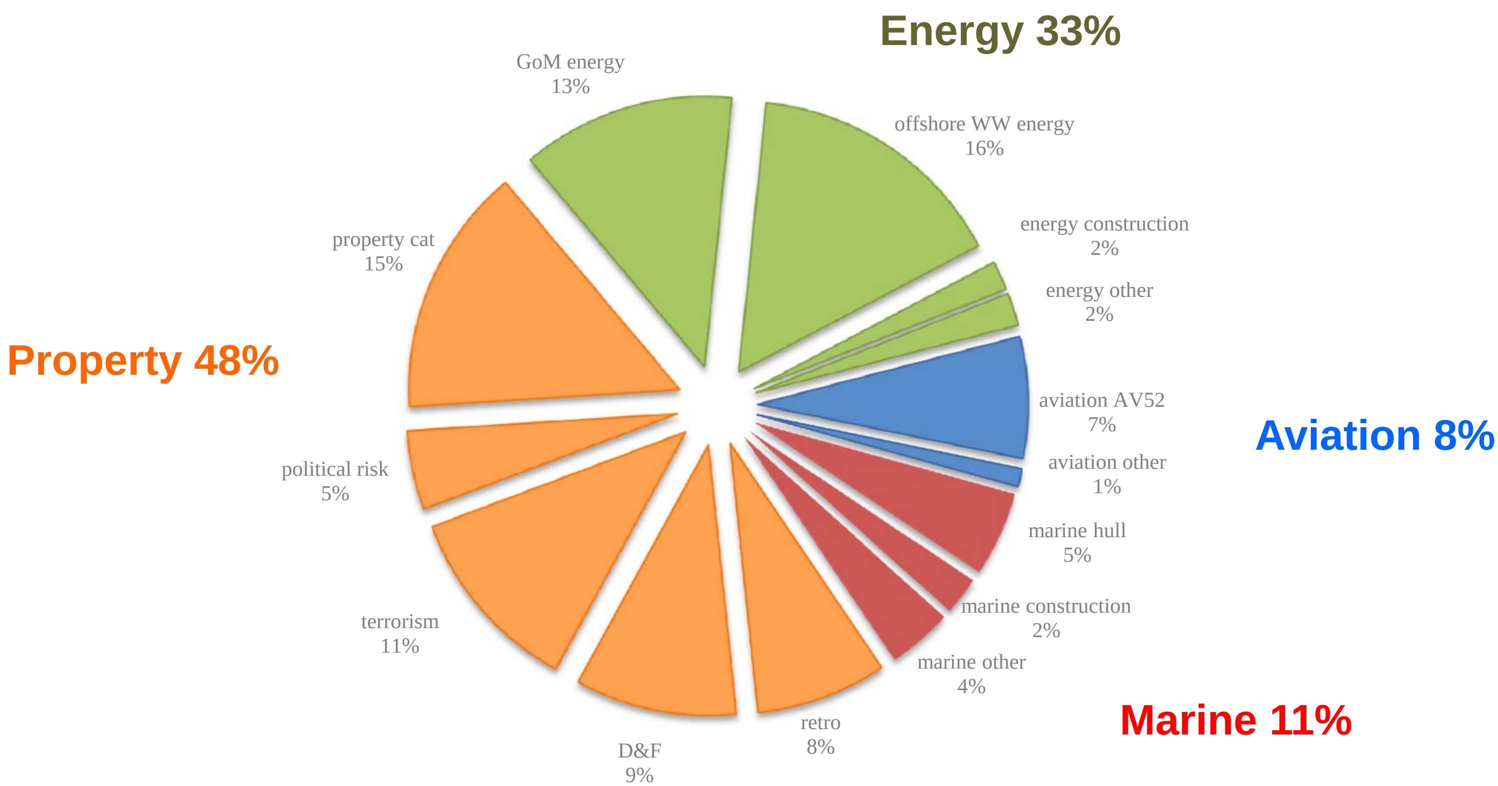
75% insurance **25% reinsurance** **39% nat-cat exposed** **61% other**



Based on estimates as of 10 September 2010. Estimates could change without notice in response to several factors, including trading conditions

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operate nimbly through the cycle

trading outlook: acceptable **broad softening…with the exception of energy**

property	insurance	high domestic U.S. competition, consistent rate softening
	reinsurance	high reinsurer competition, consistent rate softening
	terrorism	softening, continued focus on attractive benign risks
energy	gulf of mexico	demand returning, prices back to all-time highs of 2009
	ww offshore	demand substantially higher, prices up 20 to 30% on average
	ww onshore	prices weakening, relatively few attractive opportunities
marine	hull, war, P&I	market stable, attractive niche opportunities
	cargo	pricing insufficient, Lancashire does not write cargo risks
aviation	AV52	continued softening but risk profile remains attractive
	general	pricing insufficient, Lancashire does not write general risks

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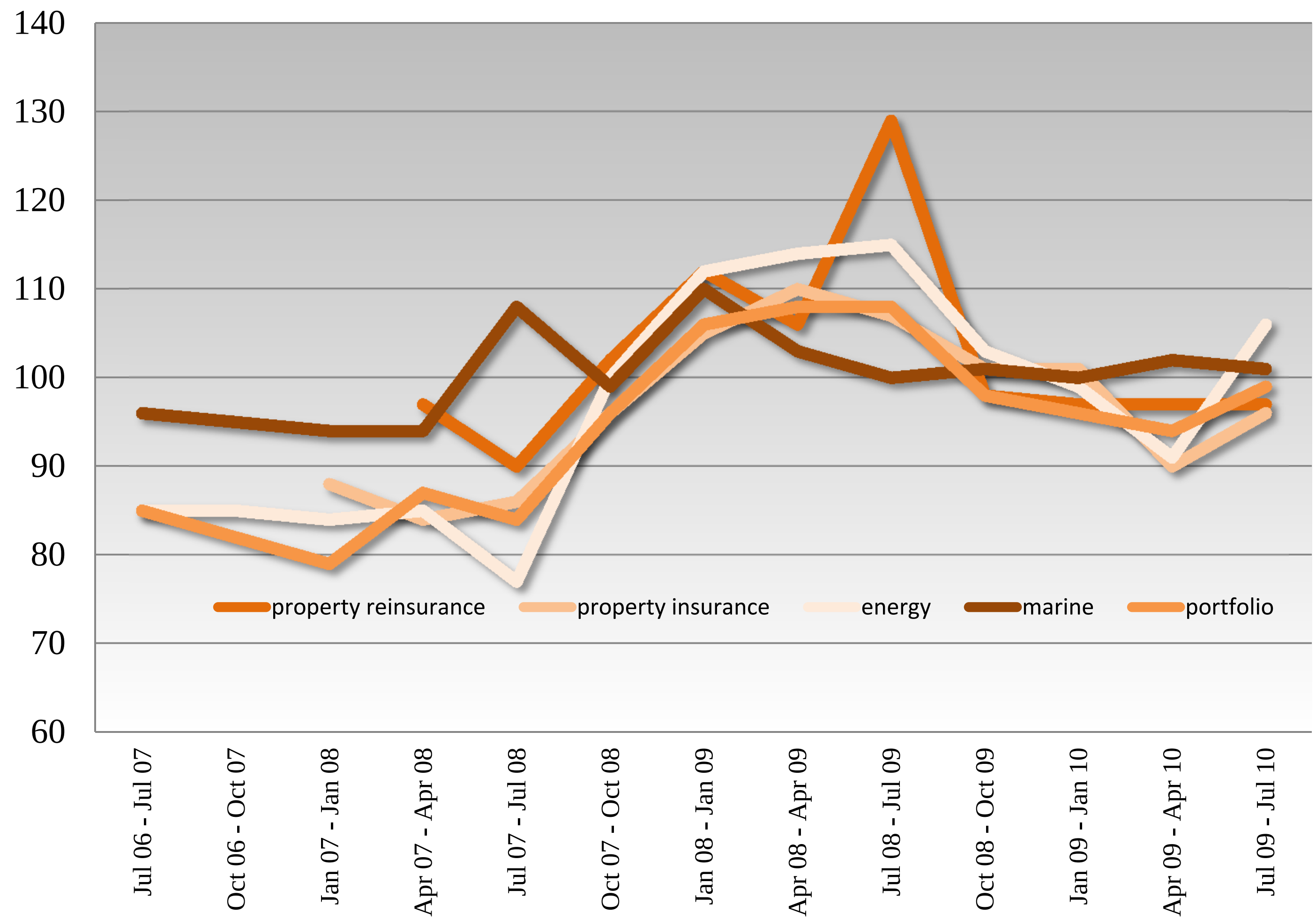
Lancashire renewal price index



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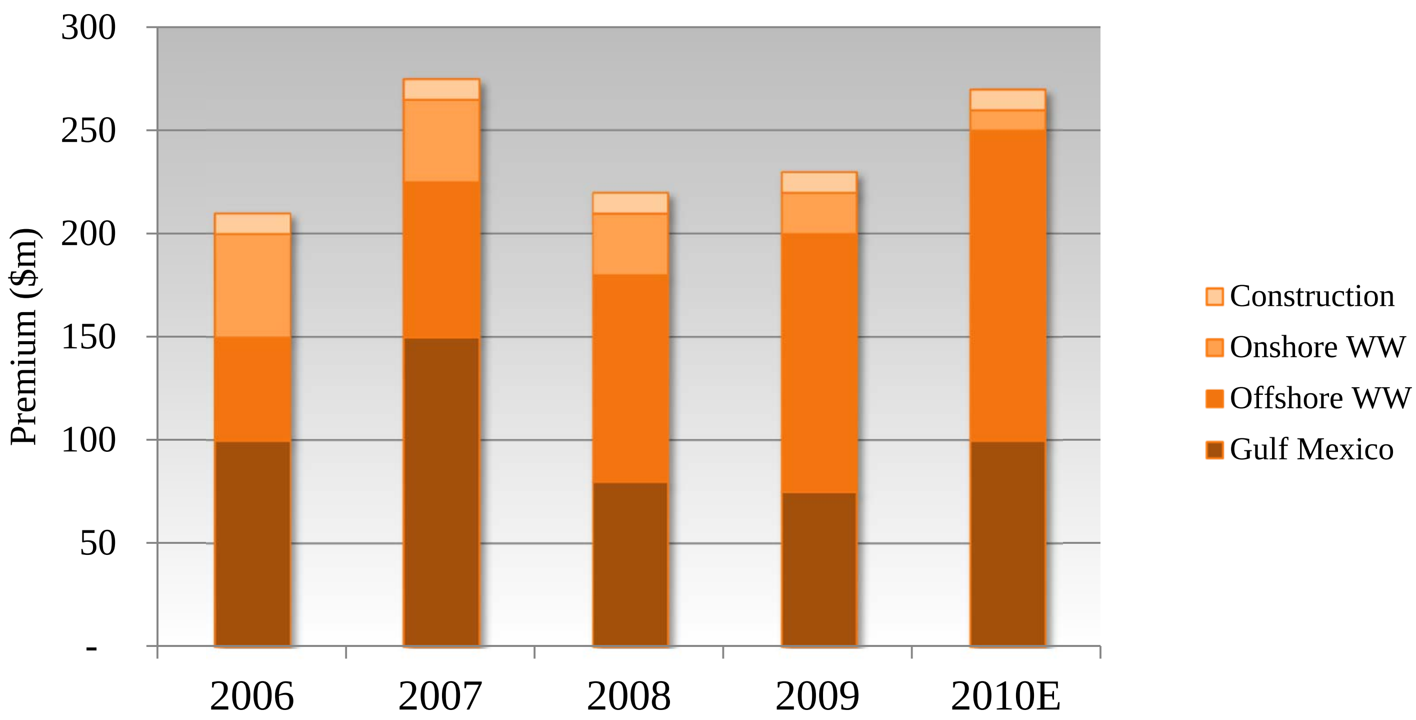
energy: opportunistic rebalancing to improve RoE

2006 & 2007: built portfolio, very hard market

2008: reduced exposure to shallow water GoM assets

2009: recalibrated BLAST, increased pricing but reduced demand

2010: demand returning following Deepwater Horizon, pricing up



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energy: a hardening market in an area of Lancashire focus

Coverage	Buyer	Summary	Potential DH Impact
Physical Damage	Operator & Contractor	Cost of replacing physical assets in the event of an insured peril	1) Rate rises as a result of market forces
Control of Well	Operator	Cost of well control / cost of redrill / cost of clean up	1) Rate rises as a result of market forces and review of pricing adequacy 2) Increased demand as limits purchased increase? 3) Reduced supply as capacity providers review clash with drilling contractors?
Loss of Production Income (LOPI) / Loss of Hire (LOH)	Operator & Contractor	Loss of income following an insured peril trigger	1) Rate rises as a result of market forces
Third Party Liability – Primary & Excess	Operator & Contractor	Third party liability including liability resulting from a pollution incident	1) Rate rises as a result of market forces and review of pricing adequacy 2) Increased demand as limits purchased increase? 3) Review of coverage provided? 4) Reduced supply as capacity providers review clash with upstream energy portfolio
Third Party Liability – OPA specific	Operator & Contractor	Strict liability for pollution in US waters – "Polluter Pays" concept Certification required either through Insurance Certificate / Self Insurance (subject to satisfactory balance sheet) / Bond	1) Increased limits required – extent of which will be determined by US legislation currently US$75m maximum for operators

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proven record of active capital management

	2007 $M	2008 $M	2009 $M	2010[1] $M	Total $M
Share repurchases	100.1	58.0	16.9	134.7	309.7
Special dividends	239.1	-	263.0	-	502.1
Ordinary dividends – interim	-	-	10.5	9.4	19.9
Ordinary dividends – final	-	-	20.8	-	20.8
Total	**339.2**	**58.0**	**311.2**	**144.1**	**852.5**
Average price of share repurchase	102.2%	88.4%	98.5%	97.3%	97.3%
Weighted average dividend yield	18.1%	n/a	16.0%	1.1%	n/a

as of 10 September 2010, 86.2% of IPO capital has been returned to shareholders

[1]As of 10 September 2010

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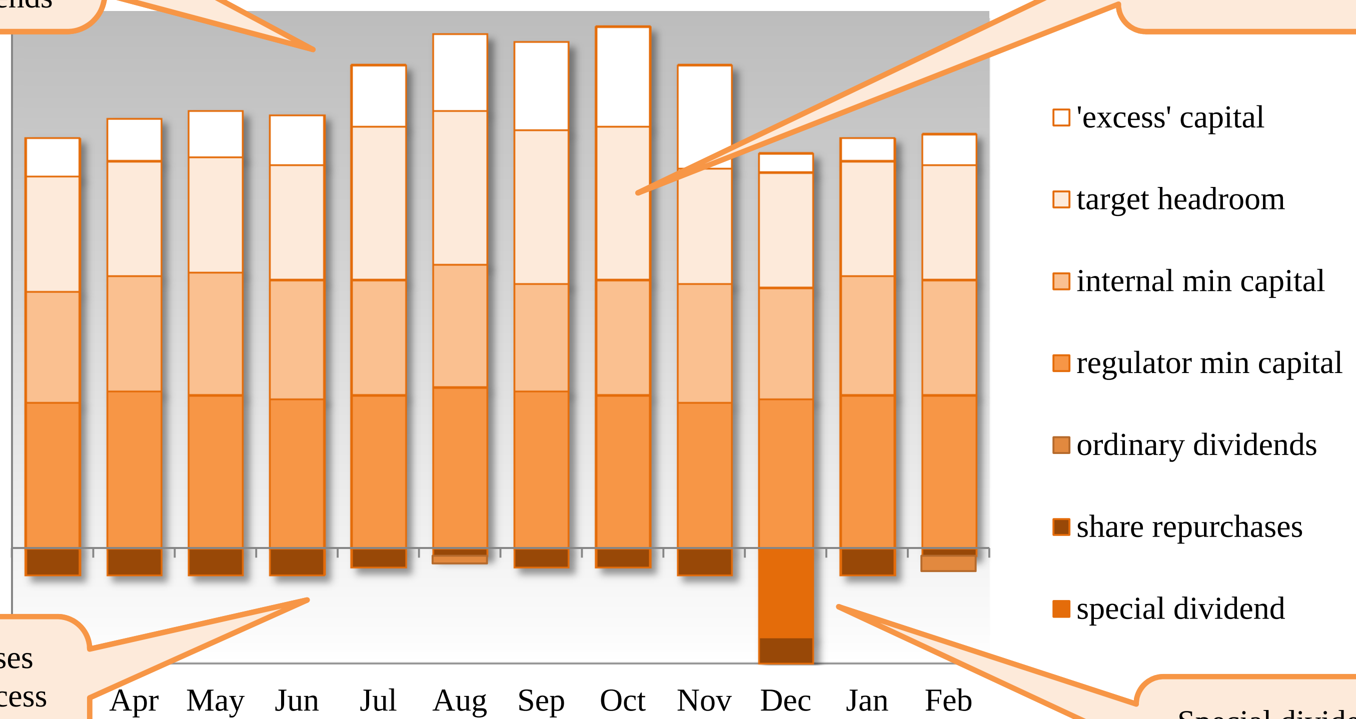
constant adjustment of capital

an example over 12 months

Excess capital builds during the year if profits exceed share repurchases & ordinary dividends

Our target capital headroom increases in hurricane season



Share repurchases continuous if excess capital exists and price acceptable

Special dividend in Q4 if insufficient opportunities ahead

other factors: capital cost, clarity of trading conditions, time of year, share price

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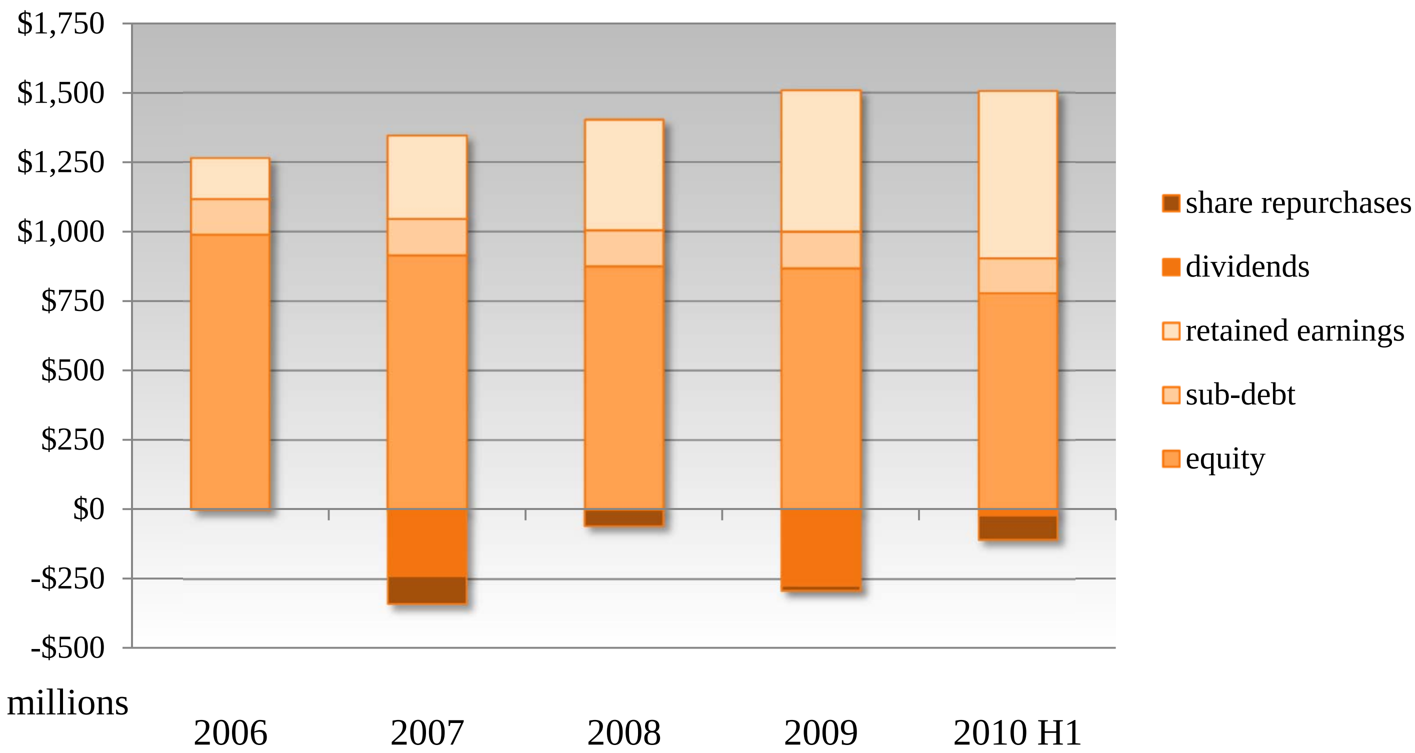
constant adjustment of capital

proven record since inception



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strategy

success

sustainability

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