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HOLDINGS LIMITED

Underwriting comes first

Effectively balance risk and return

Operate nimbly through the cycle

Investor Presentation
Q4 2010

January 2011
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 ACHIEVEMENTS 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 EVENTS 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.

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an established and successful market leader

Lancashire is a global provider of specialty insurance products operating in Bermuda, London and Dubai[1]. 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 20.0% since inception
- Total shareholder return of 184.7%[2] since inception in late 2005, compared with 11.0%[2] for S&P 500, 39.3%[2] for FTSE 250 and 2.3%[2] for FTSE 350 Insurance Index
- Returned 114.3% of original share capital raised at inception by 2010, or 87.1% of cumulative comprehensive income.
- Traded on London Stock Exchange (LRE.L) with market capitalisation of $1.3 billion
- Member of FTSE 250 index

[1] An application has also been made to open a marketing office in Brazil

[2] Shareholder return through December 31st , 2010. LRE and FTSE returns in USD terms.

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Q3 2010 headlines

- **Combined ratio of 39.2%**
  - Reported loss ratio of 9.4%; accident year loss ratio of 29.2%
  - Combined ratio since inception of 58.9% (including G&A)
  - Chile Maule loss: reduction of $6.0 million to $91.5 million
- **Total investment return of 2.0% (annualised 8.1%)**
  - Positive total return in 18 out of 19 quarters since inception
- **Growth in fully converted book value per share, adjusted for dividends, of 15.9[1]%**
  - Compound annual return since inception of 20.0[1]%
- **2010 Special dividend of $264.3 million (2009: $263.0 million) or $1.40 (2009: $1.25) per common share**
- **YTD Share repurchases of $136.4 million[1] (2009: $16.9 million)**

[1] As at 30th September 2010

consistency: exceptional underwriting performance

	2006	2007	2008	2009	4 year average [1]	YTD 2010
Loss ratio	16.1%	23.9%	61.8%	16.6%	32.1%	37.6%
Acquisition cost ratio	14.3%	12.5%	16.4%	17.8%	15.4%	17.8%
Expense ratio	13.9%	9.9%	8.1%	10.2%	10.0%	9.7%
Combined ratio	44.3%	46.3%	86.3%	44.6%	57.5%	65.1%
Sector combined ratio[2]	76.1%	76.6%	88.0%	78.1%	79.7%	86.5%[3]
Lancashire out-performance	31.8%	30.3%	1.7%	33.5%	22.2%	21.4%

[1] Lancashire ratios weighted by annual net premiums earned. Annual sector ratios are weighted by annual net premiums earned for the companies reported over four years.

[2] Sector includes Amlin, Axis, Beazley, Brit, Catlin, Endurance, Flagstone, Hiscox, Montpelier, Renaissance Re and Validus. Information source company reports, SNL & Numis. Methods of calculation can vary between companies.

[3] Sector return includes earnings release information through 30th September 2010: Axis, Endurance, Flagstone, Montpelier, Renaissance Re and Validus and through 30th June 2010 for Amlin, Beazley, Brit, Catlin and Hiscox

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consistency: excellent investment performance

	2006	2007	2008	2009	4 year cumulative annualised return	YTD 2010
Total return[1]	6.1%	6.2%	3.1%	3.9%	4.8%	4.6%
Sector total return [2]	5.1%	5.7%	-2.8%	6.4%	3.5%	3.9%
Lancashire out-performance	+1.0%	+0.5%	+5.9%	-2.5%	+1.3%	+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, Axis, Beazley, Brit, Catlin, Endurance, Flagstone, Hiscox, Montpelier, Renaissance Re, and Validus. Information source company reports, SNL & Numis. Methods of calculation can vary between companies.

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consistency: excellent return on equity

	Lancashire	Sector [1]	S&P 500
2006	17.8%	27.4%	15.8%
2007	31.4%	23.3%	5.5%
2008	7.8%	2.9%	-37.0%
2009	26.5%	26.1%	26.5%
YTD 2010	15.9%	14.6%[4]	3.9%
Compound [2]	20.0%	19.4%[4]	1.1%

[1] Sector includes Amlin, Axis, Beazley, Brit, Catlin, Endurance, Flagstone, Hiscox, Montpelier, Renaissance Re and Validus.
[2] Compound annual return from inception through 30th September 2010. 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 30th September 2010: Axis, Endurance, Flagstone, Montpelier, Renaissance Re and Validus and through 30th June 2010 for Amlin, Beazley, Brit, Catlin and Hiscox

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

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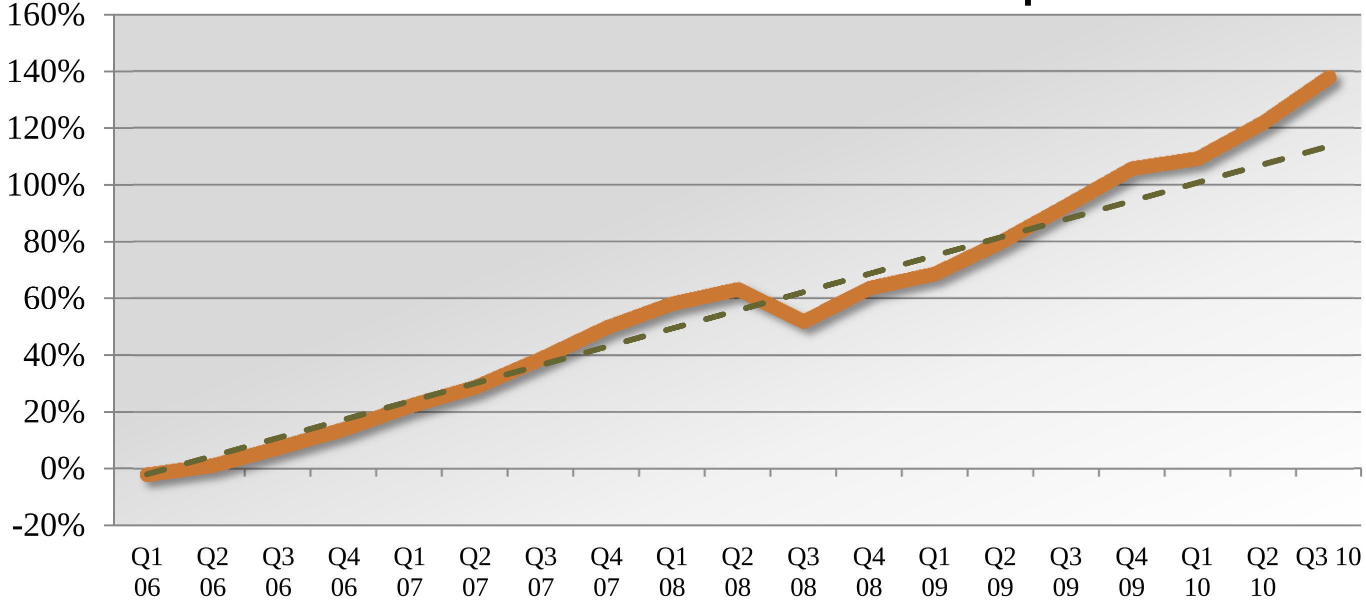
our goal: to provide an attractive risk-adjusted total return to shareholders over the long-term

growth in fully converted book value per share plus accumulated dividends since inception



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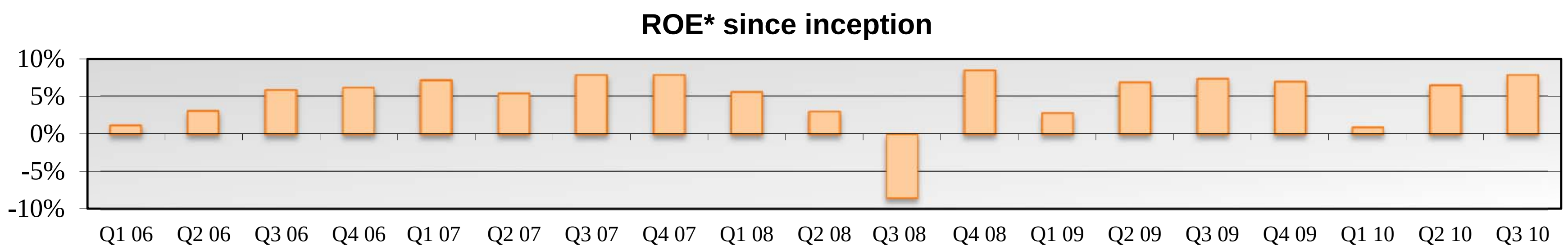
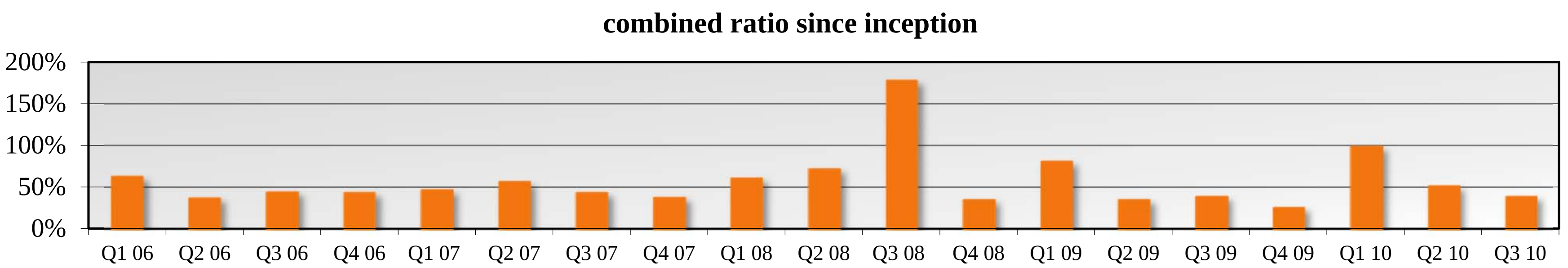
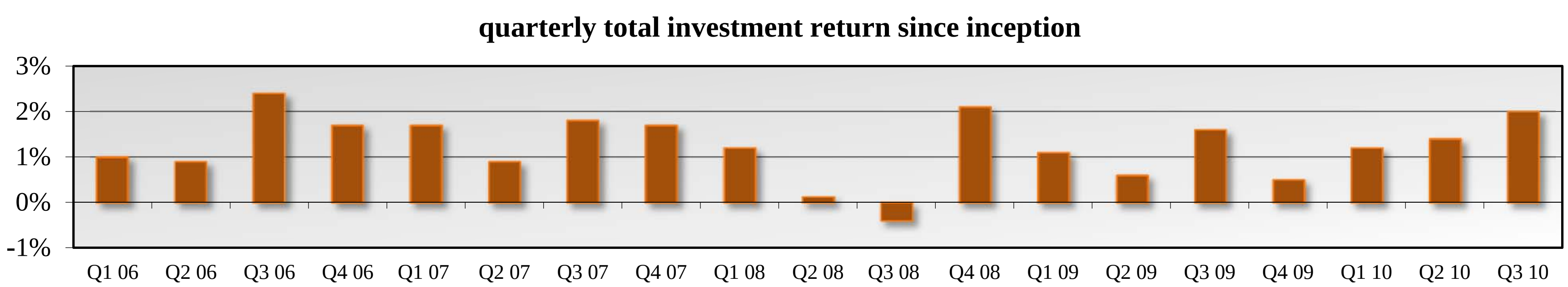
consistency







* 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

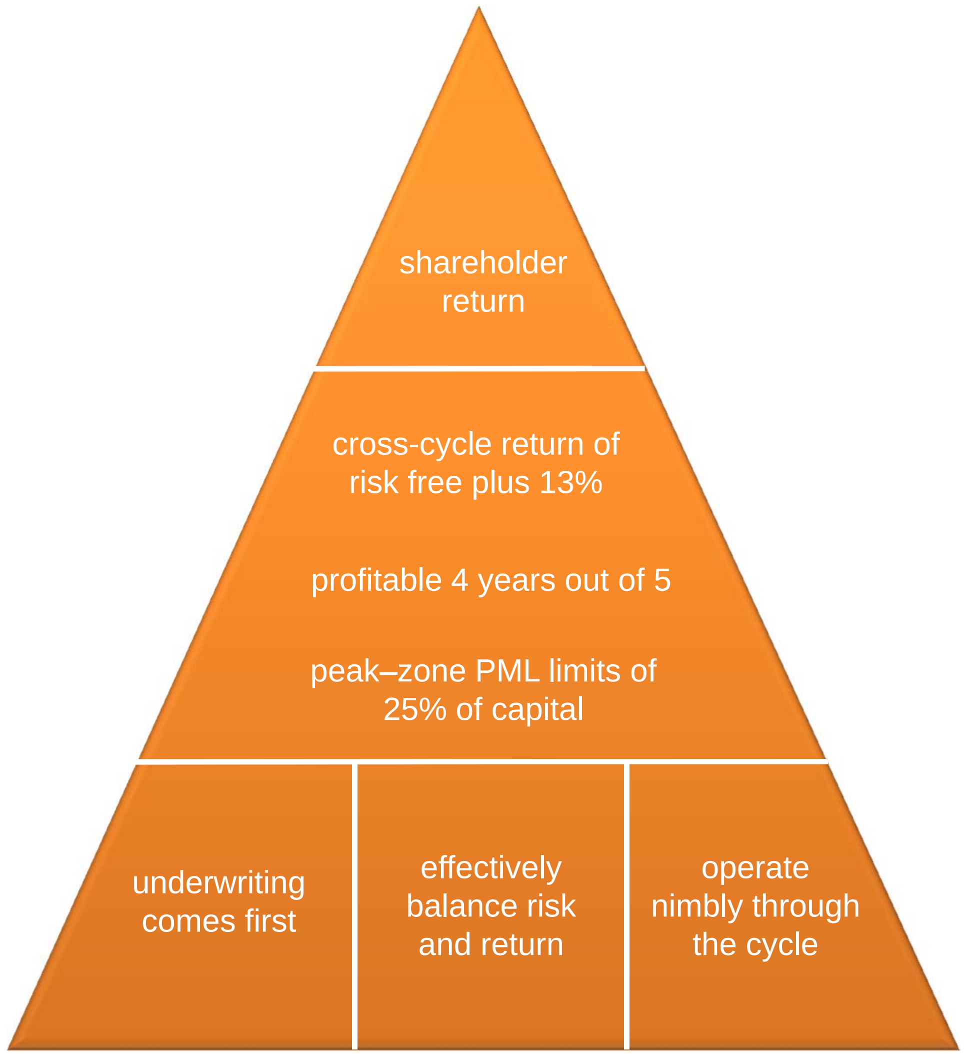
To provide an attractive risk-adjusted return to shareholders over the long-term

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	Significant 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 (9m)	16%	Chile earthquake, Deepwater Horizon & New Zealand earthquake

Peak 1 in 100 PML wind loss = 17% of capital at 30th September 2010
Peak 1 in 250 PML quake loss = 13% of capital at 30th September 2010

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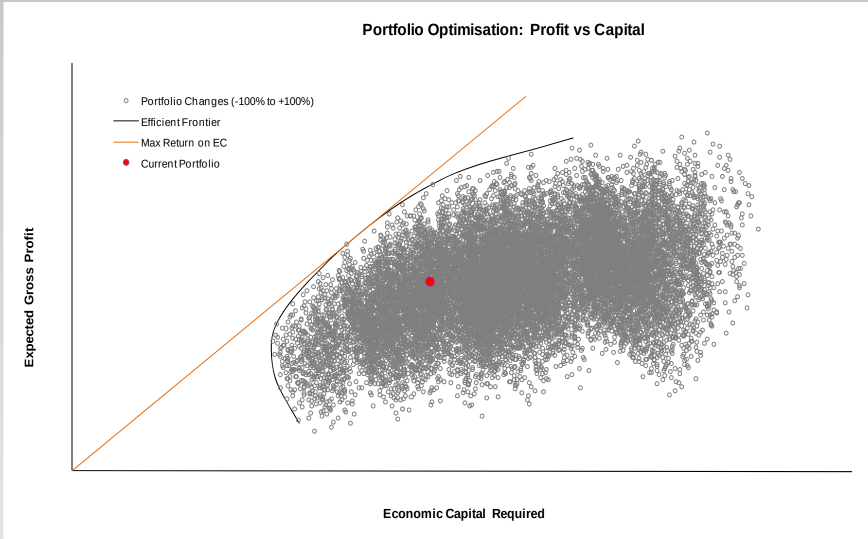
effectively balance risk and return

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



effectively balance risk and return

Zones	Perils	100 year return period $m (% of capital)	250 year return period $m (% of capital)
North East U.S.	Hurricane	177 (11%)	350 (22%)
South East U.S.	Hurricane	255 (17%)	362 (23%)
California	Earthquake	117 (7%)	194 (12%)
Europe	Windstorm	134 (9%)	203 (13%)
Japan	Earthquake	122 (8%)	211 (13%)
Japan	Typhoon	85 (5%)	175 (11%)

As at 30th September 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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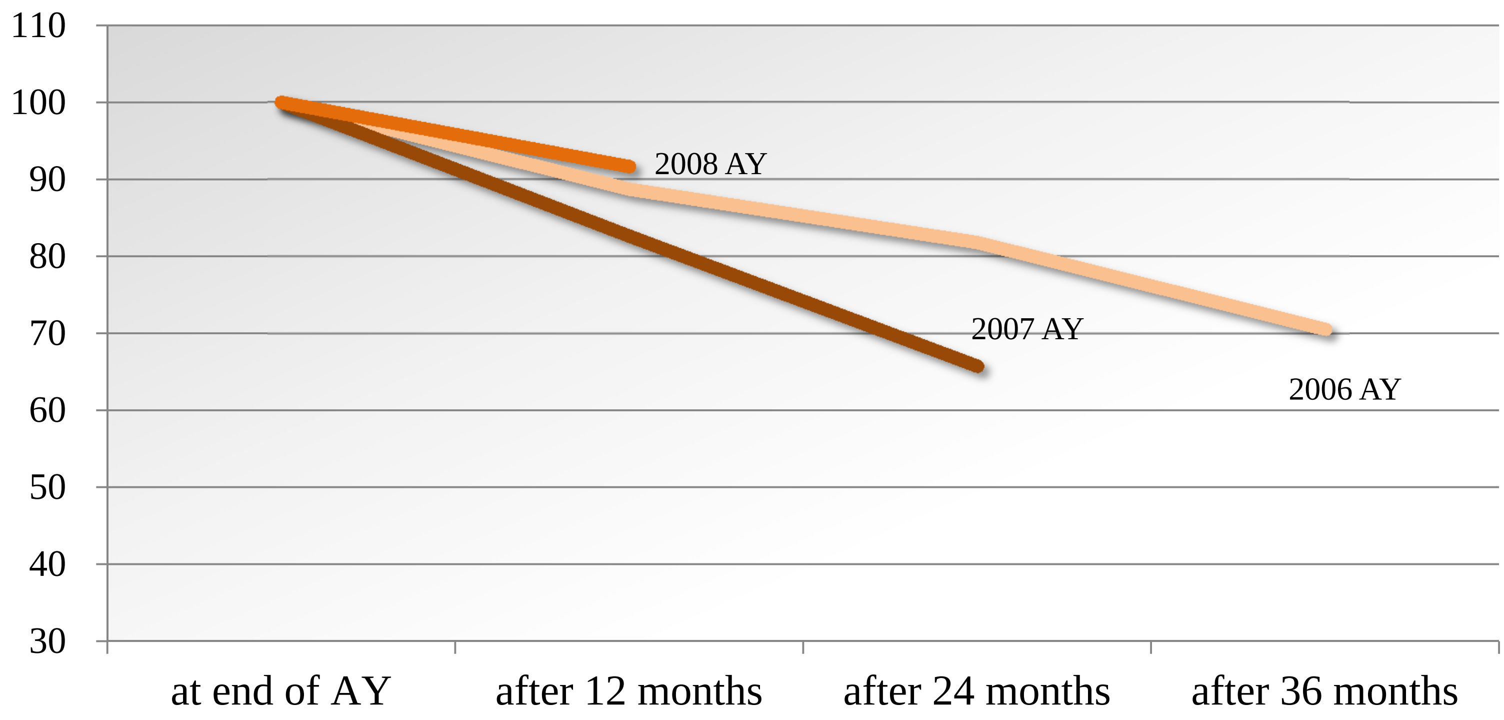
effectively balance risk and return

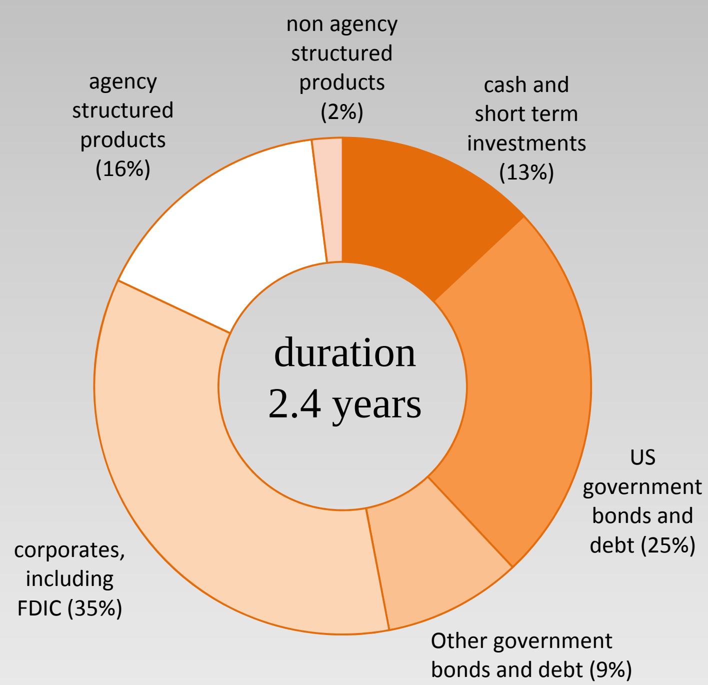
consistent positive reserve development
(net reserves at end of accident year = index of 100)



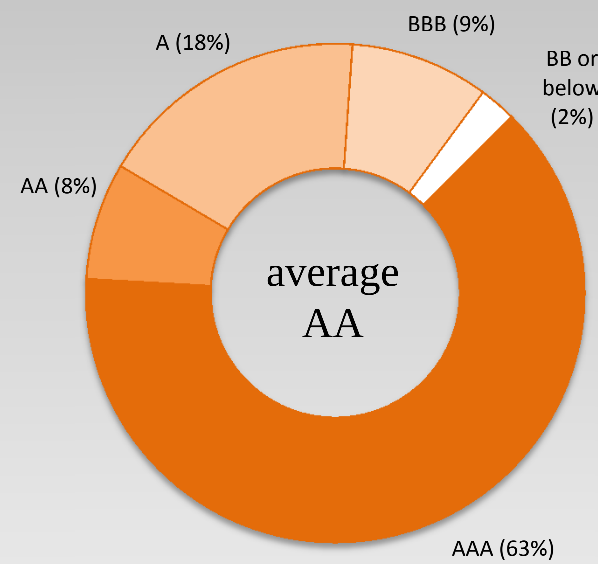
effectively balance risk and return

investments rule #1: ‘Don’t lose your money’

asset allocation



credit quality



Total portfolio at 30th September 2010 = $2,211m

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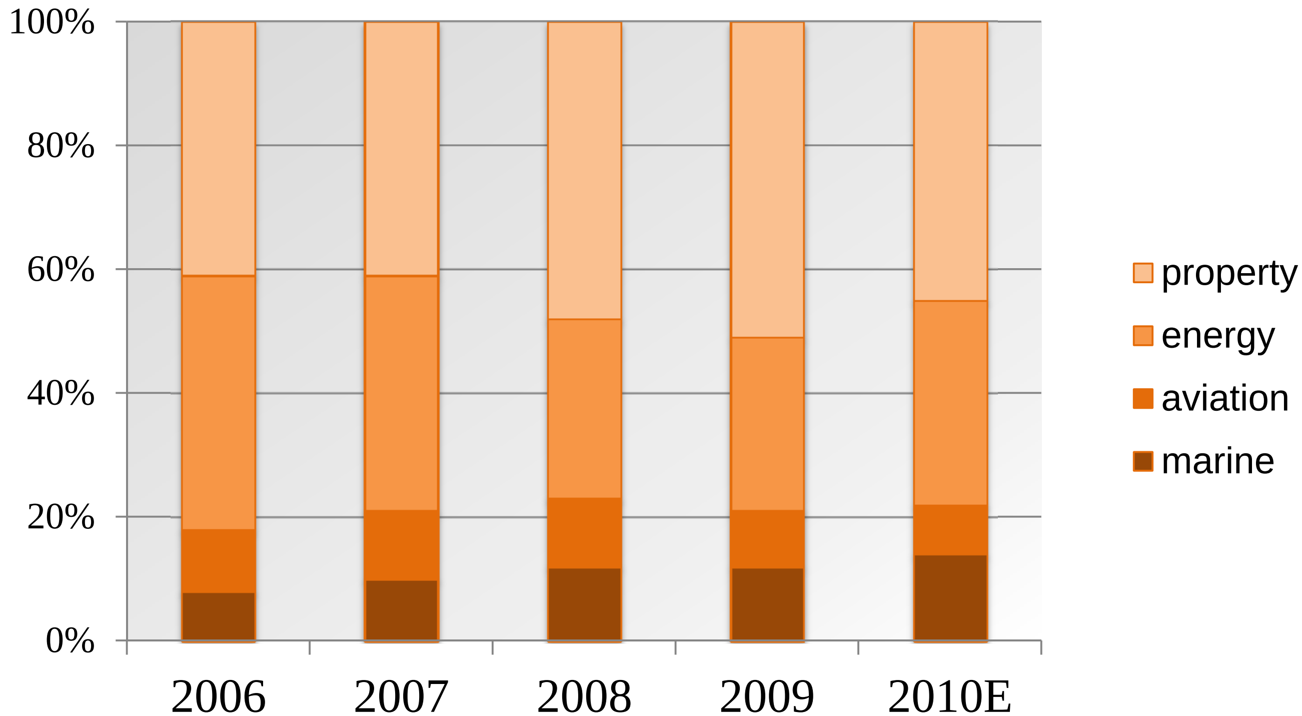
operate nimbly through the cycle

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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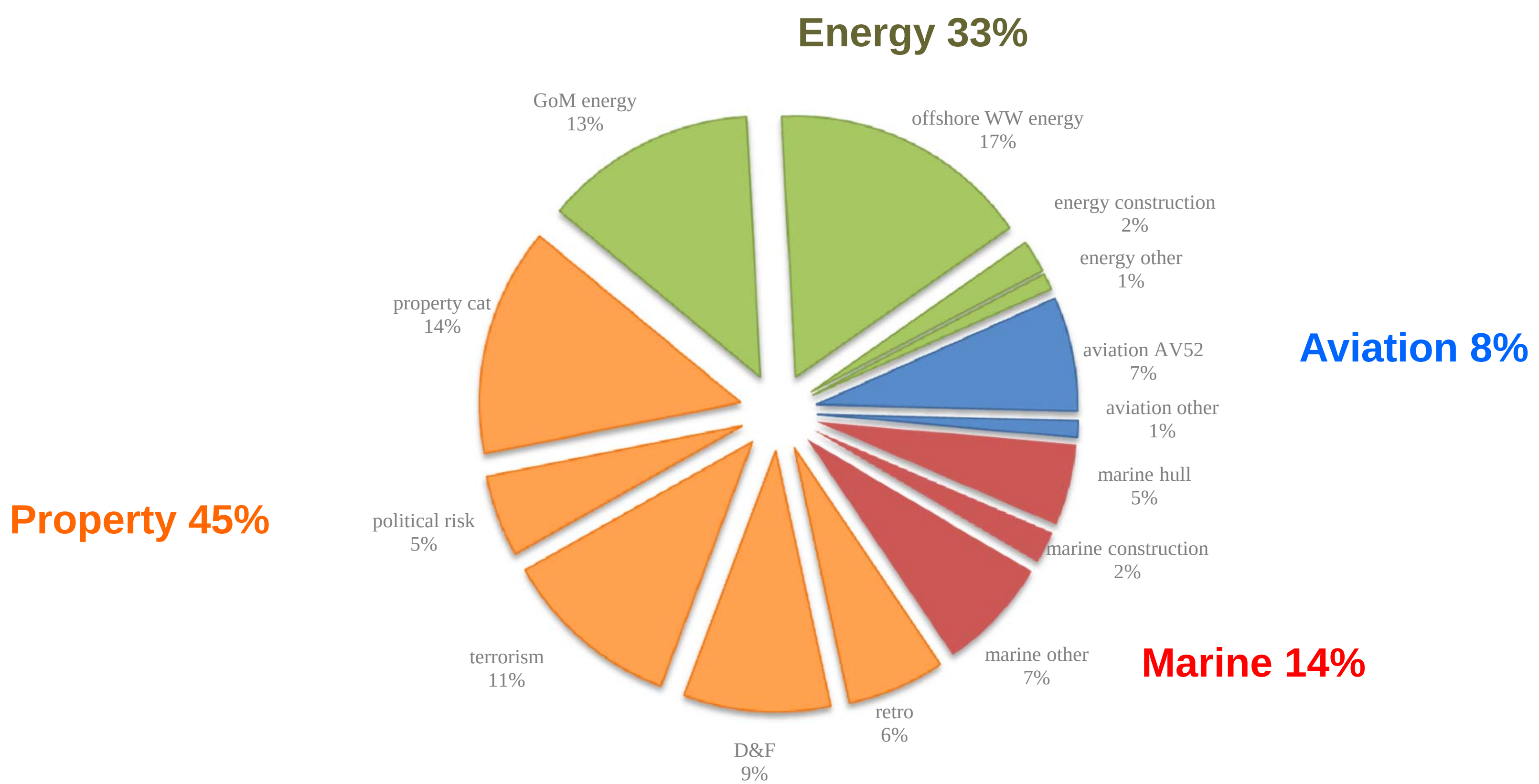
77% insurance 23% reinsurance

37% nat-cat exposed 63% other



Based on estimates as of 25th October 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. RMS 11 may slow down reductions as industry re-assesses models
	reinsurance	disciplined January renewals down 5-7.5%. RMS 11 may slow down reductions as industry re-assesses models. Entered marine/energy retro market as significant increases seen. Non - marine retro competitive and will reduce portfolio
	terror/political risk	softening, continued focus on attractive benign risks. Sovereign risk opportunities increasing at attractive prices
energy	gulf of mexico	stable market outlook
	ww offshore	demand up, price swing up 15 to 20% on average since pre DH
	ww onshore	prices weakening, relatively few attractive opportunities
marine	hull, war, P&I	market stable, attractive niche opportunities
aviation	AV52	continued softening down 10-15% but risk profile remains attractive and passenger numbers picking up

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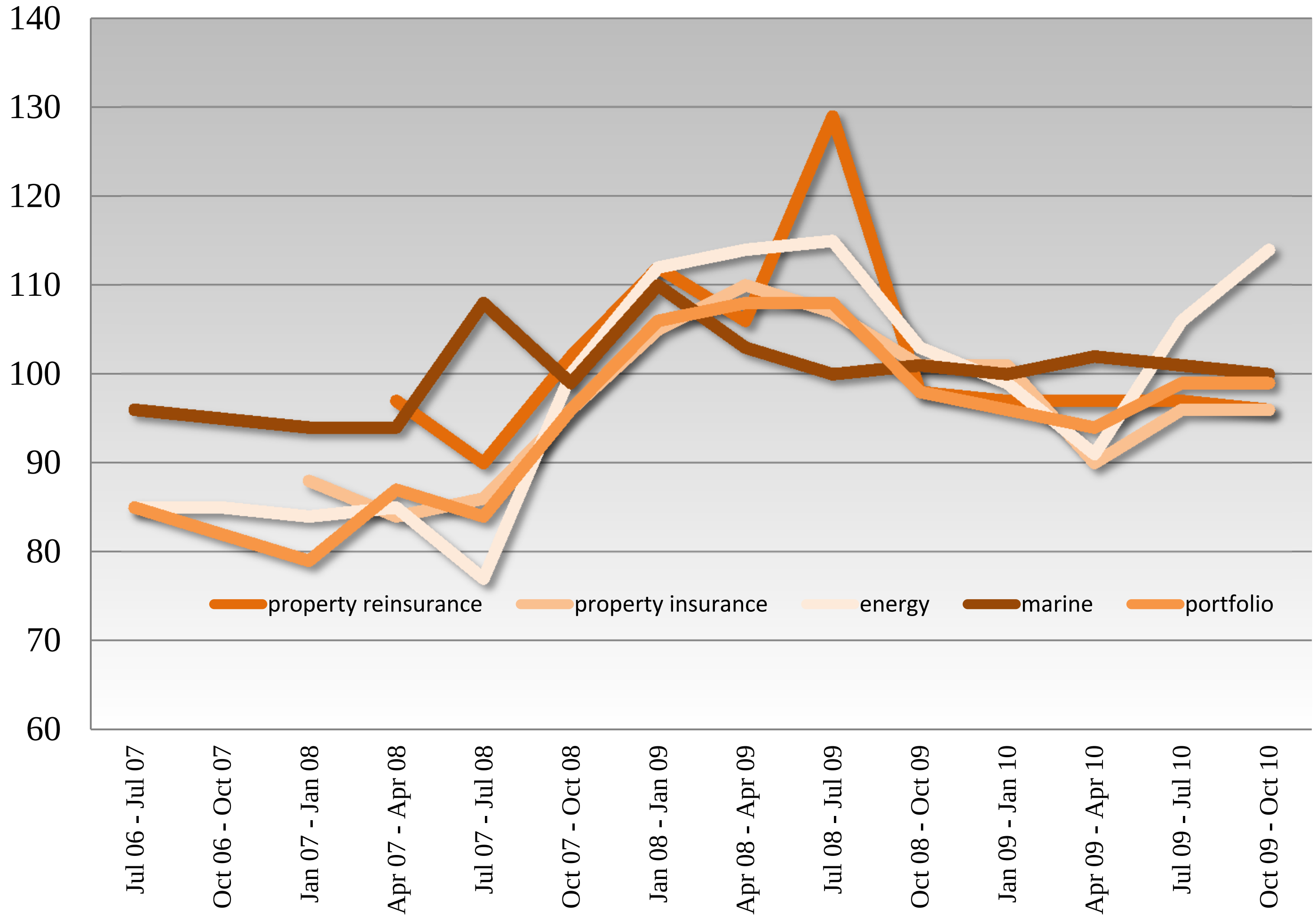
Lancashire renewal price index



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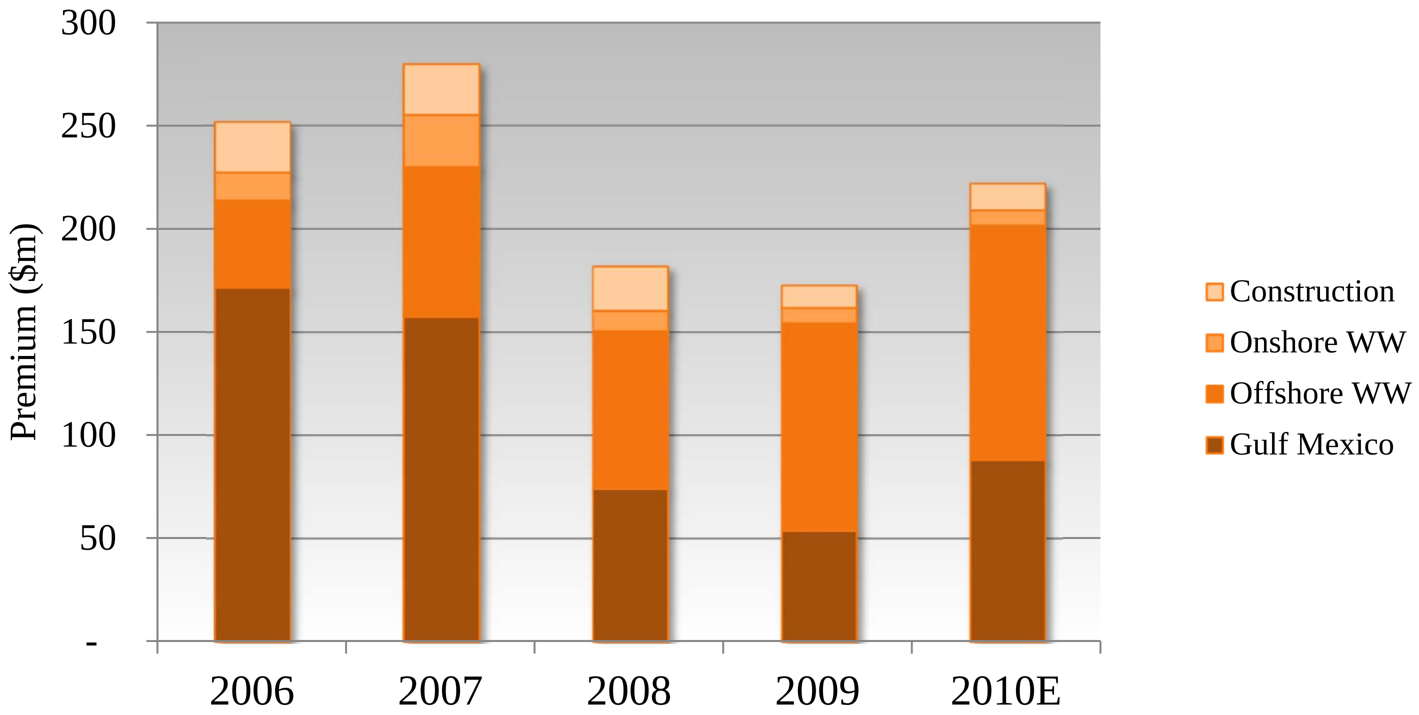
energy: opportunistic rebalancing to improve RoE

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	136.4	311.4
Special dividends	239.1	-	263.0	264.3	766.4
Ordinary dividends – interim	-	-	10.5	9.4	19.9
Ordinary dividends – final	-	-	20.8	-	20.8
Total	**339.2**	**58.0**	**311.2**	**410.1**	**1,118.5**
Average price of share repurchase	102.2%	88.4%	98.5%	97.9%	97.6%
Weighted average dividend yield	15.8%	n/a	16.8%	16.4%	n/a

114% of IPO capital has been returned to shareholders[1]

[1]As of 31st December 2010

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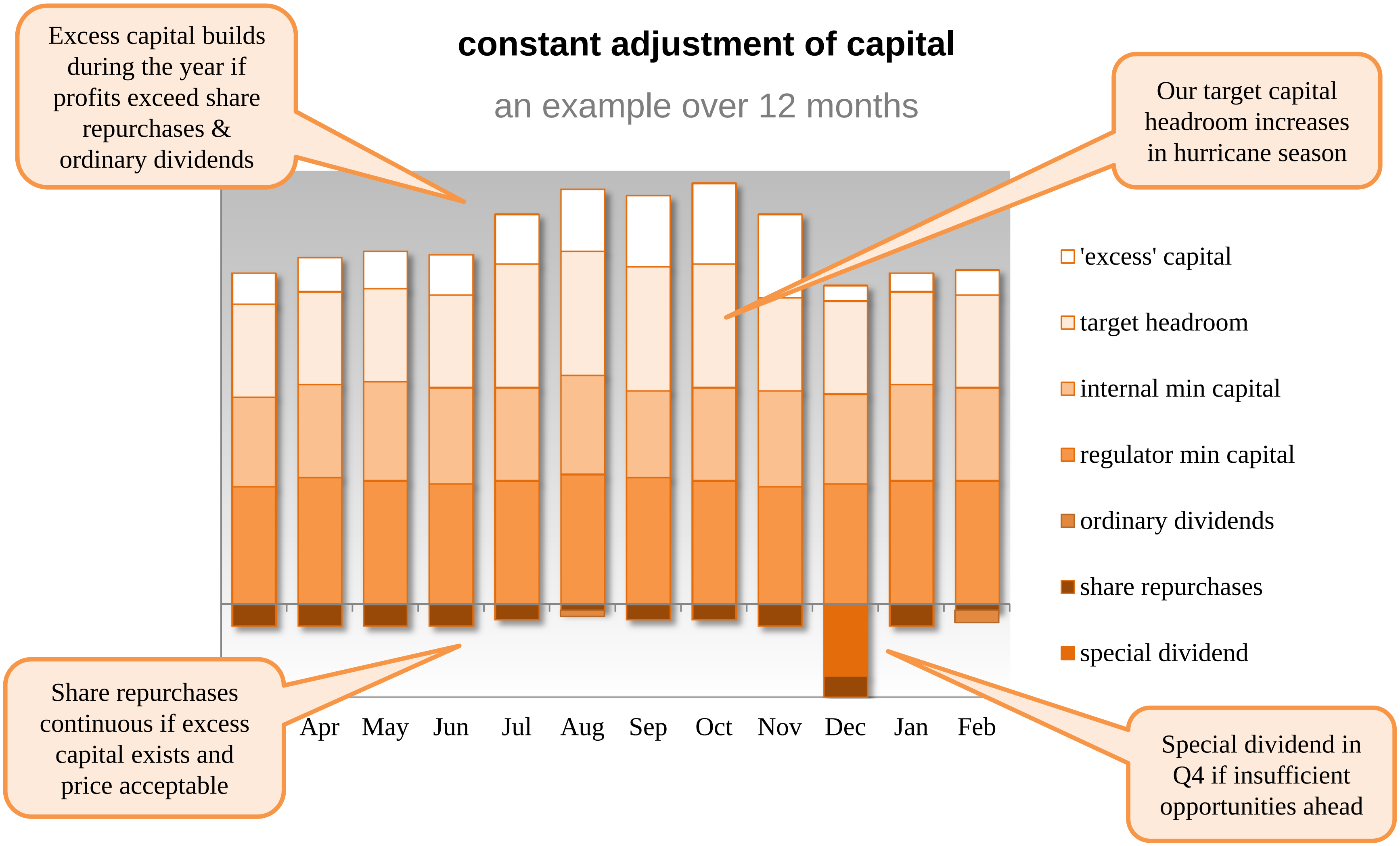
operate nimbly through the cycle

constant adjustment of capital

an example over 12 months



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

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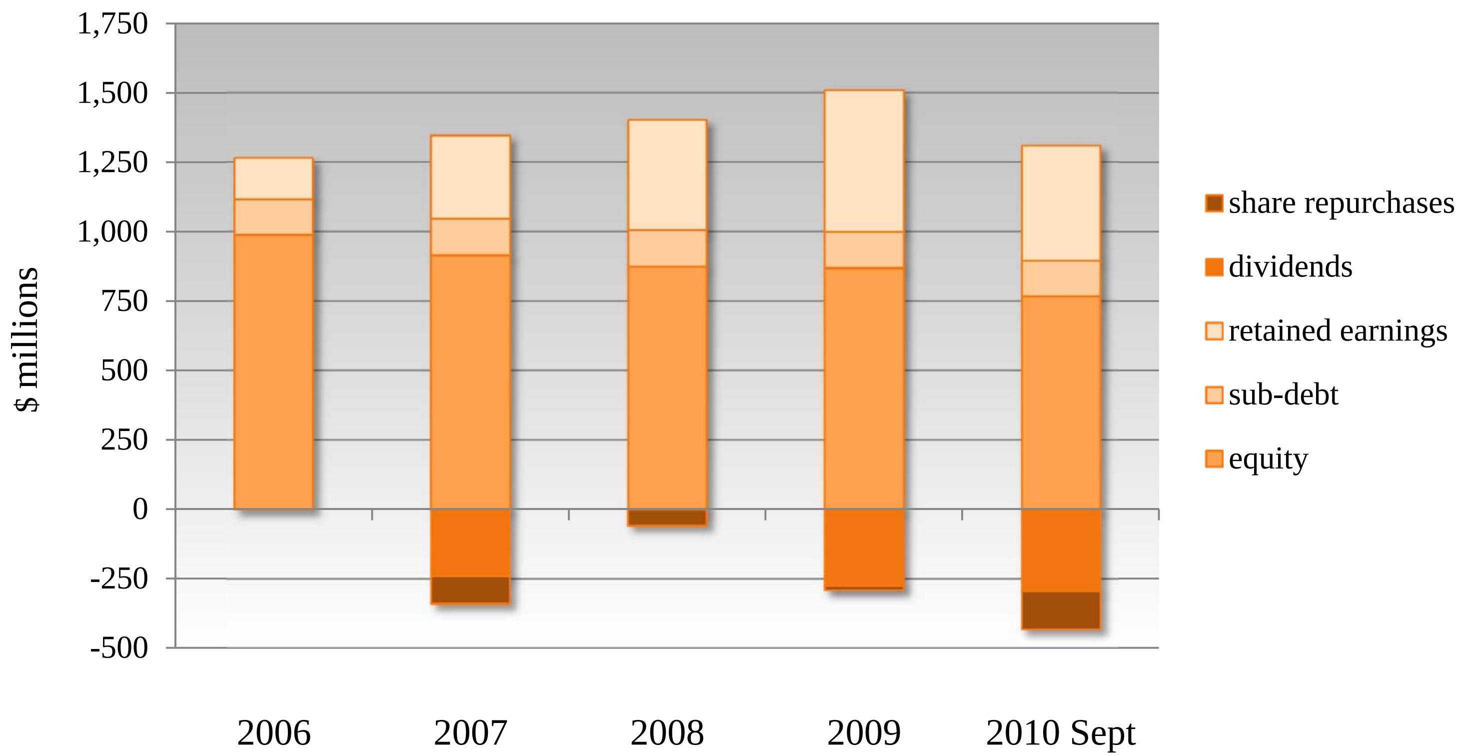
operate nimbly through the cycle

constant adjustment of capital

proven record since inception



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strategy

success

sustainability

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