Five years of Lancashire
Four business segments
Three strategic priorities
Two underwriting centres
One goal

Investor Day Presentation

March 2011
www.lancashiregroup.com

Strategy for long-term success

Our goal

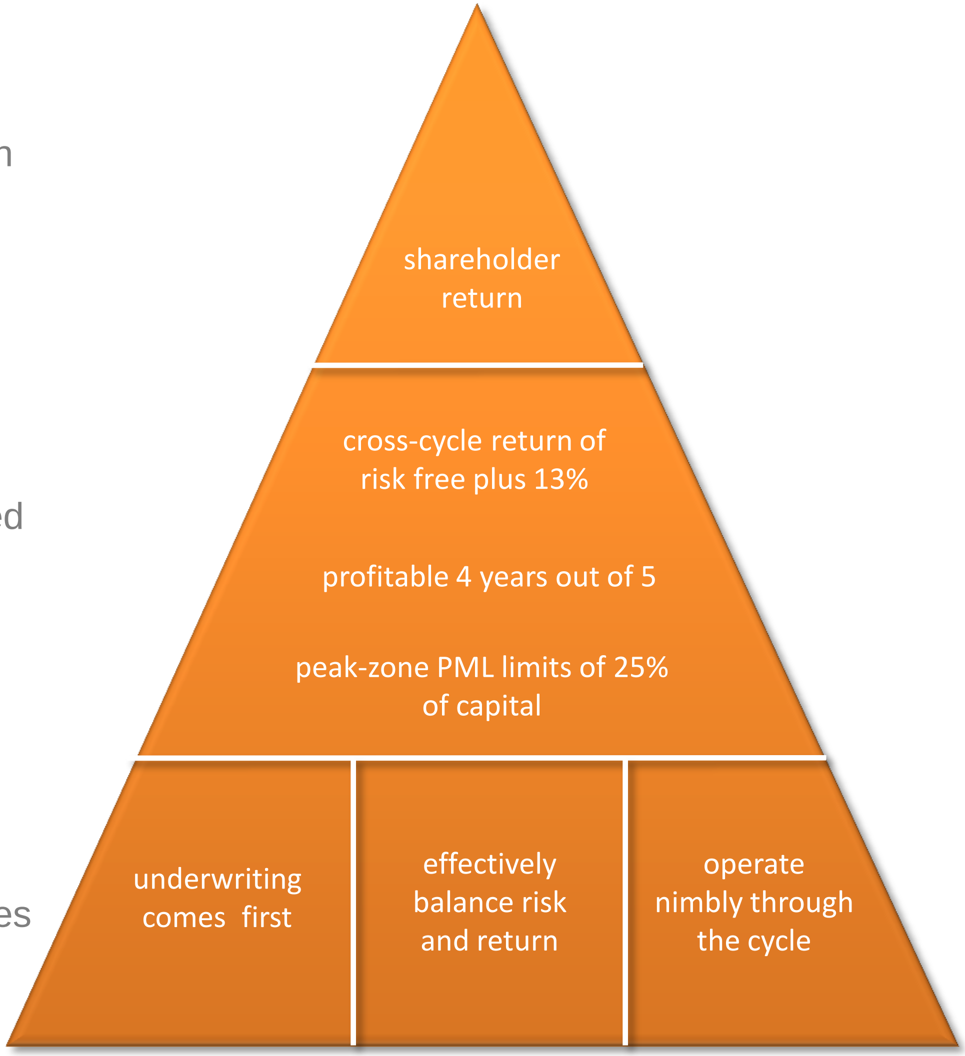
To provide an attractive risk-adjusted return to shareholders over the long-term

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



lancashire HOLDINGS LIMITED

Consolidated combined ratios 2006-2010

Property
32.6%

Energy
66.0%

Consolidated
56.7%

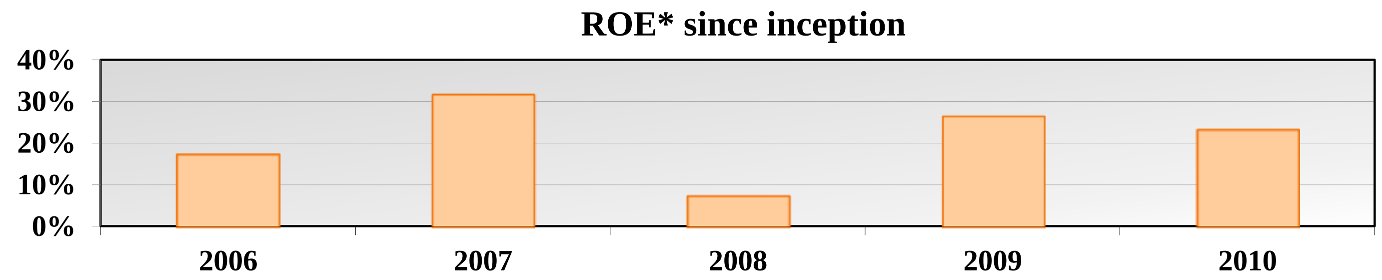
Marine
72.0%

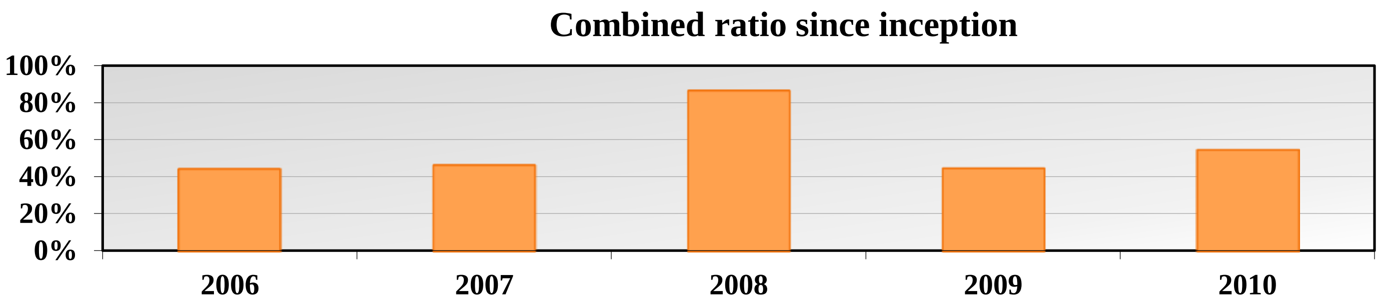
Aviation
19.3%

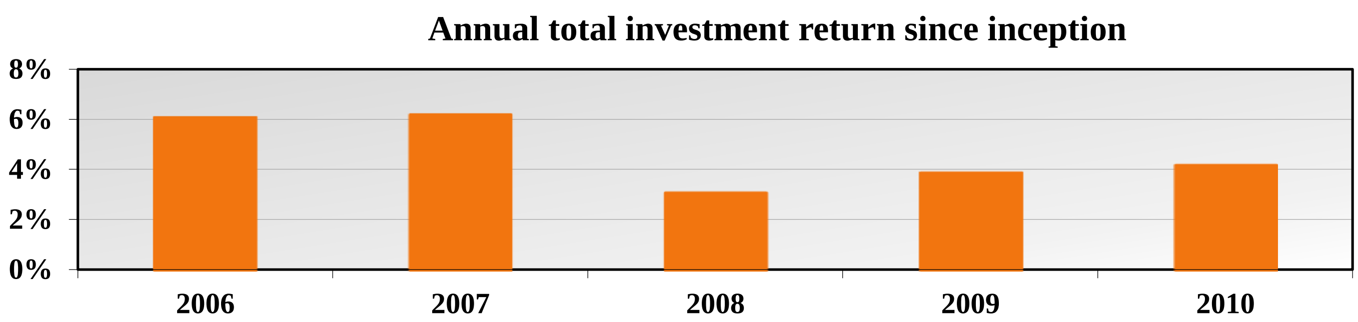
Class combined ratios do not include an allocation of G&A expenses. The portfolio consolidated combined ratio does.

lancashire
HOLDINGS LIMITED

Consistency







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

lancashire HOLDINGS LIMITED

Overview of Lancashire portfolio

Offshore energy

Property Damage, LOPI[1] & LOH[2]

Operators - 10% to 15% swing post DH[3]

Contractors - 10% to 20% swing since DH

Rate increases now at the lower end of the swing range

Control of Well

10% to 50% swing post DH dependent upon exposure

Increased limits & new excess limits purchased

Excess layers priced at historical highs

UMCC[4]

Stand alone third party liability

Reviewed sector with market leading broker

Rate movement for the sector insufficient, with the odd exception

OPA[5]

Strict liability for pollution in US waters

Congress decision not expected until 2nd half 2011

[1] LOPI - Loss of profits insurance
[2] LOH - Loss of hire
[3] DH – Deepwater Horizon
[4] UMCC – Underwriting marketing conference call
[5] OPA –Oil pollution act

lancashire HOLDINGS LIMITED

Offshore energy

Market Driver	Impact
Treaty Reinsurance renewals	1) Increased pricing at 1/1, +20% to 40% 2) Should flow to direct portfolio BUT need for income and lack of discipline fuels competition **Conclusion: Still a positive swing post DH but rate rises less than expected**
Lack of drilling in the U.S.	1) Less premium on U.S. only operators 2) Fewer drilling contractors operating in the GOM 3) More drilling internationally as companies spend exploration budgets elsewhere **Conclusion: No material effect to Lancashire anticipated**
Oil price @ $100	1) Need for larger limits as values rise 2) Moth-balled projects become sanctioned – more construction activity 3) Companies review GOM wind again as balance sheets restored 4) Claims cost inflation **Conclusion: More opportunities for Lancashire**

Offshore energy

Market Driver	Impact
Oil company focus on insurance	1) Demand for increased limits - particularly Control of Well 2) Liability coverage becomes a priority **Conclusion: Overall more opportunities for Lancashire**
Offshore energy market capacity	1) Only one market exited - still a surplus of capacity 2) Increased limits may offset surplus but limited impact 3) Consideration of ‘clash’ limits utilisation of capacity **Conclusion: Excess capacity dampens rate rises, increased demand creates opportunities**

Political & sovereign risk

UMCC

Political risk cover

Confiscation
Expropriation
Nationalisation
Deprivation
Currency convertibility/
Non transfer

Sovereign risk cover

Non-payment or contract frustration on loans, guarantees and contracts with sovereign /quasi sovereign obligors

Customers

Commercial/investment banks
Commodity traders/ exporters
equity investors
Export credit & multilateral agencies
Multinational corporations

What we don't cover

Private/ structured trade credit risk
Obligors not majority government owned
Transactions not of a political nature
OECD country risk

lancashire
HOLDINGS LIMITED

Property D&F, terrorism, marine and aviation

Property D&F[1]

Prefer light to heavy industry

97% of portfolio excess layers

2009 to 2010 book reduced by 25%

Outlook: RPI off 10%, domestic markets still aggressive, awaiting effect of RMS 11

Terrorism

We prefer closed access risks[2] versus open access risks[3]

Outlook: RPI off 10%, market competitive, new opportunities in construction arena and lender driven business

UMCC

Marine

Marine Hull - target cruise ships, LNG tankers

No cargo and limited small/medium vessels

Builders risk - target most reputable yards

IGPIA[4] / P&I[5] and marine hull war

Outlook: RPI flat, we expect pick up in builders risks opportunities

Aviation

AV52 and war only

No hull or general liability cover

Outlook: AV52 - RPI off 10% offset marginally by rising passenger numbers

[1] D & F – Direct & Facultative

[2] "closed access" risks include manufacturing, chemical and pharma, power, energy, construction

[3] "open access" risks include shopping centers, sport & entertainment, hotels, metro, airports

[4] IGPIA - International group protection and indemnity association

[5] P&I – Protection & indemnity

Reinsurance cycle management

Hard market

Lancashire

Marginal pricing
Portfolio optimisation

↓

Retain capital
Hard market retro
Write diversified portfolio
Nimble

Competition

Portfolio optimisation
Marginal pricing

↓

Status quo
Cocoon mentality

Reinsurance cycle management

Soft market

Lancashire

Portfolio optimisation
Marginal pricing

↓

Manage capital
Post loss retro/marine retro
Property cat hot/cold spots
Back ups/live cat
Core portfolio

Competition

Marginal pricing
Portfolio optimisation

↓

Nationwide long term deals
Worldwide retro
Aggregate deals
Heavy rate on line

Portfolio optimization, in this stage of the cycle requires more intellectual haste, less ineffectual speed.

lancashire HOLDINGS LIMITED

Market position, brand & distribution

Class	Renewing business[1]	New business[2]	Core business[3]	Opportunistic business[4]
Property	64%	36%	72%	28%
Energy	65%	35%	82%	18%
Marine	83%	17%	96%	4%
Aviation	96%	4%	100%	0%
Overall	69%	31%	80%	20%

"Brokers are our clients" – our brokers are our distribution base

When the market softens we may choose to continue to support critical relationships by remaining on certain programs, but writing a smaller line or moving up programs

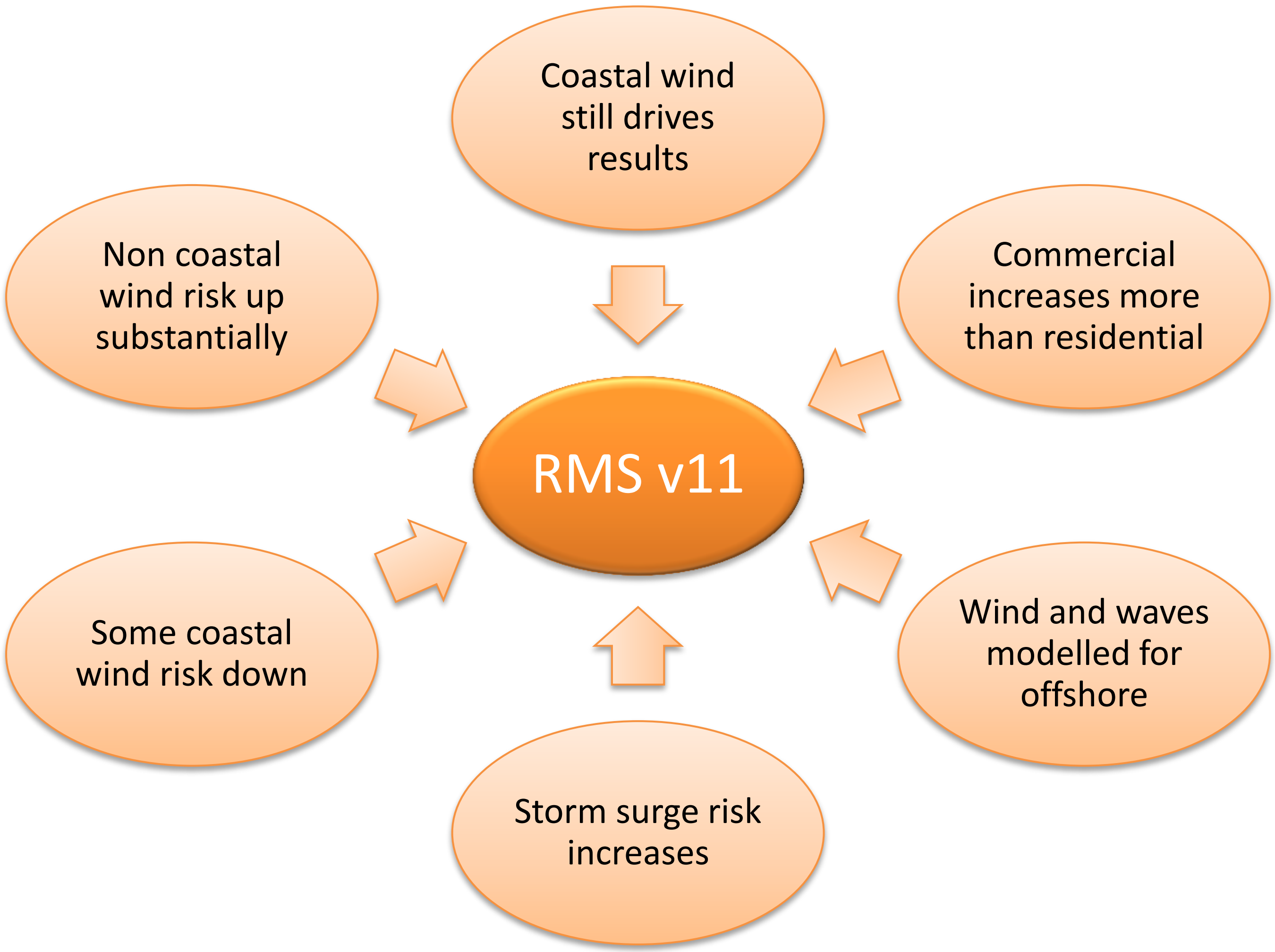
As a specialty insurance company, many of our product lines have significant barriers to entry due to expert knowledge requirements

[1] Renewing Business: Like for like comparable renewals from the prior policy period irrespective of change of broker.
[2] New Business: Business not written in the prior policy period AND renewals with changes that alter the nature of our participation in a fundamental way.
[3] Core Business: Business that we expect to renew over the long term and through the cycle with a strong client relationship.
[4] Opportunistic Business: Business that may or may not renew and is written because of favourable pricing, terms and conditions obtained at the time of binding.

Based on estimates as of 31 December 2010. Estimates could change without notice in response to several factors, including trading conditions

Model changes and price education tools

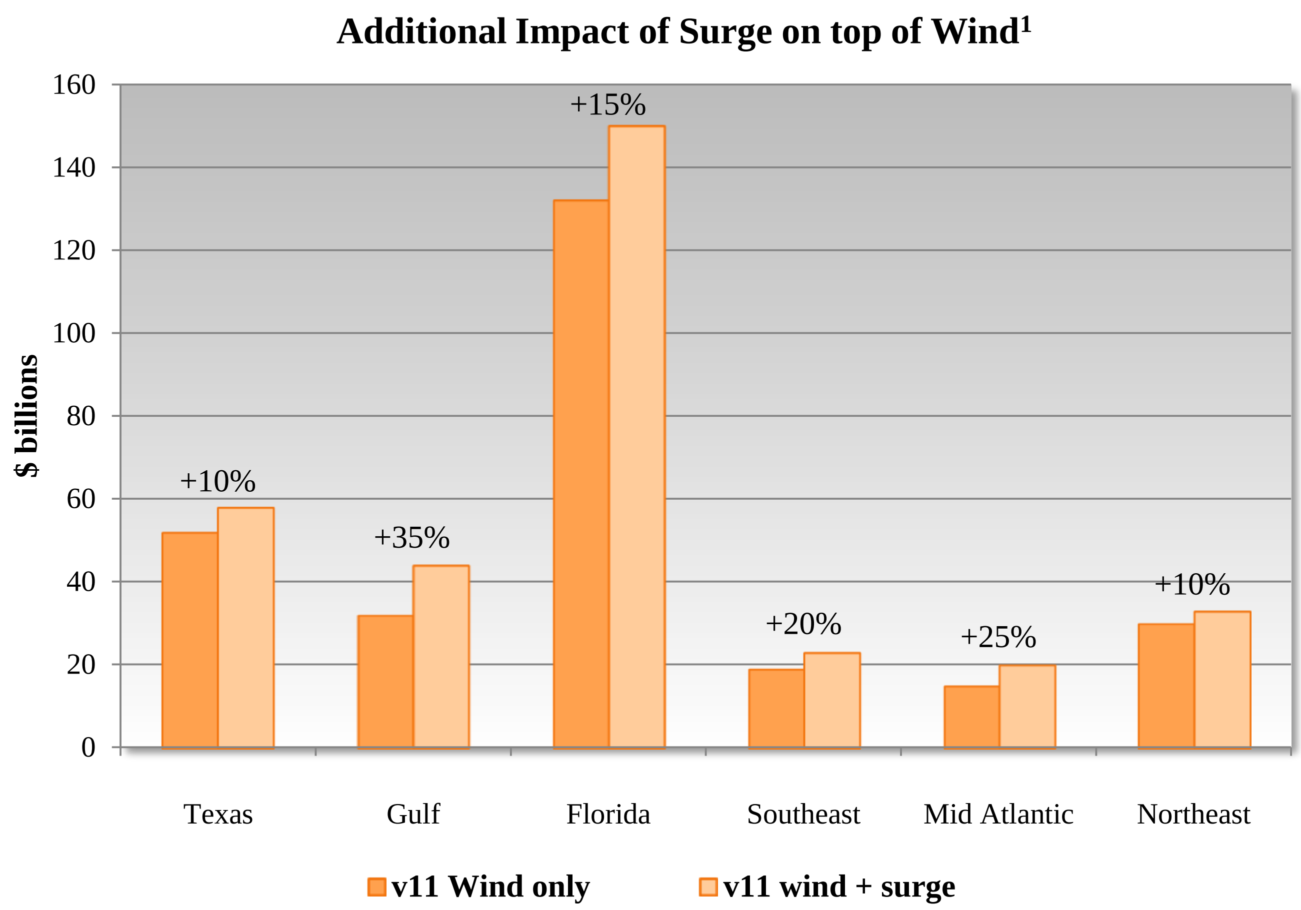
RMS version 11



Changes will vary greatly for individual portfolios

lancashire HOLDINGS LIMITED

RMS version 11



[1]100-yr OEP loss - using 2011 Industry Exposure Database (IED); Uses RMS default assumption on surge coverage and leakage. Portfolios with greater coastal / waterfront concentrations than the IED, and especially Commercial and Industrial business will see bigger impacts than this.

lancashire HOLDINGS LIMITED

RMS version 11

Offshore Model Impact

- Largest wave action will not always be in the region of the highest winds -Hurricane Ike
- Inclusion of Deck Height as a primary characteristic for vulnerability differentiation

AEP* Ground Up Loss	Coverage	% Change*	% Change by Return Period			
		AAL	100-year	250-year	500-year	1,000-year
Offshore Platform	PD	+175% to +265%	+190% to +240%	+200% to +250%	+220% to +270%	+230% to +275%
	OEE	+175% to +225%	+175% to +200%	+180% to +210%	+190% to +210%	+200% to +225%
	BI	+250% to +350%	+230% to +300%	+240% to +320%	+250% to +350%	+300% to +350%

* Aggregate Exceedance Probability

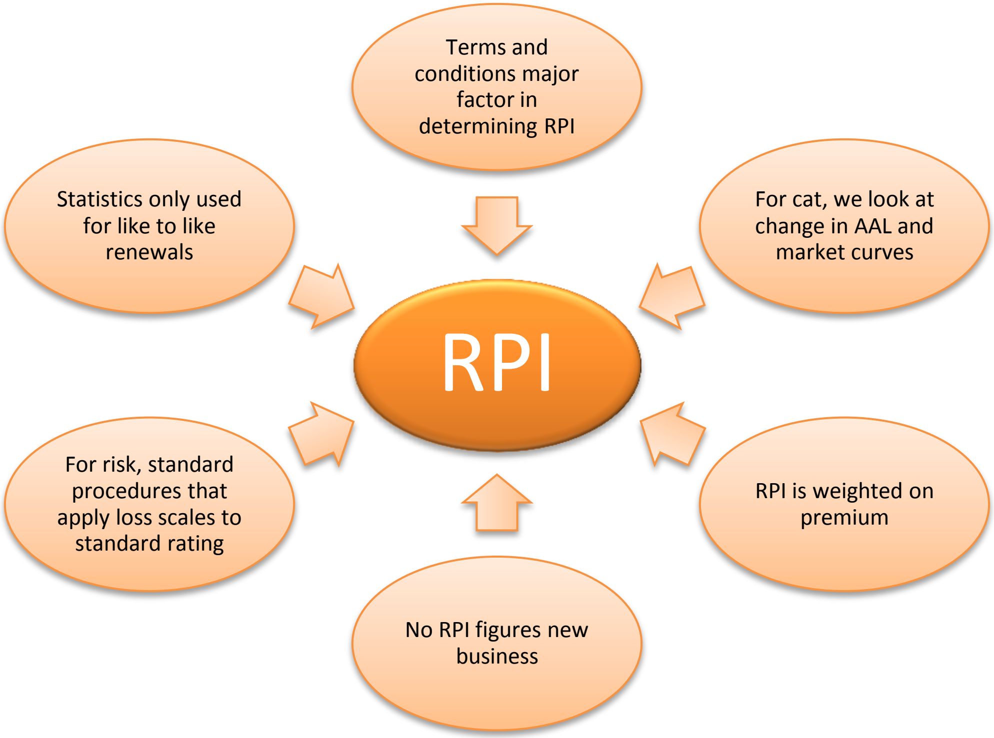
- The typical range of change in the market portfolio is between +25% to +250%
- There are extreme outliers above an below this
- Concentrated portfolios will see changes outside of the typical range

lancashire HOLDINGS LIMITED

Renewal price index

Why is it important?

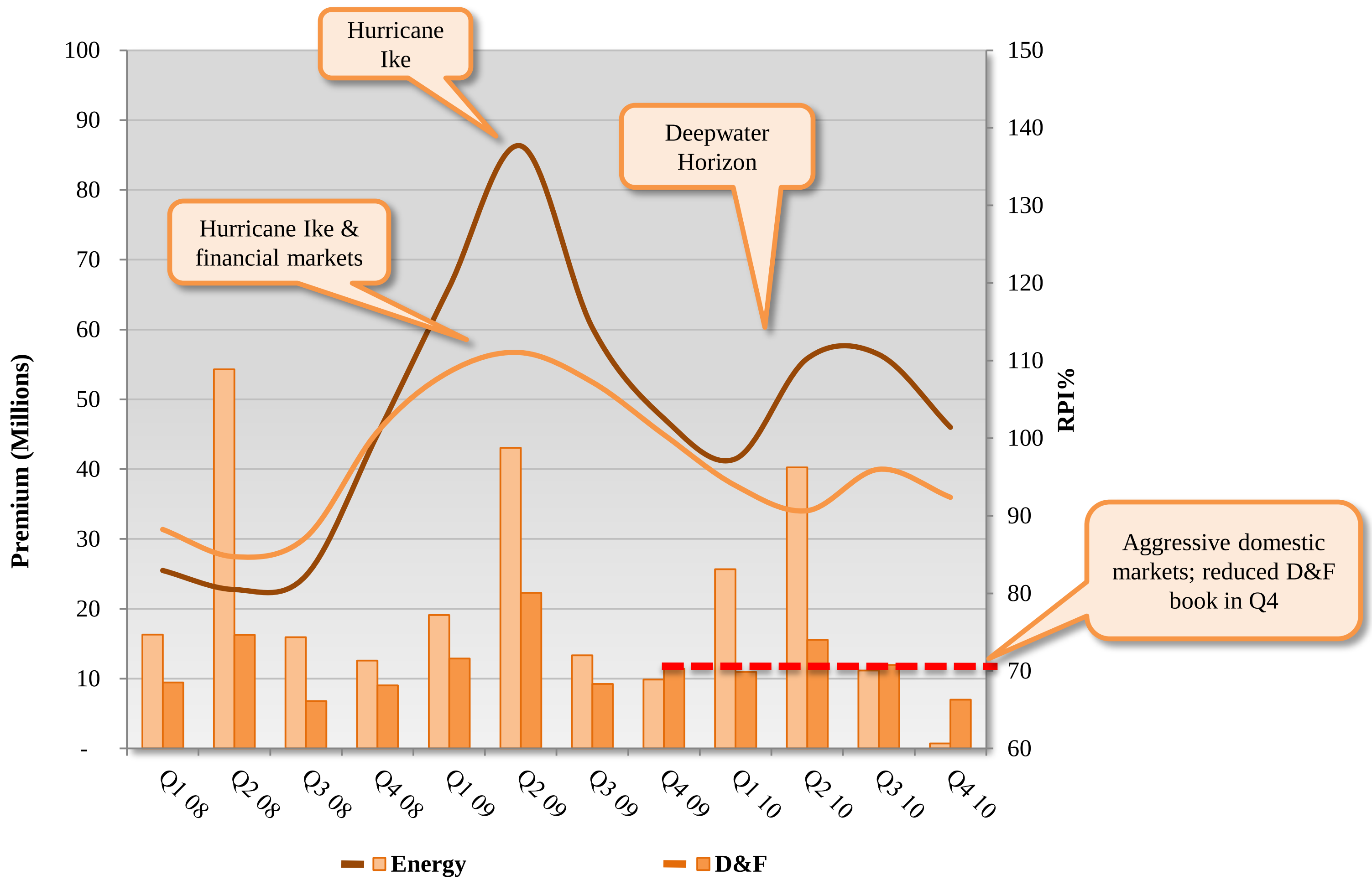
Measures the market cycle using real risk data.
Change in RPI affects expected loss ratios for reserving, and business planning.



How does Lancashire use it?

Part of all submissions on UMCC.
Part of monthly management and quarterly board report.
Important not to be a slave to RPI – soft market worst risks best RPI

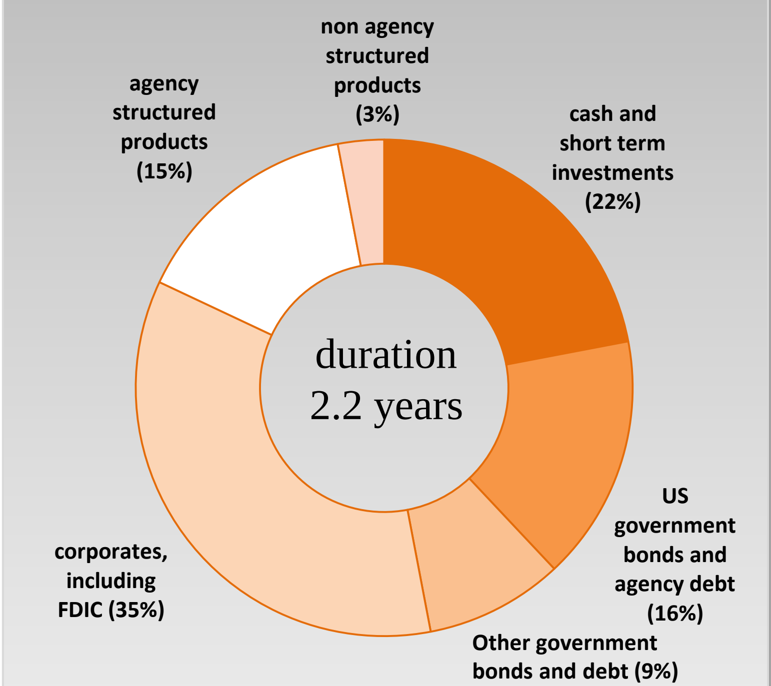
Renewal price index



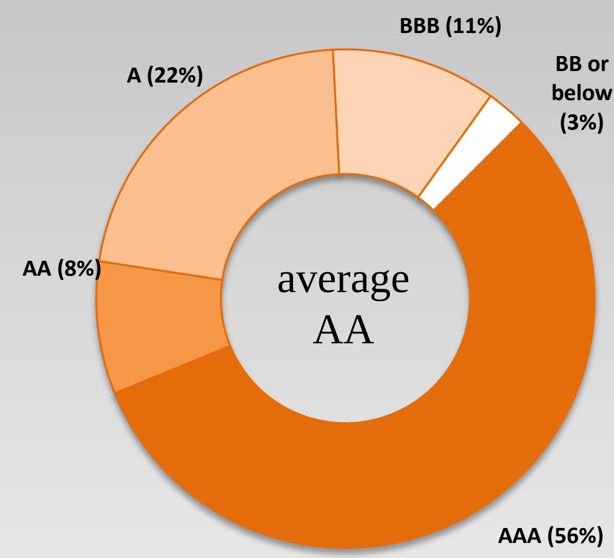
The financial side of our business

Effectively balance risk and return

Asset allocation



Credit quality

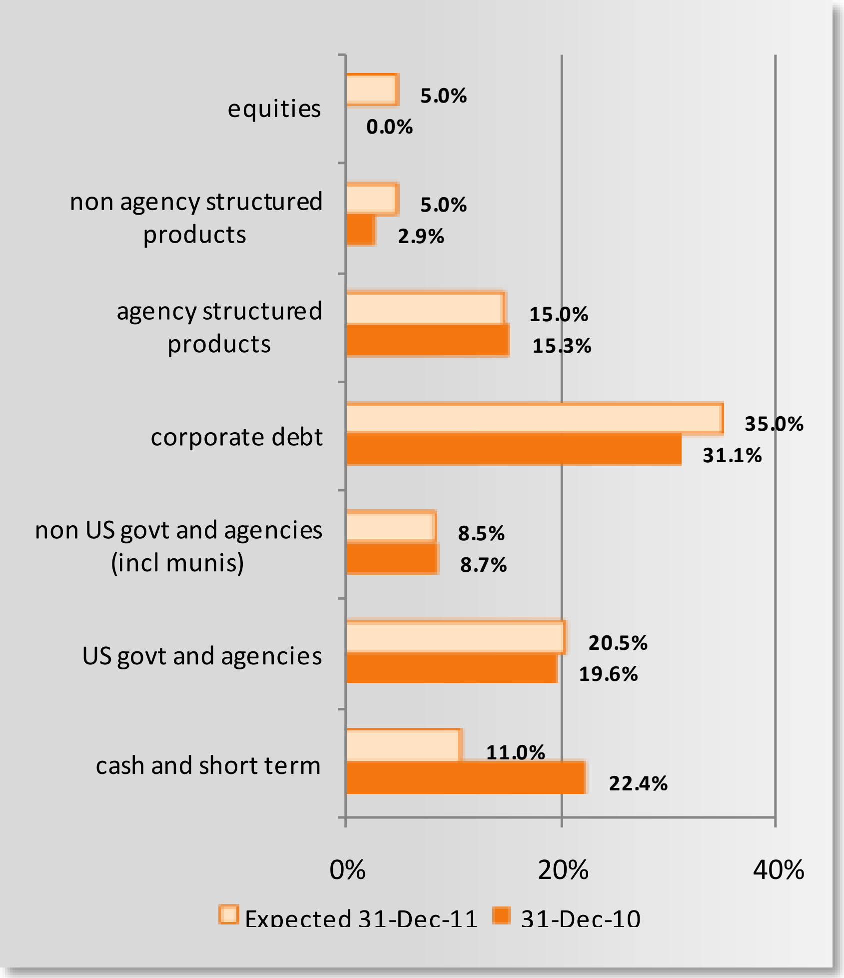


Total portfolio at 31 December 2010 = $2,201m

lancashire HOLDINGS LIMITED

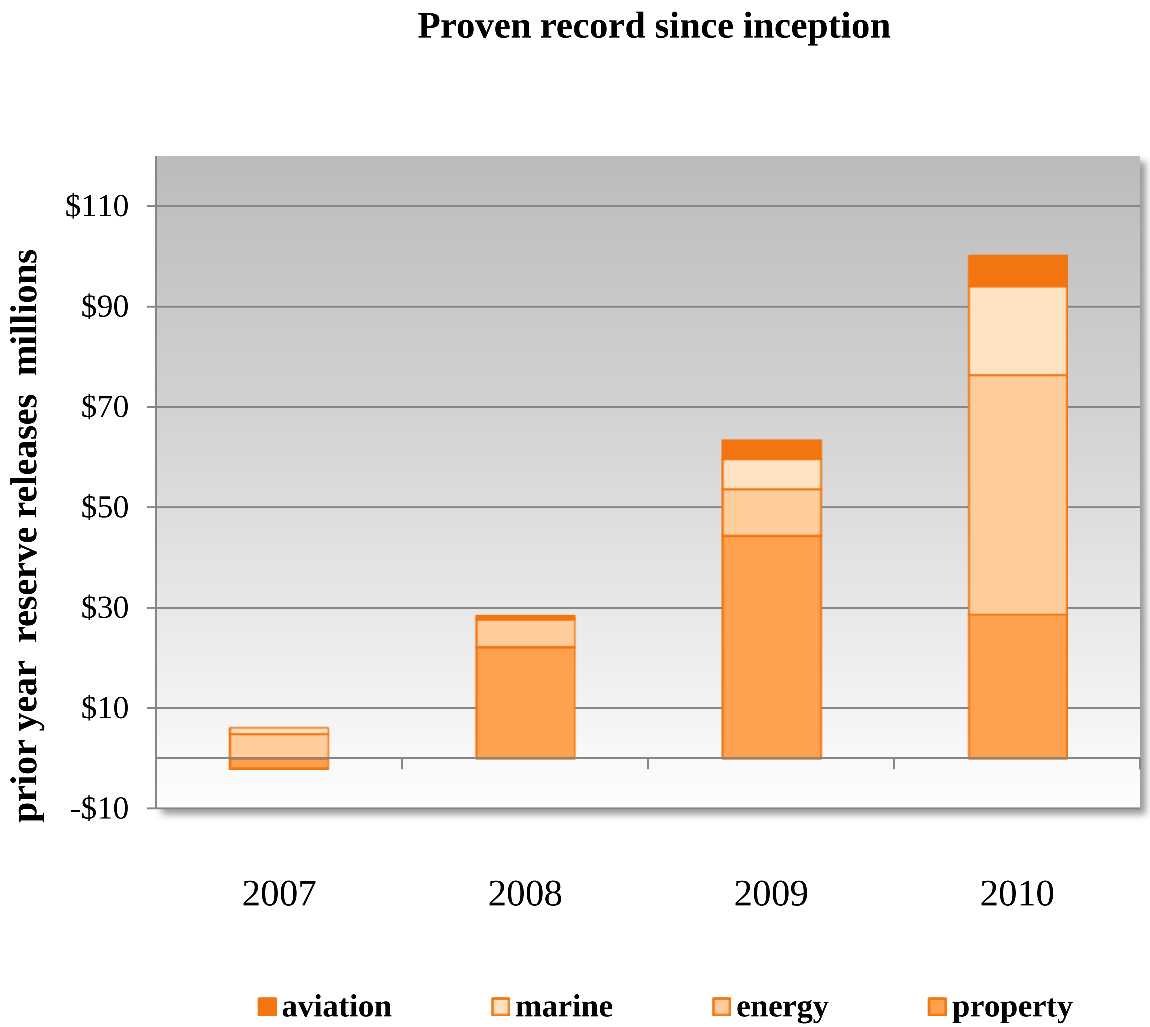
Protecting the balance sheet: risk learning

- **In Q4 2010 a larger than anticipated rise in interest rates caused a negative investment return**
- **The biggest current risk to the investment portfolio is interest rate risk**
  - Shorten duration to 2 years or less in anticipation of rising rates
- **We will shift our asset allocation to further mitigate the risk of rising rates in the following ways:**
  - Increased allocation to spread products;
  - Maintain allocation of 6.0% to inflation protection securities;
  - Allocate up to 5.0% to equities; proven protection in periods of rising rates



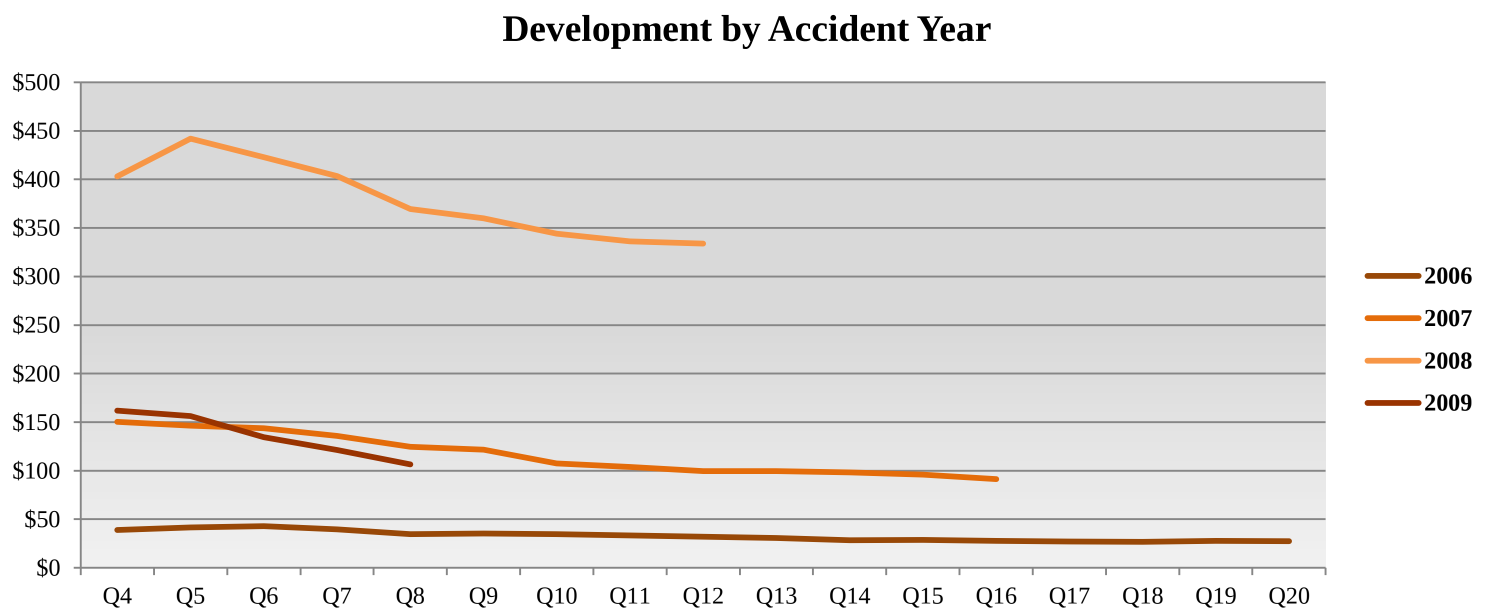
lancashire HOLDINGS LIMITED

Reserve adequacy - Consistent positive reserve development



lancashire HOLDINGS LIMITED

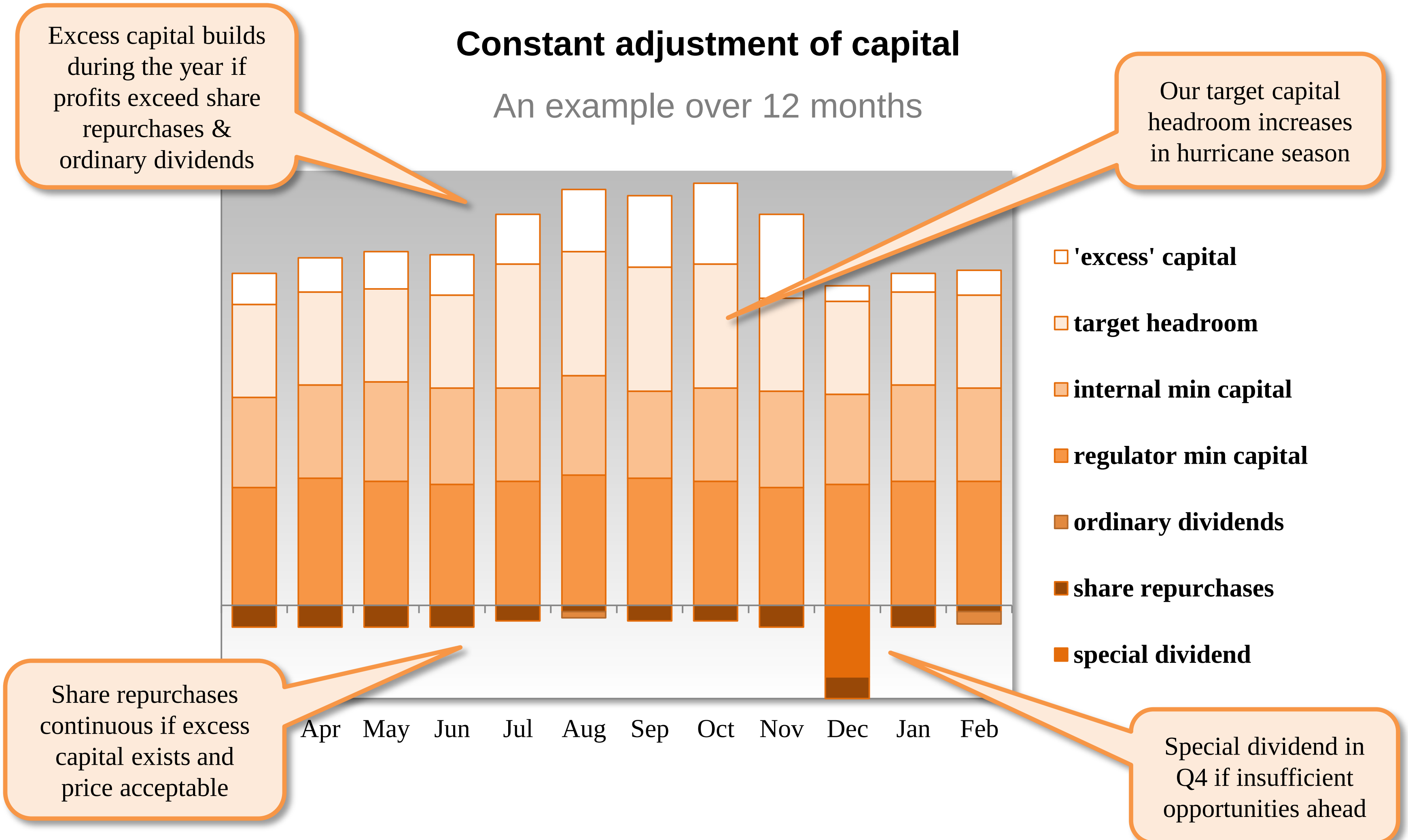
Reserve adequacy



- **Consistent favorable development for 2006 to 2009:**
    - Commissioned Towers Watson to provide new benchmark development patterns
    - We plan to start to giving some weight to our own claim development experience in 2011

lancashire
HOLDINGS LIMITED

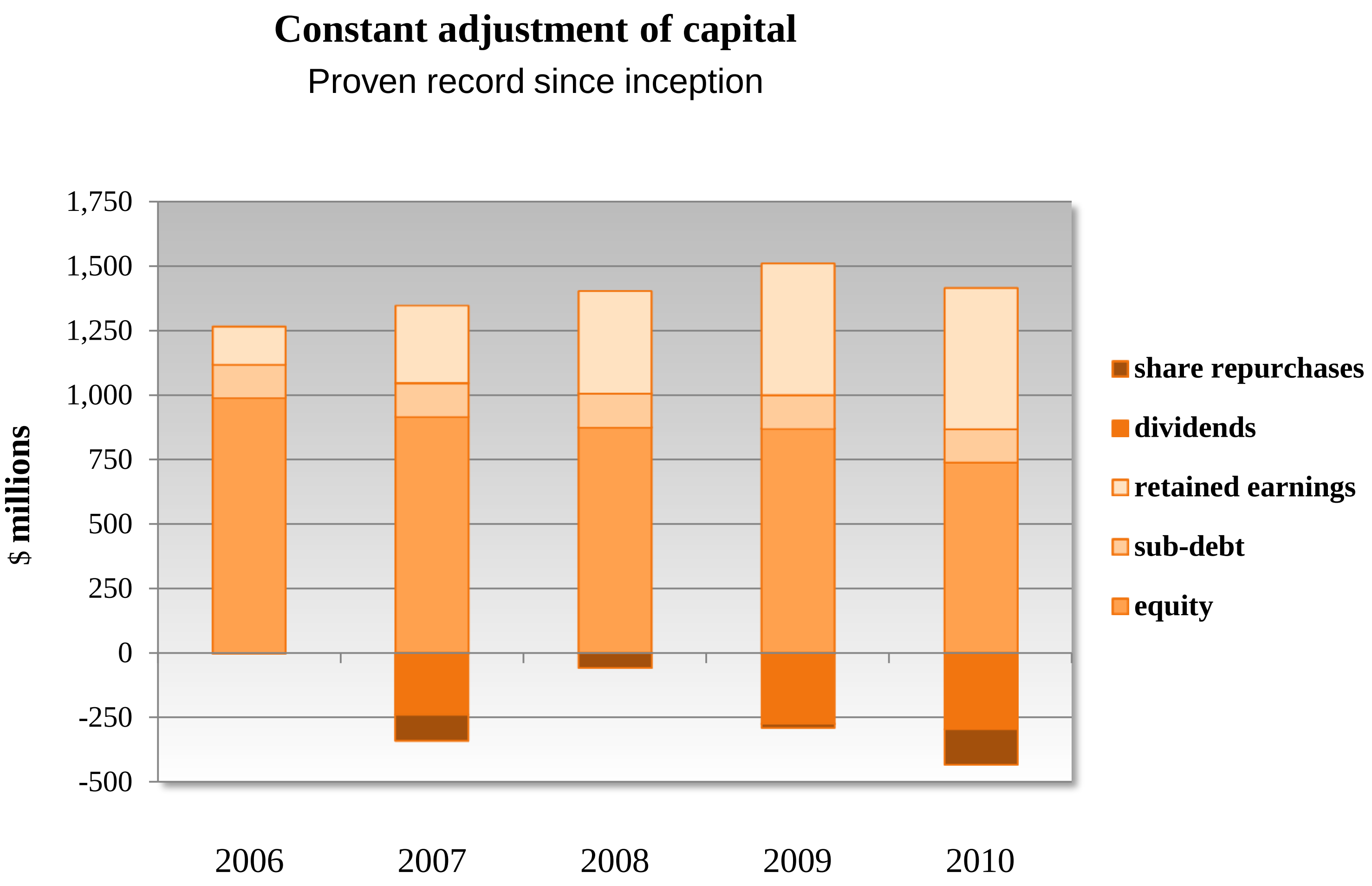
Operate nimbly through the cycle



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

lancashire HOLDINGS LIMITED

Operate nimbly through the cycle



Summary

An established and successful market leader

5 year highlights

- Total shareholder return of 187.2%[1] since inception in late 2005, compared with 16.5%[1] for S&P 500, 46.8%[1] for FTSE 250
- Returned 114.3% of original share capital raised at inception or 87.1% of cumulative comprehensive income.
- Positive total Investment return in 18 out of 20 quarters - contained downside in market shocks
- Investment grade ratings from the 3 major rating agencies
- 5 major tests
  - Hurricane Ike
  - Financial crisis
  - Chile earthquake
  - Deepwater Horizon
  - New Zealand earthquakes & Australian floods

[1] Shareholder return through February 28th 2011 including dividends. LRE and FTSE returns in U.S. dollars.

lancashire HOLDINGS LIMITED

Strategy for long-term success

Our goal

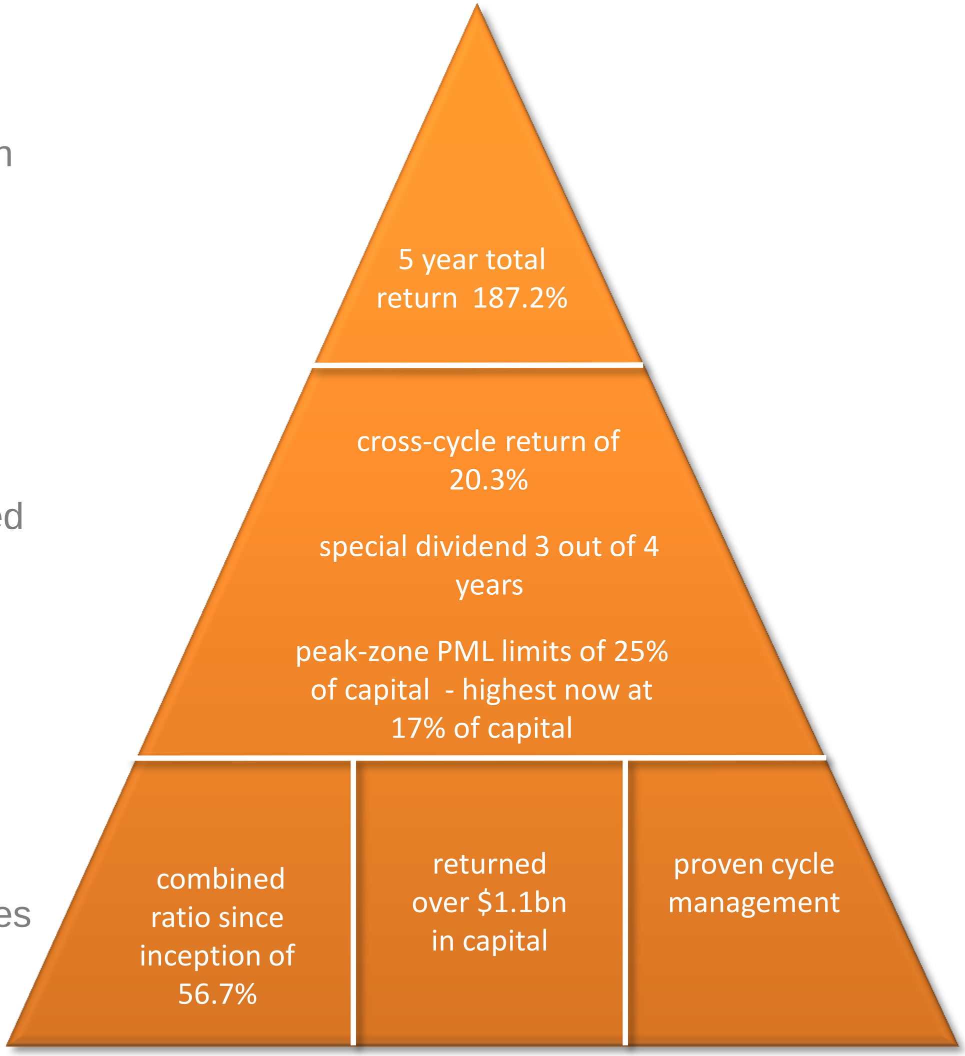
To provide an attractive risk-adjusted return to shareholders over the long-term

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



Shareholder return through February 28th 2011 including dividends. LRE and FTSE returns in U.S. dollars.

lancashire HOLDINGS LIMITED

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, SECURITIES 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 JUDGEMENT 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. JUDGEMENTS IN RELATION TO LOSS 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.

Consistency: strong return on equity[1]

	Lancashire	Sector [2]	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%
2010	23.3%	17.0%	15.1%
Compound [3]	20.3%	19.2%	12.0%

[1] Return on Equity = growth in fully diluted/converted book value per share, adjusted for dividends.
[2] Sector includes Amlin, Axis, Beazley, Brit, Catlin, Endurance, Flagstone, Hiscox, Montpelier, Renaissance Re, and Validus. 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.
[3] Compound annual return from inception through 2010. The S&P 500 figures include effect of reinvested dividends.

lancashire
HOLDINGS LIMITED

Consistency: strong underwriting performance

	2006	2007	2008	2009	2010	5 year average [1]
Loss ratio	16.1%	23.9%	61.8%	16.6%	27.0%	30.9%
Acquisition cost ratio	14.3%	12.5%	16.4%	17.8%	17.3%	15.8%
Expense ratio	13.9%	9.9%	8.1%	10.2%	10.1%	10.0%
Combined ratio	44.3%	46.3%	86.3%	44.6%	54.4%	56.7%
Sector combined ratio[2]	76.1%	76.6%	88.0%	78.1%	87.9%	81.7%
Lancashire out-performance	31.8%	30.3%	1.7%	33.5%	33.5%	25.0%

1 Lancashire ratios weighted by annual net premiums earned. Annual sector ratios are weighted by annual net premiums earned for the companies reported over five 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.

lancashire HOLDINGS LIMITED

Consistency: strong investment performance

	2006	2007	2008	2009	2010	5 year cumulative annualised return
Total return[1]	6.1%	6.2%	3.1%	3.9%	4.2%	4.7%
Sector total return [2]	4.7%	5.7%	-2.8%	6.4%	3.9%	3.5%
Lancashire out-performance	+1.4%	+0.5%	+5.9%	-2.5%	+0.3%	+1.2%

[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.

lancashire HOLDINGS LIMITED