Underwriting comes first

Effectively balance risk and return

Operate nimbly through the cycle

Investor Presentation

Q1 2011

May 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.

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 19.7% since inception
- Total shareholder return of 229.0%[2] since inception in late 2005, compared with 17.6%[2] for S&P 500, 52.5%[2] for FTSE 250 and 26.8%[2] for FTSE 350 Insurance Index
- Returned 116.2% of original share capital raised at inception or 82% of cumulative comprehensive income
- Traded on London Stock Exchange (LRE.L) with market capitalisation of $1.63b[3]
- Member of FTSE 250 Index

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

[2] Shareholder return through May 5, 2011. LRE and FTSE returns in USD terms.

[3] As at May 5 2011 source Bloomberg

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q1 2011 headlines

- **Combined ratio of 97.4%**
  - Reported loss ratio of 67.0%; accident year loss ratio of 102.6%
  - Combined ratio since inception of 58.9% (including G&A)
  - New Zealand / Australia catastrophe loss of $14.1M
  - Reserve of $77.0M (gross) for Japan quake, $75.0M after RIP; 52.8% contributes to the loss ratio
- **Total investment return of 0.6% (annualised 2.5%)**
  - Positive total return in 19 out of 21 quarters since inception
  - Started a small equity portfolio (2%)
- **Growth in fully converted book value per share, adjusted for dividends, of 0.4[1]%**
  - Compound annual return since inception of 19.7[1]%
- **Active cycle management**
  - No further share repurchases
  - Premiums reduced by 25% quarter on quarter; absent the large multi-year deals in Q1 2010 the reduction would have been 12%
  - Retro book significantly cut back
  - Final 2010 dividend US $0.10 paid

[1] As at March 31 2011

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consistency: exceptional 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.

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consistency: excellent 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.

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consistency: excellent 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.

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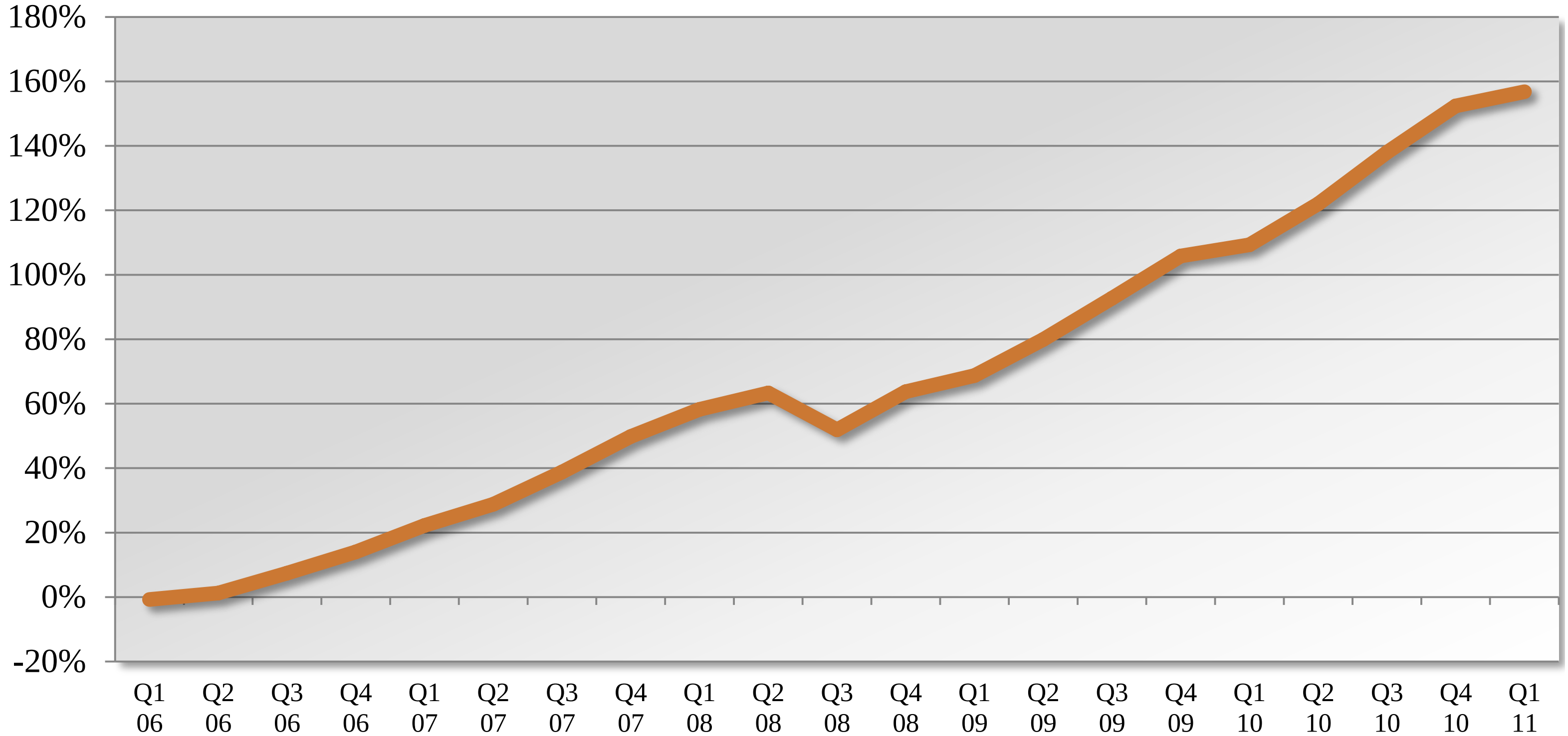
our goal: to provide an attractive risk-adjusted total return to shareholders over the long-term

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



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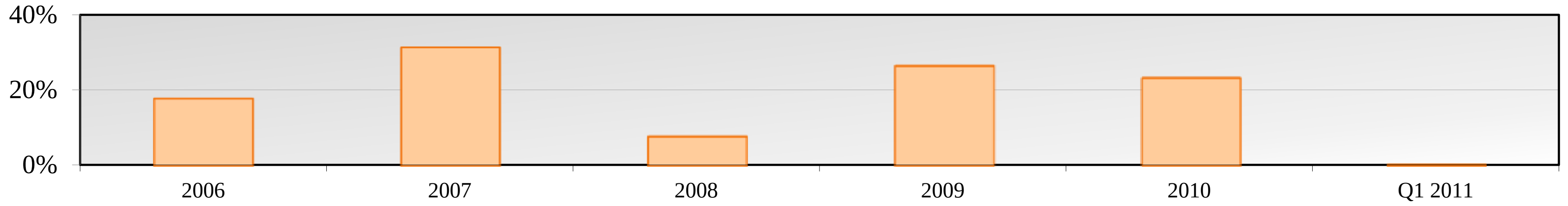
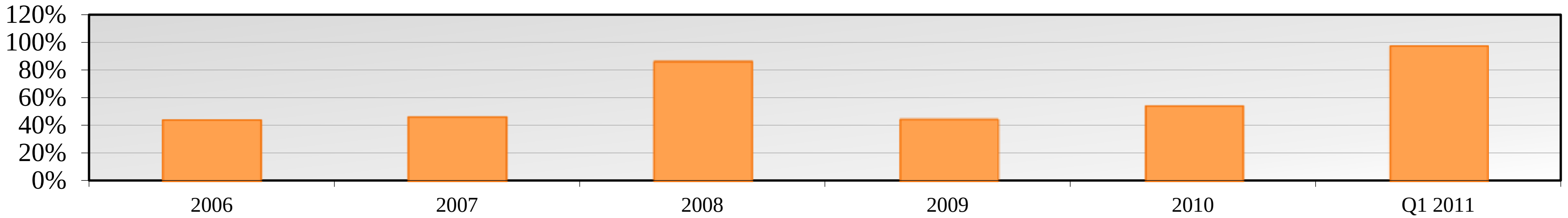
our consistent and excellent track record

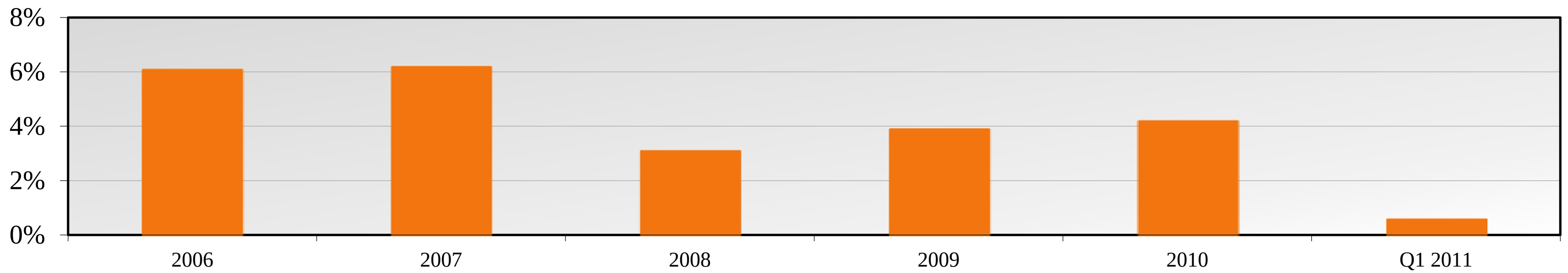
RoE* since inception



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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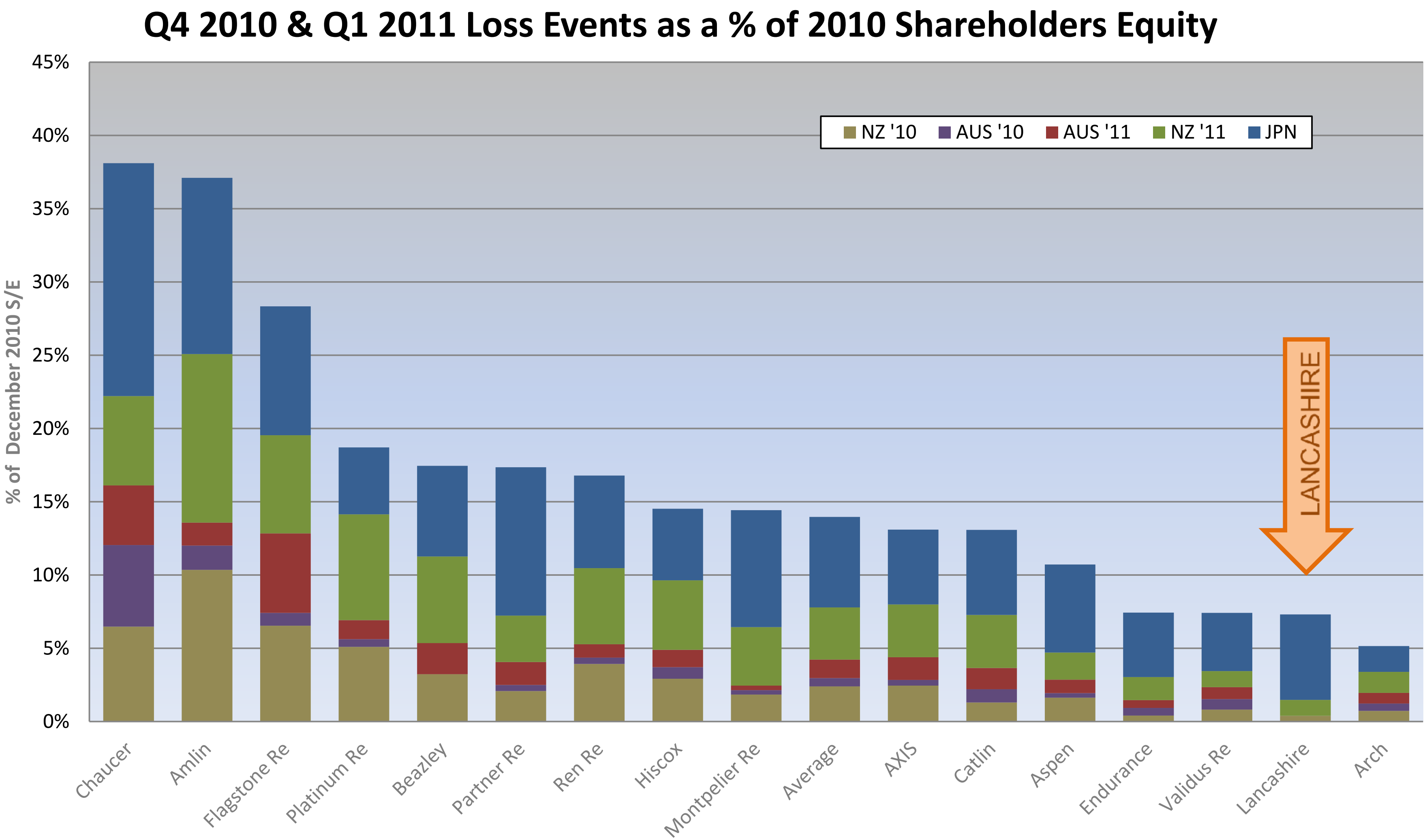
performance in recent cat events



As of May 6 2011, Q1 2011 results have been reported by Arch, Aspen, AXIS, Beazley, Endurance, Flagstone, Montpelier Re, Partner Re, Platinum Re, Ren Re and Validus.

Amlin, Catlin, Chaucer and Hiscox are based on preliminary estimates from Dowlings.

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strategy for long-term success

Our goal

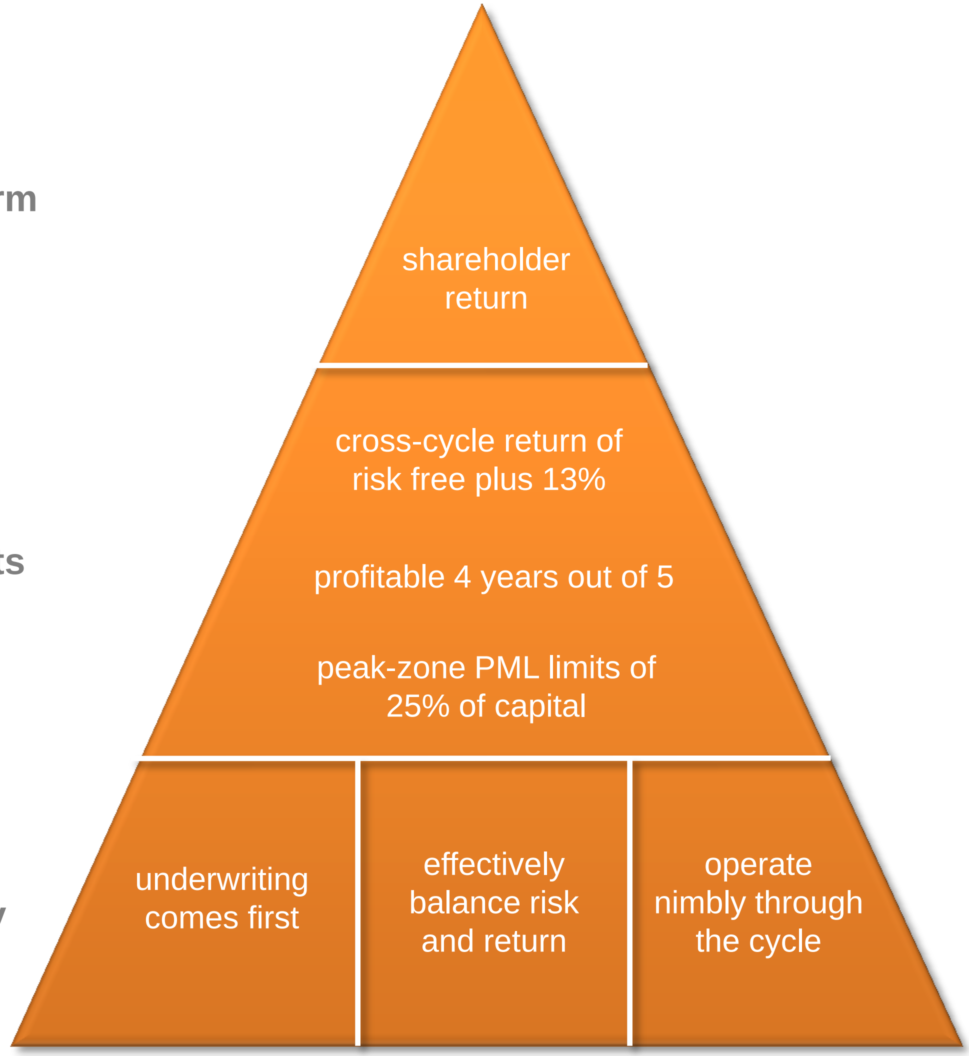
To provide an attractive risk-adjusted return to shareholders over the long-term

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 key priorities



underwriting comes first

appropriate mix of technology and culture

Culture and techniques

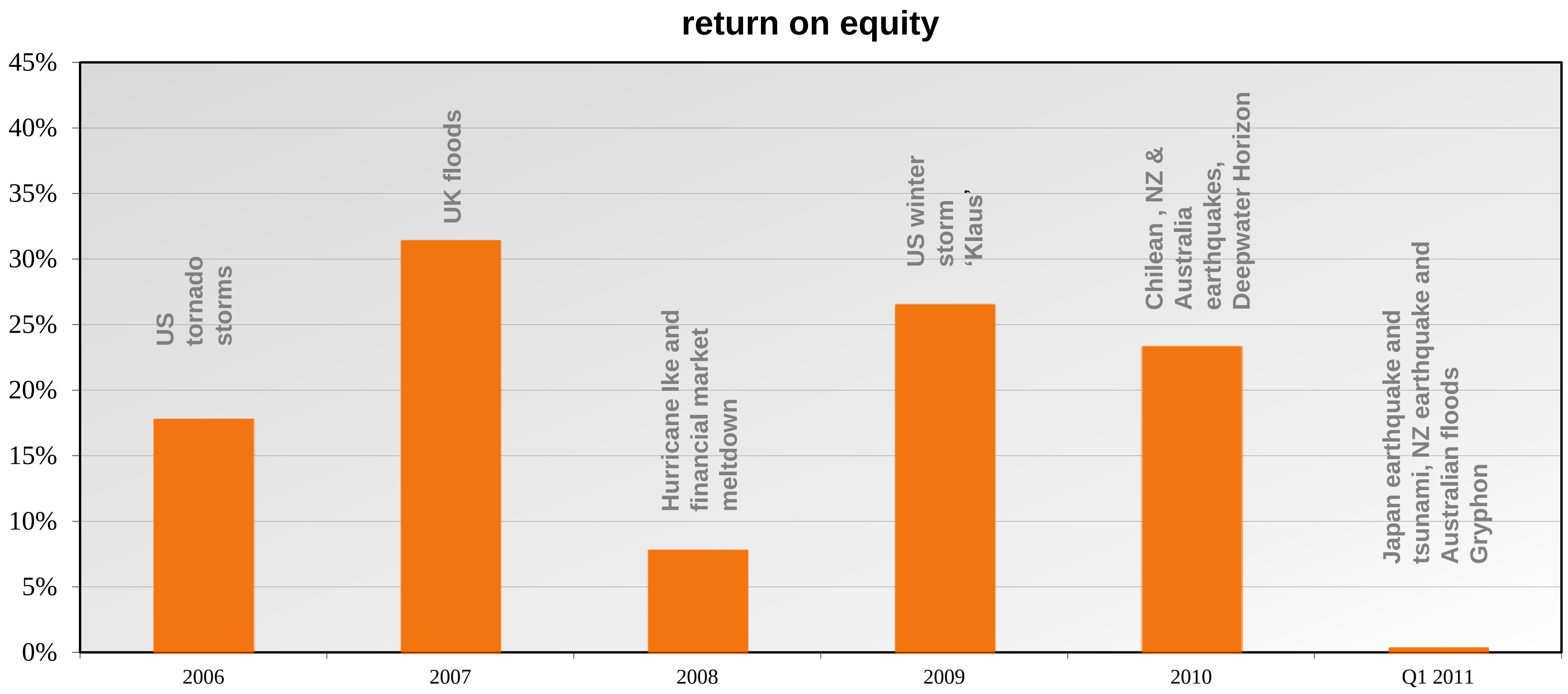
- Daily underwriting call
- Collegiate approach
- Multiple pricing assessments
- No premium targets
- Underwriters compensated on Group RoE

BLAST proprietary model

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

effectively balance risk and return

major losses offset by strong underlying profits



Peak 1 in 100 PML wind loss = 16% of capital at 31 March 2011
Peak 1 in 250 PML wind loss = 14% of capital at 31 March 2011

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effectively balance risk and return

Zones	Perils	100 year return period $M (% of capital)	250 year return period $M (% of capital)
Gulf of Mexico	Hurricane	226 (16%)	329 (23%)
California	Earthquake	107 (8%)	196 (14%)
Pacific Northwest	Earthquake	39 (3%)	140 (10%)
Pan-European	Windstorm	109 (8%)	174 (12%)
Japan	Earthquake	111 (8%)	205 (15%)
Japan	Typhoon	90 (6%)	192 (14%)

As at April 1 2011

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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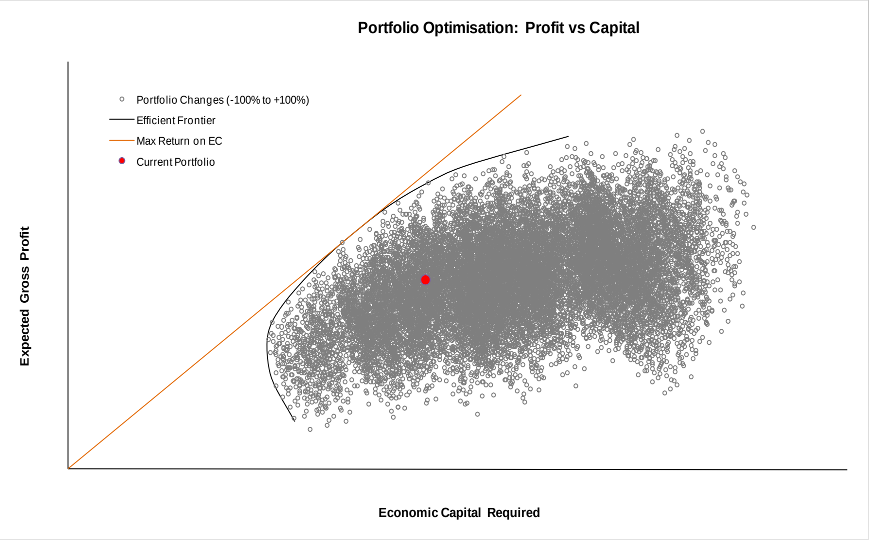
effectively balance risk and return

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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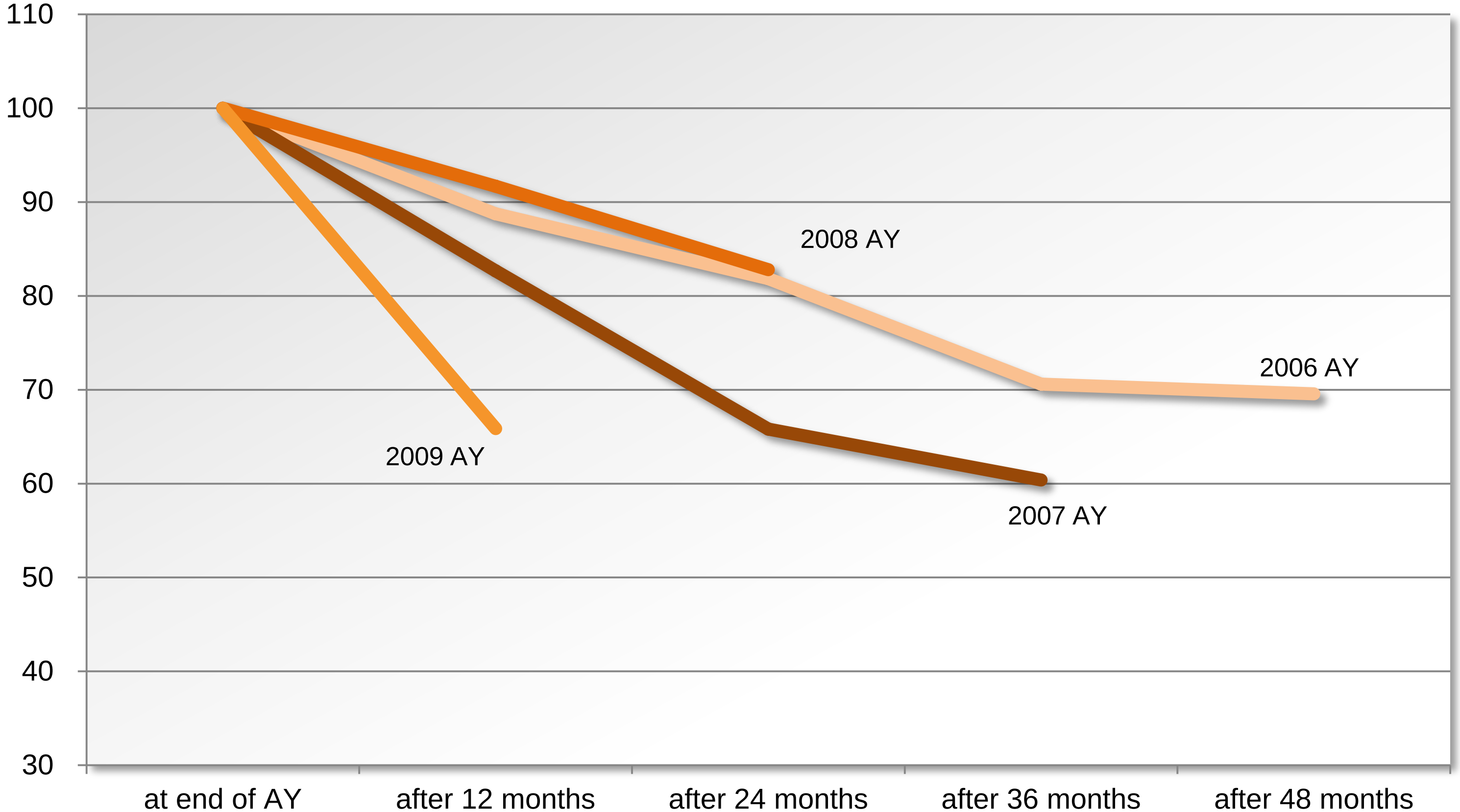
effectively balance risk and return

consistent positive reserve development

(net reserves at end of accident year = index of 100)



Towers Watson's reserve study found two major themes across all lines:

- faster development patterns
- lower loss ratios

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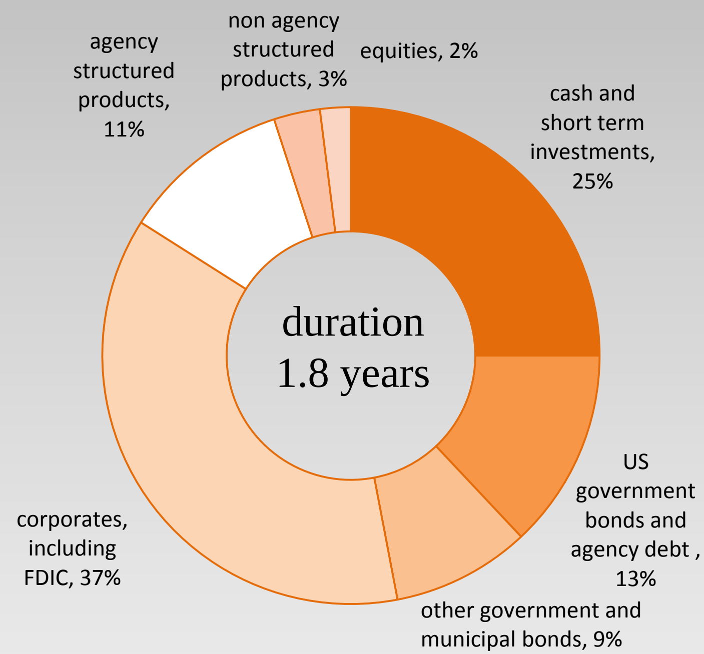
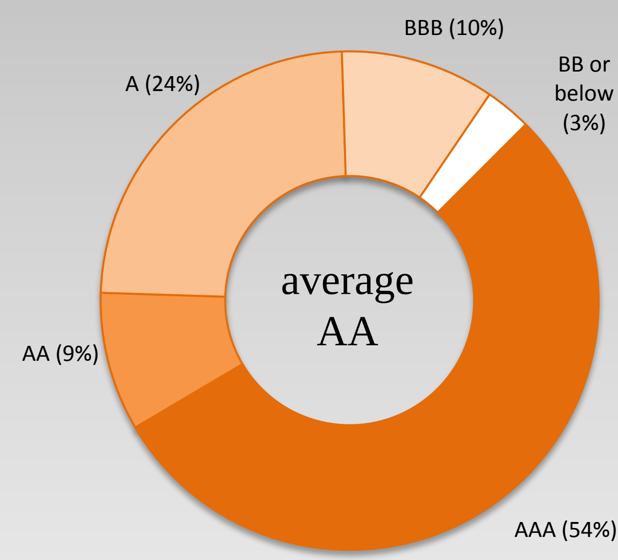
effectively balance risk and return

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

asset allocation



credit quality



Total portfolio at 31 March 2011 = $1,998m

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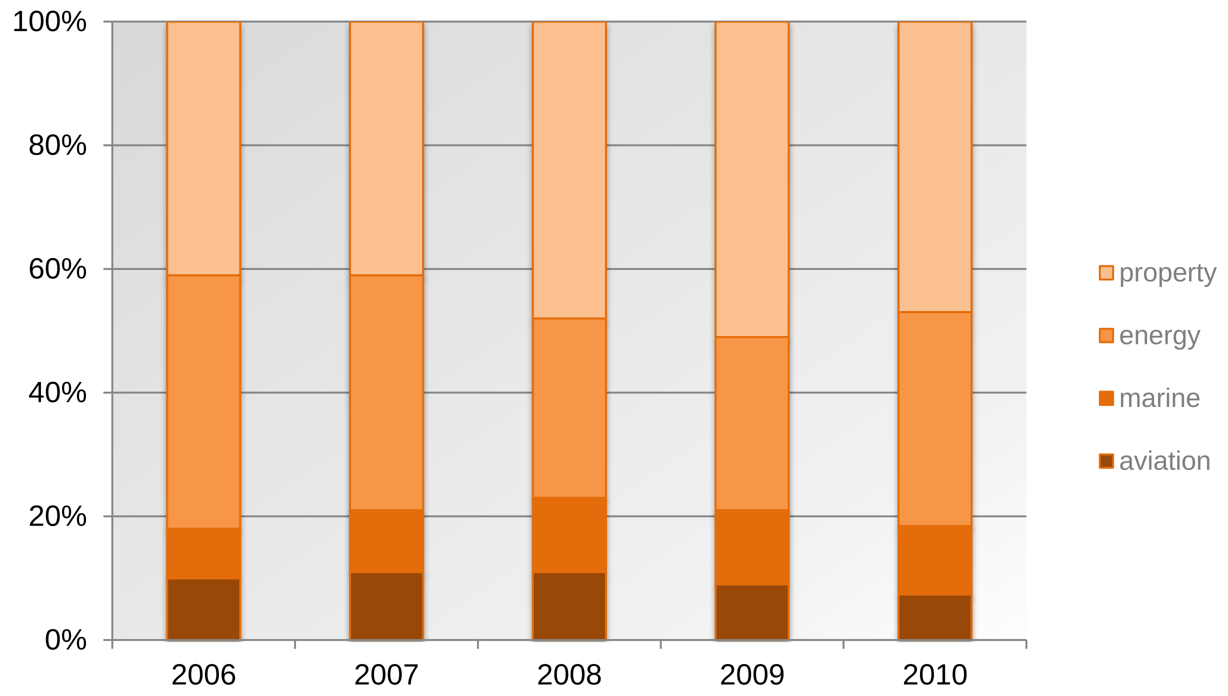
operate nimbly through the cycle

active portfolio rebalancing as opportunities evolve

swift reallocation of capital; minimal tactical inertia
decisions made ahead of the competition



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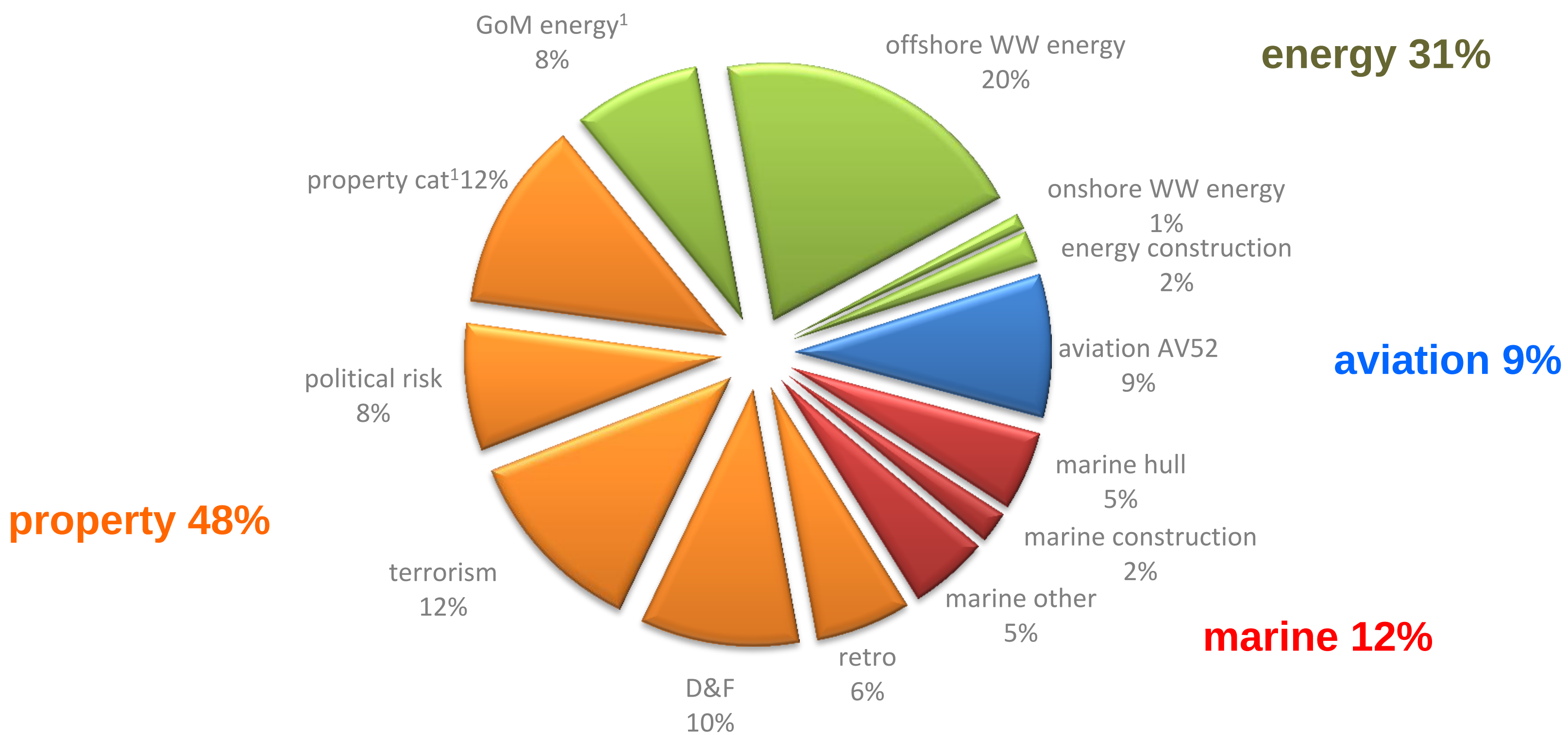
80% insurance 20% reinsurance 30% nat-cat exposed 70% other



Based on forecast as of April 18 2011. Estimates could change without notice in response to several factors, including trading conditions

[1] Excludes multi year deals written in 2010 not currently up for renewal in 2011 specifically property cat and GoM energy deals referenced during 2010

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operate nimbly through the cycle

Lancashire renewal price index vs. 2006

Class	2006	2007	2008	2009	2010	2011 Q1 est.[1]
Property Reinsurance	100	97	96	127	121	**115**
Property Direct & Facultative	100	92	83	90	84	**71**
Energy Gulf of Mexico	100	80	64	137	139	**139**
Energy Worldwide Offshore	100	80	68	84	88	**92**
Marine	100	88	80	82	80	**80**
Terrorism	100	86	71	66	60	**51**
Aviation (AV52)	100	80	69	68	62	**50**

[1] The 2011 estimated rate index is based on management estimates on potential peak rates during 2011 relative to 2006 rates. 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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operate nimbly through the cycle

trading outlook: good		general hardening of rates across portfolio
Property	Insurance	RMS 11 positively impacting renewals for catastrophe driven accounts. Seeing in flow of international catastrophe exposed accounts with substantial increased rates
	Reinsurance	International property catastrophe for Japan at April 1 up around 10% for wind and 50% for earthquake. Have seen and supported back up programmes for NZ/Australia at significantly increased rates. Retro becoming interesting again and property cat expect hardening over the next 12 months
	Terror/political risk	Rates generally flat seeing some pressure upwards for MENA territories, continued focus on attractive benign risks.
Energy	Gulf of Mexico	Stable market outlook
	WW offshore	Rating environment remains positive, backbone stiffened following Gryphon loss
	WW onshore	Market now stable following a run of medium to large losses
Marine	Hull, war, P&I	Market stable, attractive niche opportunities
Aviation	AV52	Market still seeing downward pressure but risk profile remains attractive and passenger numbers picking up

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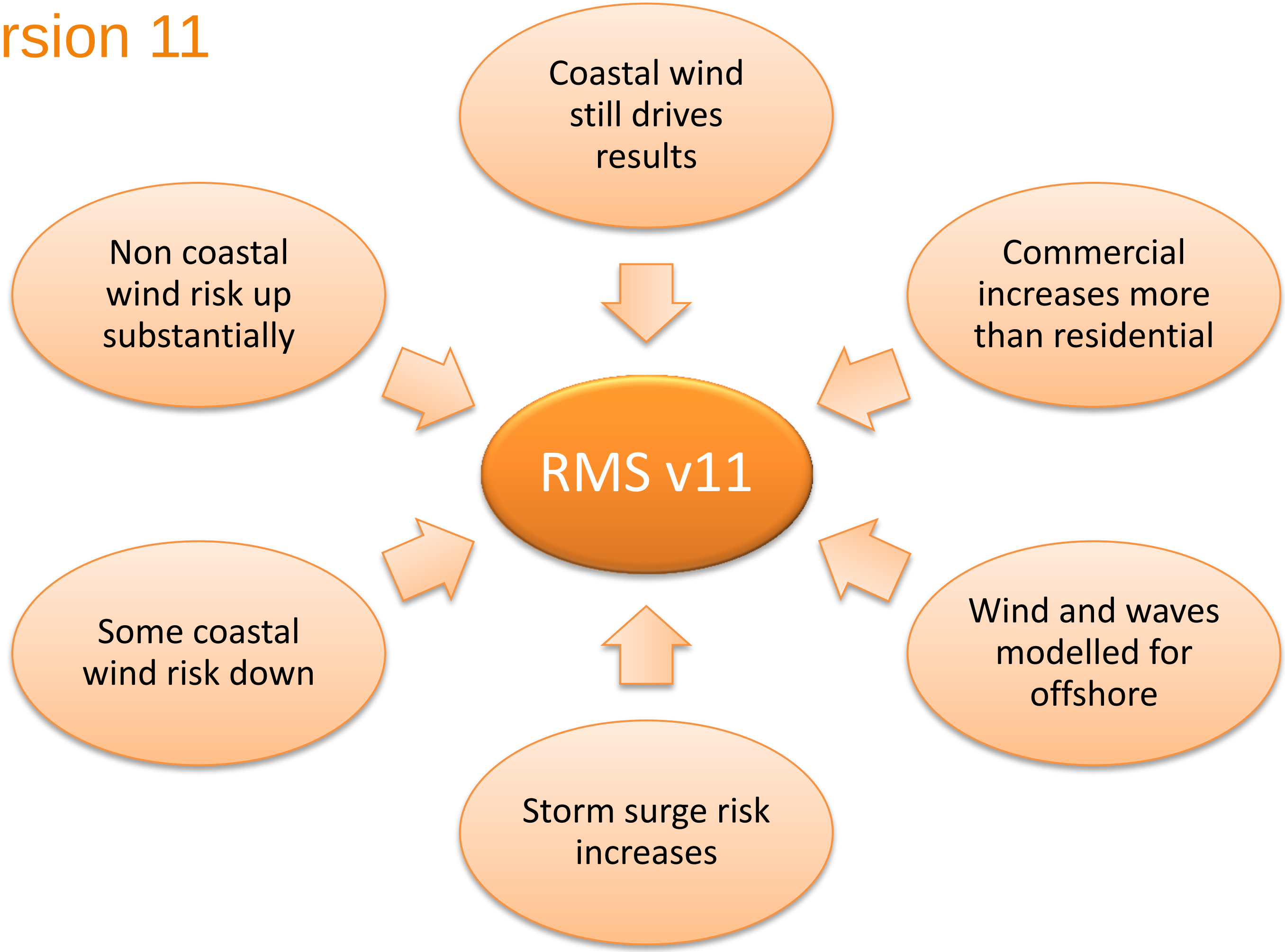
RMS version 11



Changes will vary greatly for individual portfolios

operate nimbly through the cycle

proven record of active capital management

	2007 $M	2008 $M	2009 $M	2010 $M	2011 $M	Total $M
Share repurchases	100.2	58.0	16.9	136.4	-	311.5
Special dividends[1]	239.1	-	263.0	264.0	-	766.1
Ordinary dividends – interim[1]	-	-	10.5	9.4	-	19.9
Ordinary dividends – final[1]	-	-	-	20.8	18.9	39.7
Total	**339.3**	**58.0**	**290.4**	**430.6**	**18.9**	**1,137.2**
Average price of share repurchase	102.2%	88.4%	98.5%	97.9%	n/a	97.6%
Weighted average dividend yield[1]	15.8%	n/a	16.8%	16.4%	1.2%	n/a

116.2% of IPO capital has been returned to shareholders[2]

[1]Dividends included in the financial statement year in which they were recorded

[2]No change from December 31 2010; no capital actions in Q1 2011

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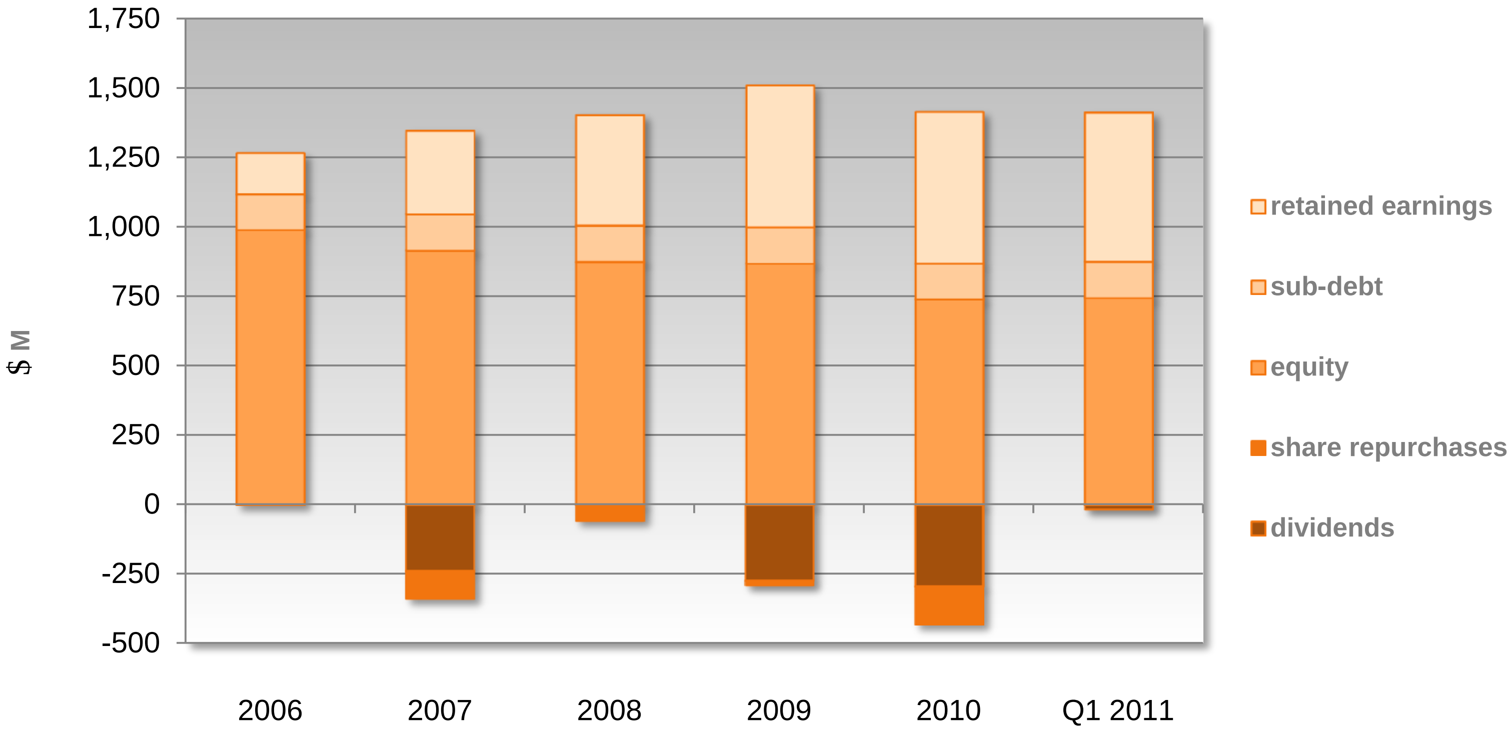
operate nimbly through the cycle

constant adjustment of capital

proven record since inception



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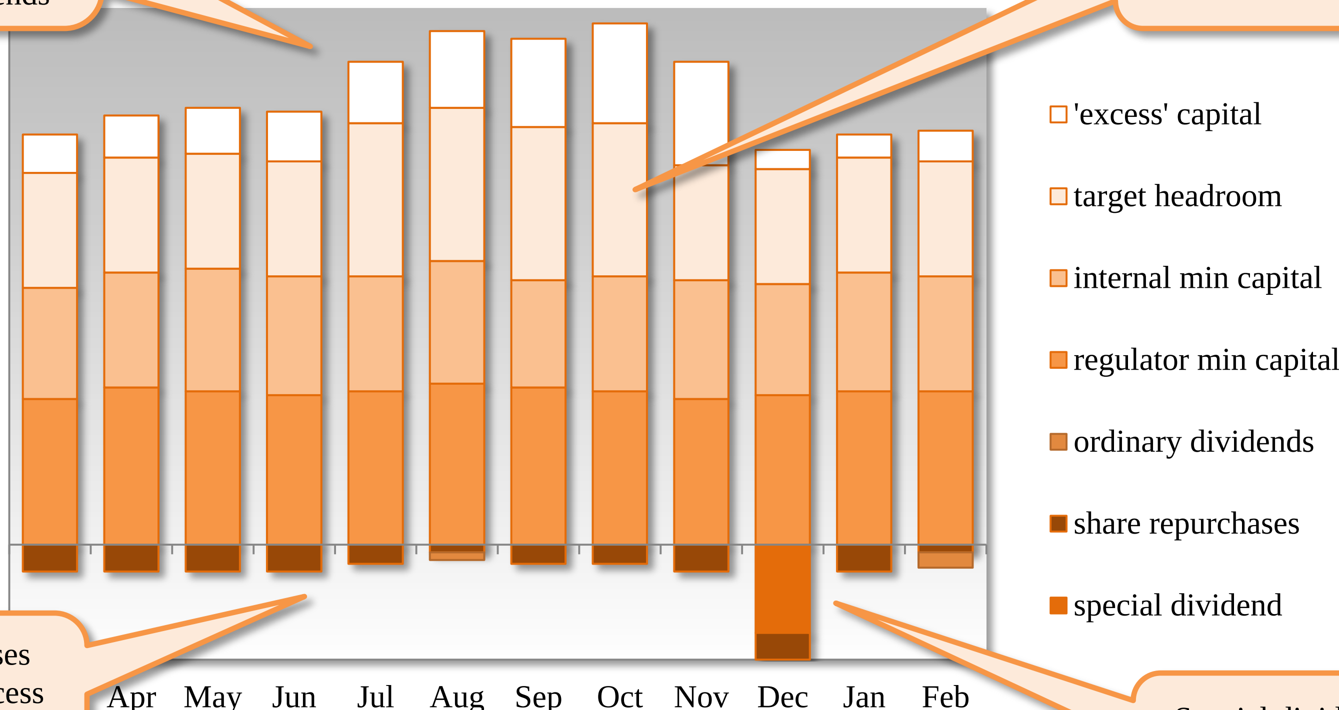
operate nimbly through the cycle

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

lancashire

strategy

success

sustainability

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