lancashire
HOLDINGS LIMITED

Underwriting comes first

Effectively balance risk and return

Operate nimbly through the cycle

Investor Presentation
Q4 2011

March 2012
www.lancashiregroup.com

safe harbour statements

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE IN THIS RELEASE OR OTHERWISE 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; THE EFFECTIVENESS OF OUR LOSS LIMITATION METHODS; LOSS OF KEY PERSONNEL; A DECLINE IN OUR OPERATING SUBSIDIARIES' RATING WITH A.M. BEST, STANDARD & POOR'S, MOODY'S 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 FOR ISSUERS OF FIXED INCOME INVESTMENTS; THE IMPACT OF SWINGS IN MARKET INTEREST RATES AND SECURITIES PRICES; 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; THE UK TEMPORARY PERIOD EXEMPTION UNDER THE CURRENT CFC REGIME FAILING TO REMAIN IN FORCE FOR THE PERIOD INTENDED; THE FAILURE OF THE UK GOVERNMENT TO BRING BEFORE PARLIAMENT LEGISLATION CONTAINING A SUITABLE NEW CFC REGIME IN LINE WITH THE PROPOSALS OUTLINED IN THE CONSULTATION DOCUMENT; THE OMISSION FROM THE NEW CFC REGIME OF A SUITABLE EXCLUSION (E.G. RELATING TO LARGE RISKS WRITTEN IN THE INTERNATIONAL INSURANCE MARKET); ANY CHANGE IN UK GOVERNMENT OR THE UK GOVERNMENT POLICY WHICH IMPACTS THE TEMPORARY PERIOD EXEMPTION, THE ANTICIPATED TERRITORIAL BUSINESS EXEMPTION OR OTHER ASPECTS OF THE NEW CFC REGIME; AND THE IMPLEMENTATION OF THE CHANGE IN TAX RESIDENCE OF LANCASHIRE NEGATIVELY IMPACTS STAKEHOLDERS OF LANCASHIRE IN A MATERIAL WAY.

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 provider of global specialty insurance and reinsurance products operating in Bermuda and London. Lancashire focuses on short-tail, mostly direct, 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 19.5% since inception
- Total shareholder return of 303.8%[1] since inception, compared with 22.9%[1] for S&P 500, 45.9%[1] for FTSE 250 and 19.6%[1] for FTSE 350 Insurance Index
- Returned 134.7% of original share capital raised at inception or 83.3% of cumulative comprehensive income
- Traded on London Stock Exchange (LRE.L) with market capitalisation of \$1.93b[2]
- Member of FTSE 250 Index

[1] Shareholder return through 27 February 2012. LRE and FTSE returns in USD terms.

[2] As at 27 February 2012. Source: Bloomberg

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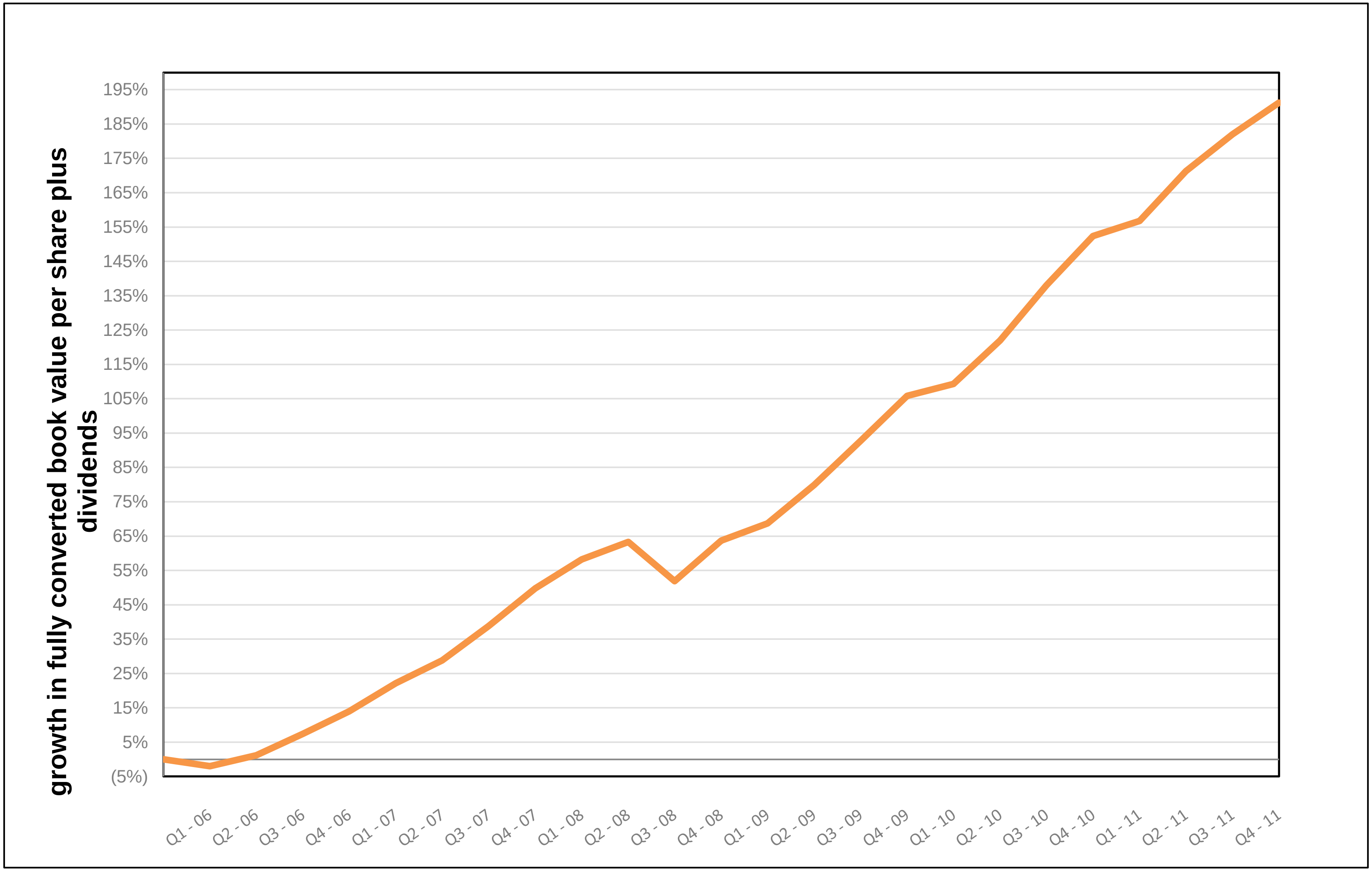
our goal: to provide an attractive risk-adjusted total return to shareholders over the long-term



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Q4 2011 headlines

- **Combined ratio of 73.1% (YTD 63.7%)[1]**
  - Reported loss ratio of 39.4% (YTD 31.7%); accident year loss ratio of 65.0% (YTD 59.3%)
  - Combined ratio since inception of 57.9%[1]
  - Thai flood losses estimated to be $25.1m, net of RIP
  - Japanese quake reserve now $117.3m net of RIP, increase of $42.2m in the quarter; contributes 20.7% to the YTD reported loss ratio
- **Total investment return of 0.6% (YTD 1.8%)**
  - Positive total return every year since inception
  - Portfolio positioned to limit downside risk in market shocks
- **Growth in fully converted book value per share, adjusted for dividends, of 13.4%[2]**
  - Compound annual return since inception of 19.5%
- **Active cycle management**
  - Expanded retro book; further cessions to Accordion sidecar vehicle at 1 January 2012, 70% of capacity now utilised
  - No share repurchases - strong multiple & improving underwriting conditions
  - 2011 final dividend of $0.10 per share authorised 23 February 2012

[1] Including G&A.

[2] For the year ended 31 December 2011.

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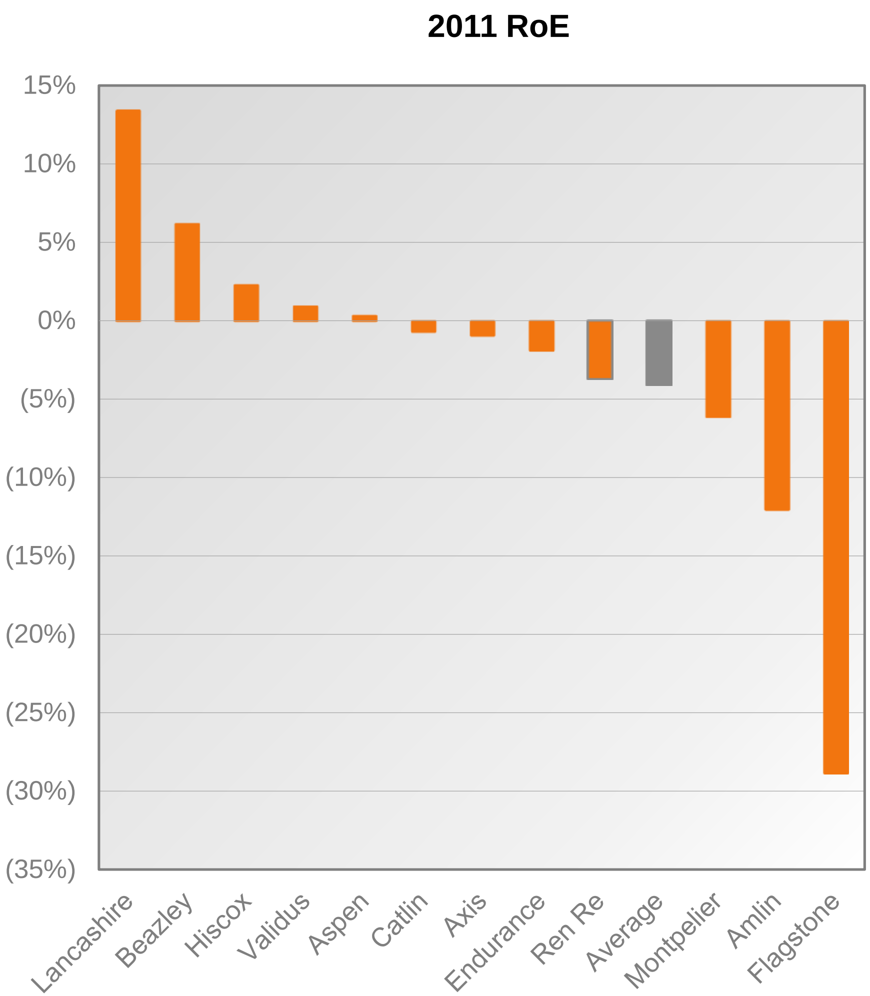
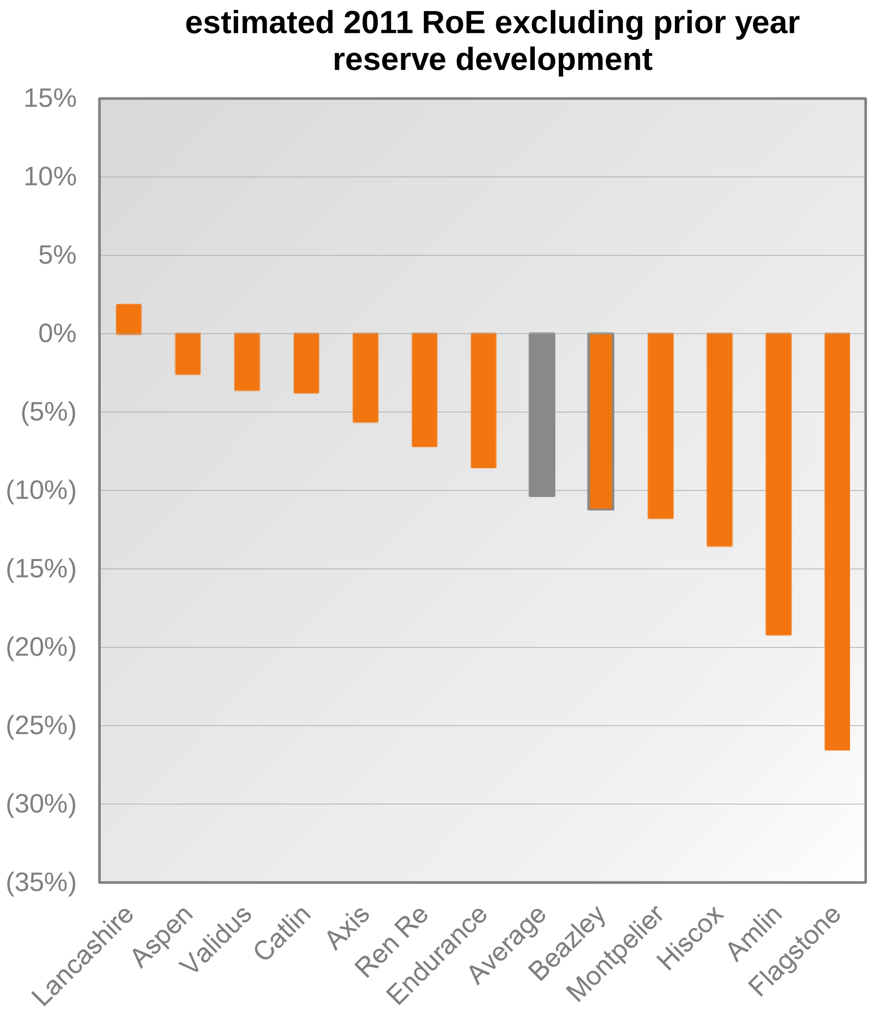
our 2011 results are the best in our peer group

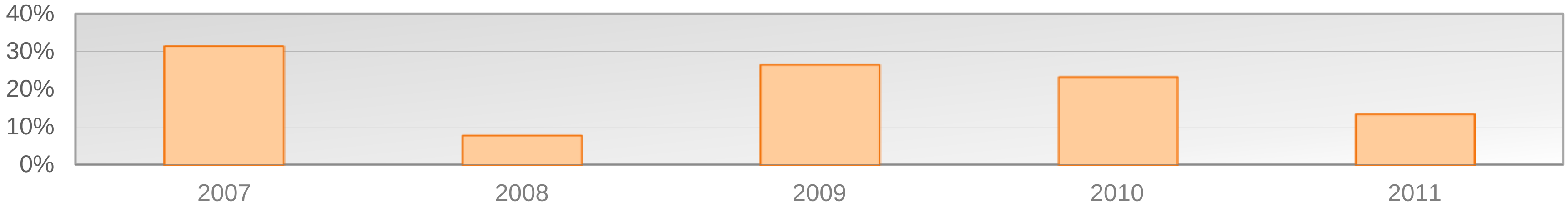




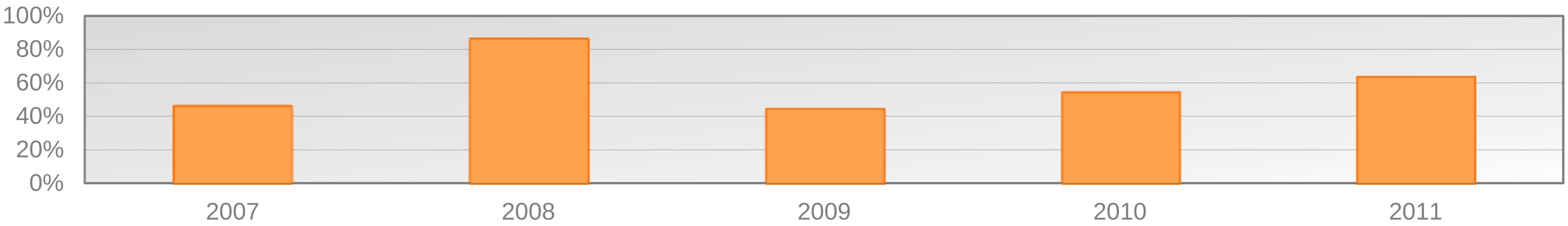
Source: Company reports.

our consistent and excellent track record

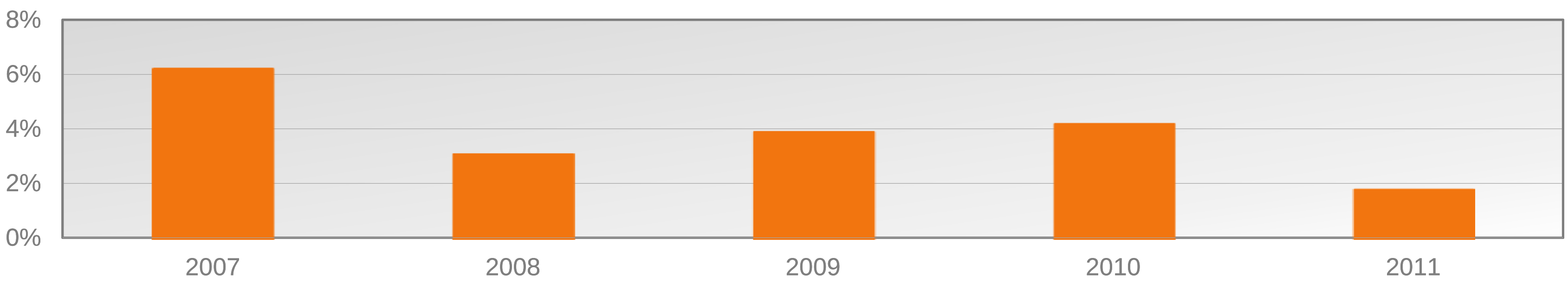
RoE [1]



combined ratio



total investment return



[1] RoE is defined as growth in fully converted book value per share, adjusted for dividends.

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consistency: exceptional underwriting performance

	2007	2008	2009	2010	2011	5 year average [1]
loss ratio	23.9%	61.8%	16.6%	27.0%	31.7%	32.3%
acquisition cost ratio	12.5%	16.4%	17.8%	17.3%	19.6%	16.7%
expense ratio	9.9%	8.1%	10.2%	10.1%	12.4%	10.1%
combined ratio	46.3%	86.3%	44.6%	54.4%	63.7%	59.1%
sector combined ratio [2]	77.3%	88.1%	76.4%	87.8%	109.2%	88.9%
Lancashire out-performance	31.0%	1.8%	31.8%	33.4%	45.5%	29.8%

[1] 5 year average based on 2007 to 2011 reporting periods. 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, Aspen, Axis, Beazley, Catlin, Endurance, Flagstone, Hiscox, Montpelier, Renaissance Re and Validus for the years 2007 to 2011. Source: Company reports.

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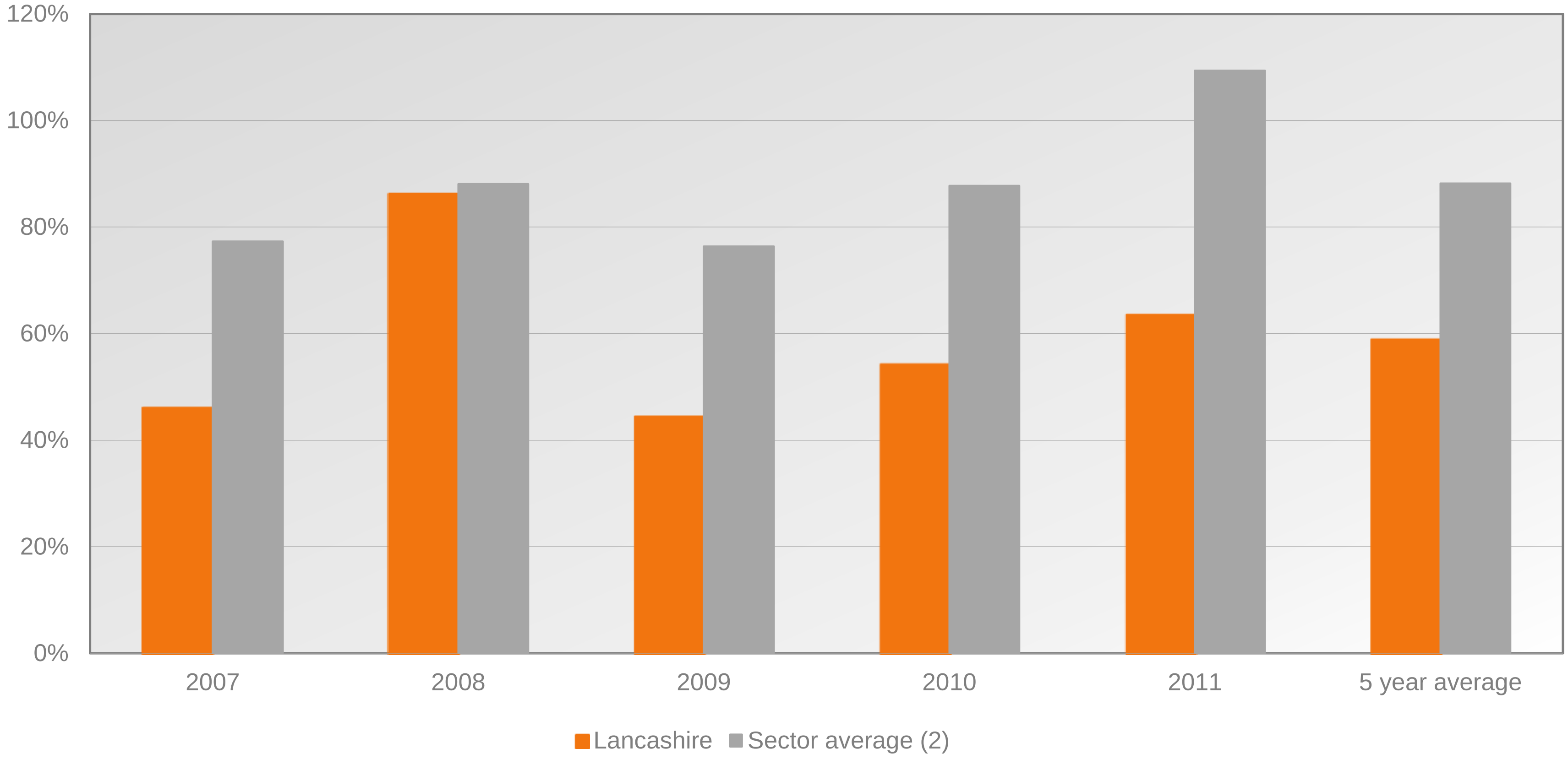
consistency: exceptional underwriting performance

combined ratio (1)



[1] 5 year average based on 2007 to 2011 reporting periods. 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, Aspen, Axis, Beazley, Catlin, Endurance, Flagstone, Hiscox, Montpelier, Renaissance Re and Validus for the years 2007 to 2011. Source: Company reports.

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consistency: solid investment performance

	2007	2008	2009	2010	2011	5 year cumulative annualised investment return [1]
total investment return [1]	6.2%	3.1%	3.9%	4.2%	1.8%	3.8%
sector total return [2]	5.8%	(2.6%)	6.6%	4.0%	2.3%	3.1%
Lancashire out-performance	0.4%	5.7%	(2.7%)	0.2%	(0.5%)	0.7%

[1] 5 year cumulative annualised investment return based on 2007 to 2011 reporting periods. 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, Aspen, Axis, Beazley, Catlin, Endurance, Flagstone, Hiscox, Montpelier, Renaissance Re and Validus. Source: Company reports.

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consistency: excellent return on equity[1]

	Lancashire	sector [2]	S&P 500
2007	31.4%	23.8%	5.5%
2008	7.8%	2.6%	(37.0%)
2009	26.5%	27.3%	26.5%
2010	23.3%	17.4%	15.1%
2011	13.4%	(4.0%)	2.1%
compound [3]	19.5%	15.3%	(0.3%)

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

[2] Sector includes Amlin, Aspen, Axis, Beazley, Catlin, Endurance, Flagstone, Hiscox, Montpelier, Renaissance Re and Validus. Source: Company reports. Book value per share is used if diluted/converted is not disclosed. Methods of calculation can vary between companies.

[3] Compound annual return for Lancashire is from inception through 31 December 2011. Compound annual returns for sector and S&P 500 are from 1 January 2006 through 31 December 2011. The S&P 500 figures include effect of reinvested dividends.

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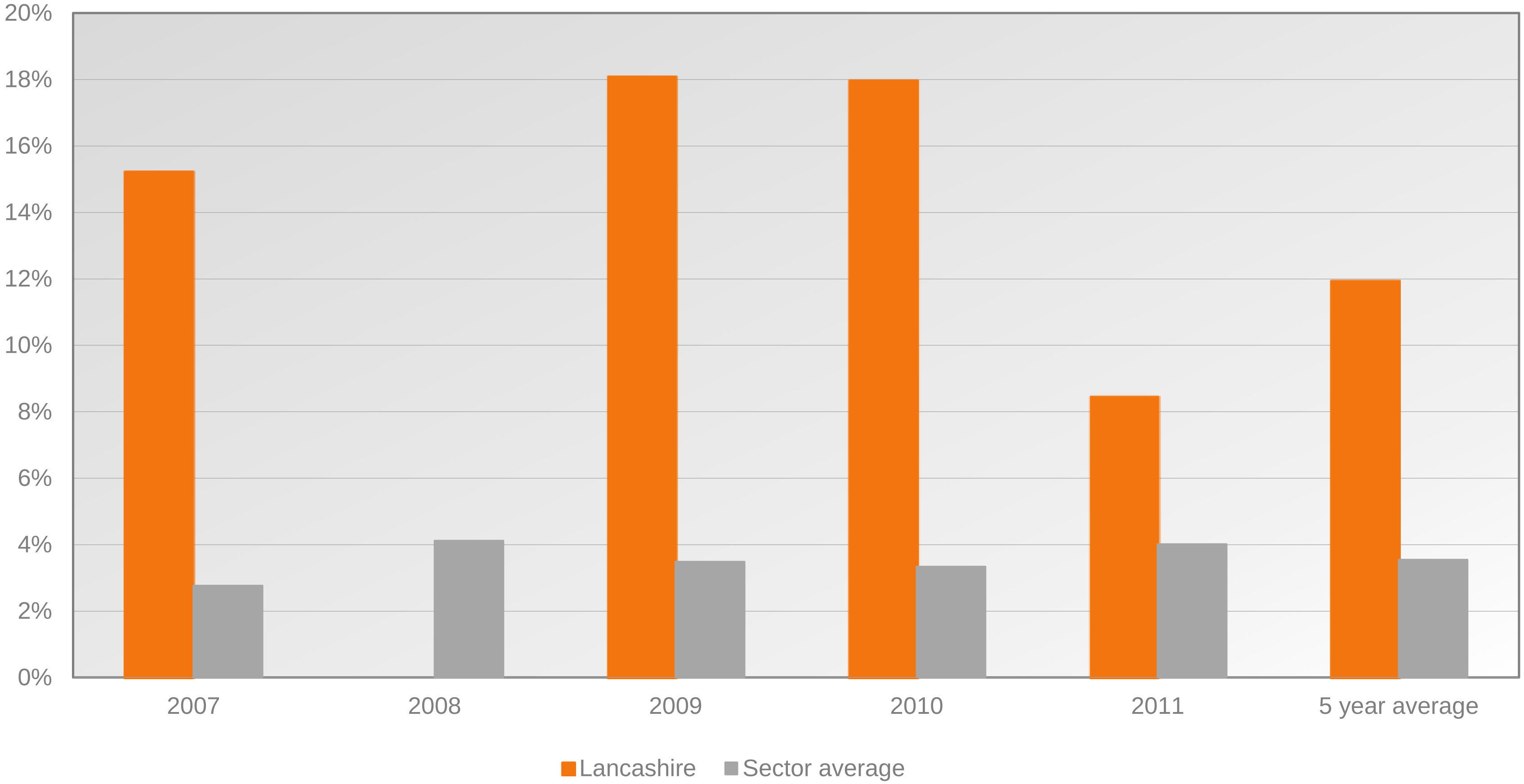
our consistent and excellent track record

dividend yield (1)



(1) Dividend yield is calculated as the total calendar year cash dividends divided by the year end share price. Dividends include recurring dividends, special dividends and B shares issuances.

(2) Sector includes Amlin, Aspen, Axis, Beazley, Catlin, Endurance, Flagstone, Hiscox, Montpelier, Renaissance Re and Validus.

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strategy for long-term success

our goal

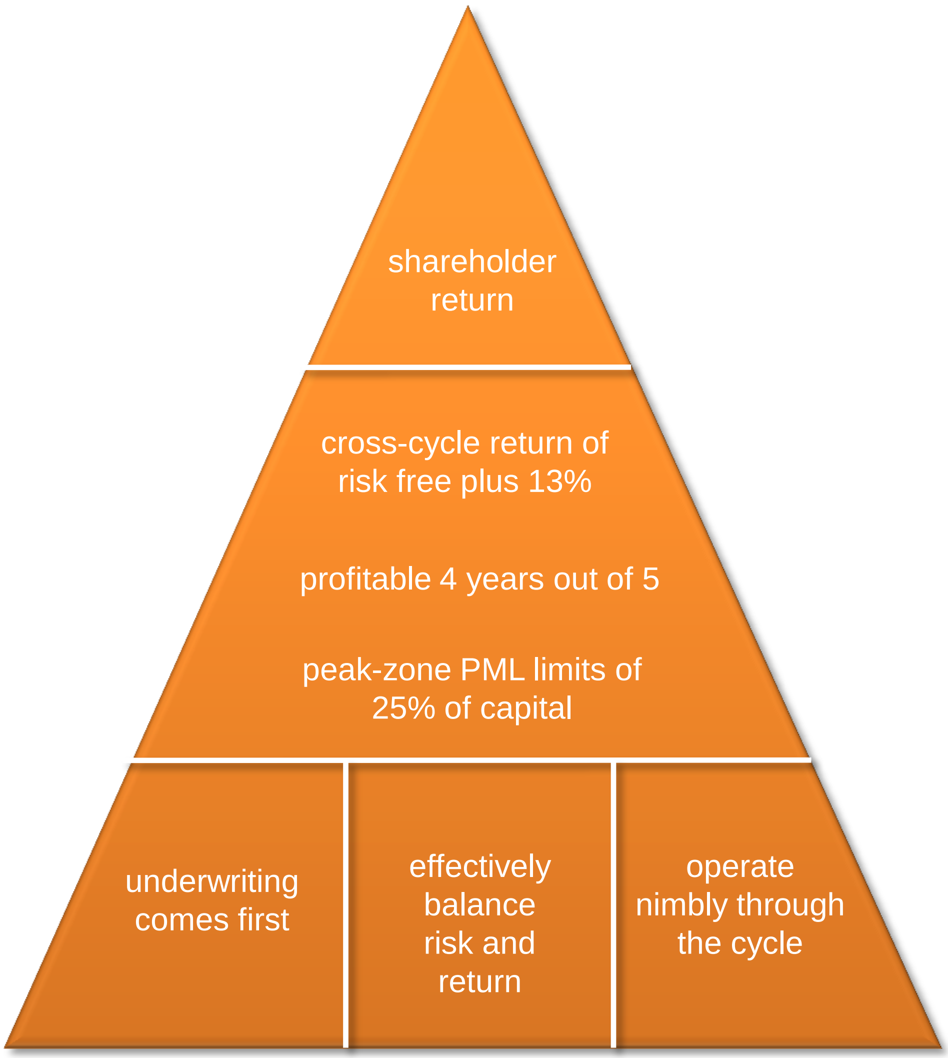
To provide an attractive risk-adjusted return to shareholders over the long-term

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



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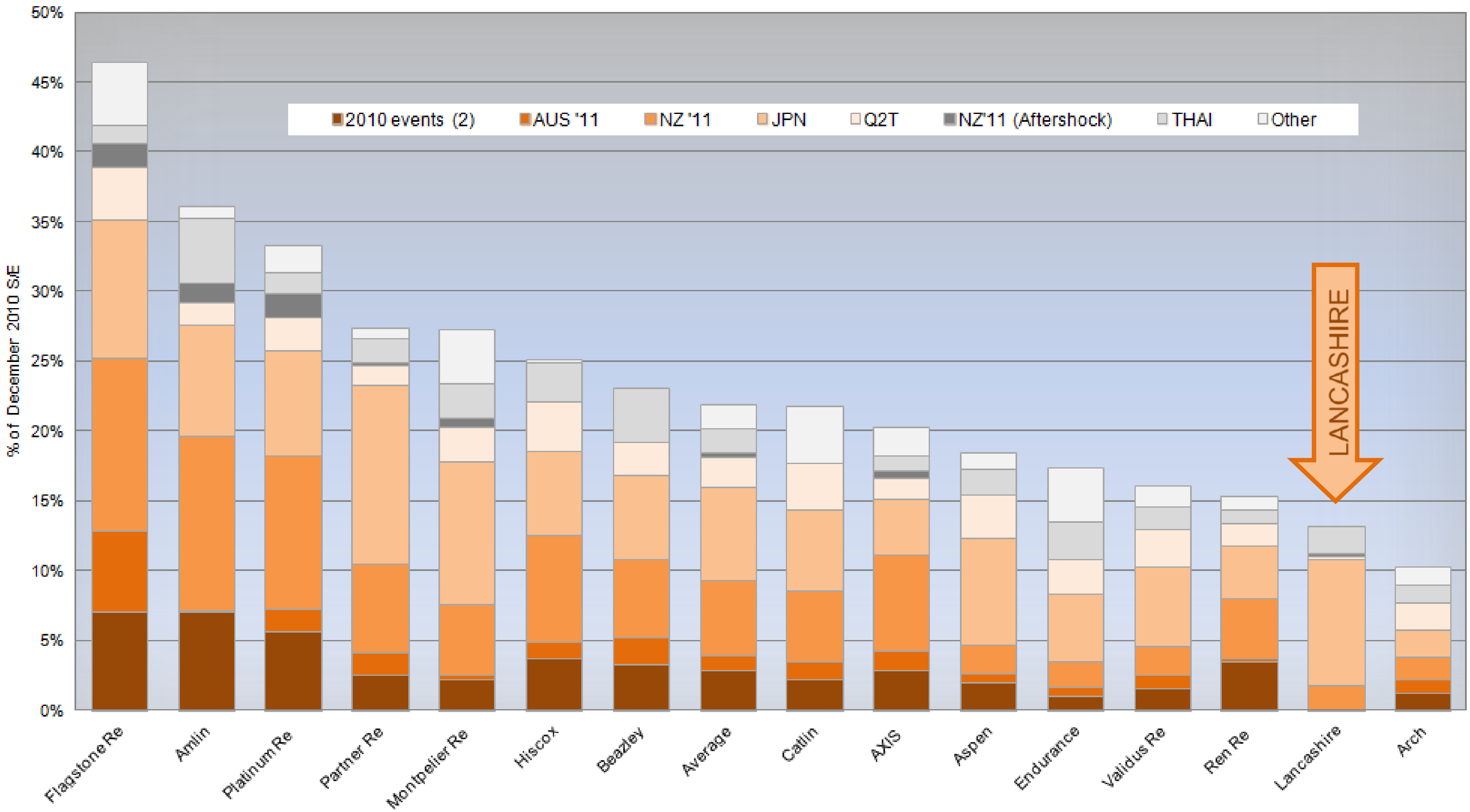
performance in recent cat events

Q4 2010 to Q4 2011 loss events as a % of 2010 shareholders equity (1)



(1) As of 3 March 2012. Source: Company reports and Aon Benfield.
(2) 2010 events includes losses in the Australia and New Zealand events in late 2010.

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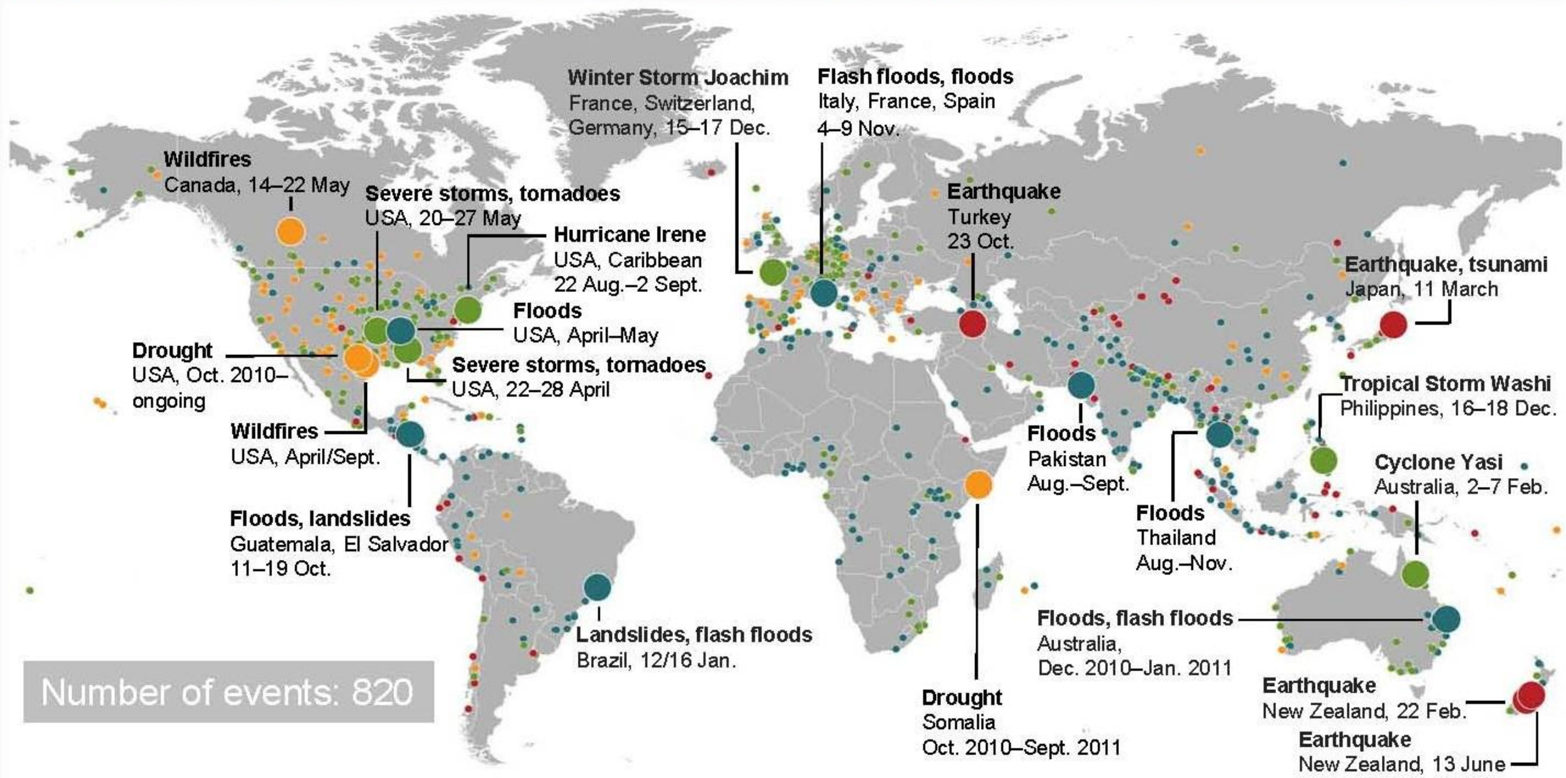
NatCatSERVICE

Natural Catastrophes 2011

World map

Munich RE



- Natural catastrophes
- Selection of significant loss events
- Geophysical events (earthquake, tsunami, volcanic activity)
- Meteorological events (storm)
- Hydrological events (flood, mass movement)
- Climatological events (extreme temperature, drought, wildfire)

Source: Munich Re Touch information platform

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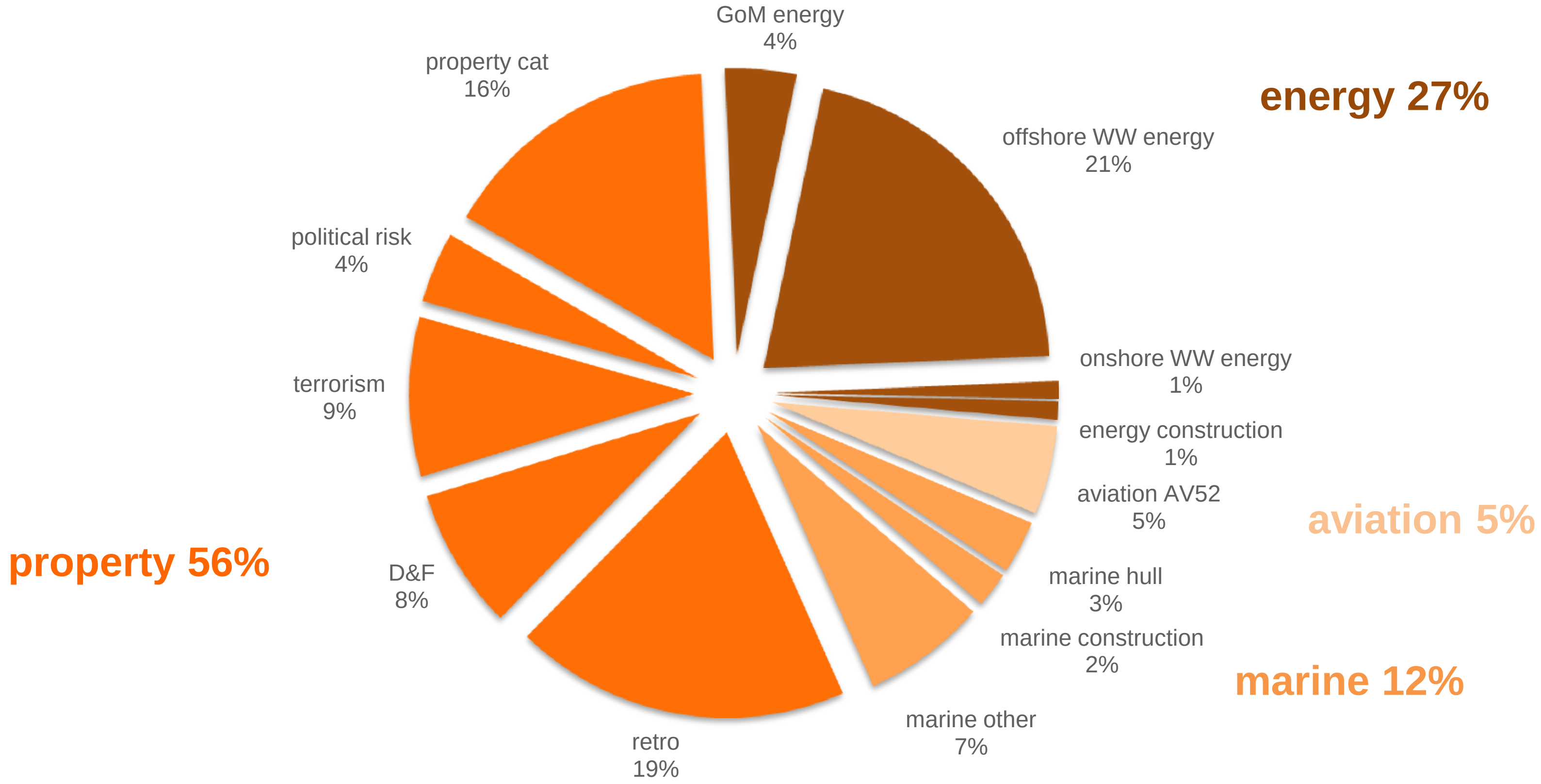
underwriting comes first

63% insurance 37% reinsurance 43% nat-cat exposed 57% other



Based on 2012 business plan as of 22 February 2012. Estimates could change without notice in response to several factors, including trading conditions.

underwriting comes first

trading outlook: catastrophe positive; still no broad market turn

Property	Insurance	• US RMS catastrophe driven accounts up 10 to 15% • International disappointing as non peak rates only reflected in loss affected territories • Realignment of property account to reflect lessons learnt from 2010/11 non peak losses • Using UMCC to best align capital/aggregate between direct and reinsurance
	Terrorism/ Political risk	Rates generally flat, seeing some marginal pressure upwards for MENA territories, continued focus on attractive benign risks. Political risk: Risk selection crucial in this line exemplified by very low binding ratios.
Marine	Hull, War, P&I	Market stable. Attractive niche opportunities. Expect increases for larger risks following losses from Thai floods and Costa Concordia. Still too much capacity for small to medium tonnage increases. P&I rates increased.
Aviation	AV52	Market still seeing downward pressure. Risk profile remains attractive and passenger numbers picking up.

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underwriting comes first

trading outlook: catastrophe positive; still no broad market turn

Property	Reinsurance	• Regional retro used to replace aggregate freed up by non renewing one major account; risk profile changed to much higher excess points. RPI's for our product 120 to 150% (Premium $38m at 1 January 2012). • Retro: Accordion capacity now 70% utilised, expect Thai creep and Boards to drive demand to fill remaining 30%. RPI's for our product up 150 to 180% (Premium $53m at 1 January 2012). • US/Canada regional up 5 to 15% at 1 January 2012, entered mid west market as more cover bought and rates up between 120 to 160%, Floridian renewals too early to call. Nationwide flat, exited one major account. • Loss affected international cat seeing significant uplift and new opportunities. Experiencing differential pricing in non loss affected areas. • Europe disappointing driven by disregard for model change and European hubs/companies increasing market share. • Japan: Broad restructuring/re-pricing of product including domestic pro rata, excess of loss, JIA and regional retro. Lancashire has capacity for all products, including additional Accordion business.

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underwriting comes first

trading outlook: energy modestly positive

Energy	Gulf of Mexico	Stable market outlook. Drilling is picking up, although demand for Lancashire GOM wind product largely unaffected by drilling slowdown. Looking to lock in pricing with a limited number of selected longer term contracts at historic highs.
	WW offshore	Rating environment remains positive, backbone stiffened following Gryphon loss. Seeing 5 to 10% rate increases on increases – still very profitable for Lancashire as a class. Over $3bn of major losses in 2011, plus attritional, reinsurers increasing insurers retentions and premiums at 1 January 2012. But we feel market should be better than it is; no real withdrawal of capacity therefore unlikely to see expansion in class other than "super cycle" driven projects.
	WW onshore	Market now stable following a run of medium to large losses. Prices increasing on loss affected business and capacity limits placements.

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underwriting comes first

appropriate mix of technology and culture

culture and techniques

- Daily underwriting call – management awareness
- Collegiate approach – cross class/many sets of eyes
- Multiple pricing assessments/soft factors
- No premium targets
- Underwriters compensated on Group RoE
- Close involvement of actuarial and modelling departments

BLAST proprietary model

- Remetrica platform
- Lancashire custom features
- RMS 11 implemented
- Blends multiple types of risk
- Optimisation capability to improve risk:return of portfolio
- Fortnightly review with underwriters, finance, risk & modeling departments

Reinsurance: buy risk protection to protect volatility in earnings and catastrophe protection on D&F. Opportunistic purchases where available.

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effectively balance risk and return

zones	perils	100 year return period $m (% of capital) [1]	250 year return period $m (% of capital) [1]
gulf of mexico	hurricane	329 (23%)	450 (31%)
california	earthquake	99 (7%)	231 (16%)
pacific northwest	earthquake	61(4%)	186 (13%)
pan-european	windstorm	203 (14%)	268 (18%)
japan	earthquake	173 (12%)	294 (20%)
japan	typhoon	144 (10%)	294 (20%)

[1] As at 1 January 2012.

THE GROUP HAS DEVELOPED THE ESTIMATES OF LOSSES EXPECTED FROM CERTAIN CATASTROPHES FOR ITS PORTFOLIO OF PROPERTY AND ENERGY CONTRACTS USING COMMERCIALLY AVAILABLE CATASTROPHE MODELS, WHICH ARE APPLIED AND ADJUSTED BY THE GROUP. THESE ESTIMATES INCLUDE ASSUMPTIONS REGARDING THE LOCATION, SIZE AND MAGNITUDE OF AN 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.

GROSS LOSS ESTIMATES ARE NET OF REINSTATEMENT PREMIUMS AND GROSS OF OUTWARD REINSURANCE, BEFORE INCOME TAX. NET LOSS ESTIMATES ARE NET OF REINSTATEMENT PREMIUMS AND NET OF OUTWARD REINSURANCE, BEFORE INCOME TAX.

THE ESTIMATES OF LOSSES ABOVE ARE BASED ON ASSUMPTIONS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES. IN PARTICULAR, MODELED LOSS ESTIMATES DO NOT NECESSARILY ACCURATELY PREDICT ACTUAL LOSSES, AND MAY SIGNIFICANTLY DEVIATE FROM ACTUAL LOSSES. SUCH ESTIMATES, THEREFORE, SHOULD NOT BE CONSIDERED AS A REPRESENTATION OF ACTUAL LOSSES AND INVESTORS SHOULD NOT RELY ON THE ESTIMATED EXPOSURE INFORMATION WHEN CONSIDERING INVESTMENT IN THE GROUP. THE GROUP UNDERTAKES NO DUTY TO UPDATE OR REVISE SUCH INFORMATION TO REFLECT THE OCCURRENCE OF FUTURE EVENTS.

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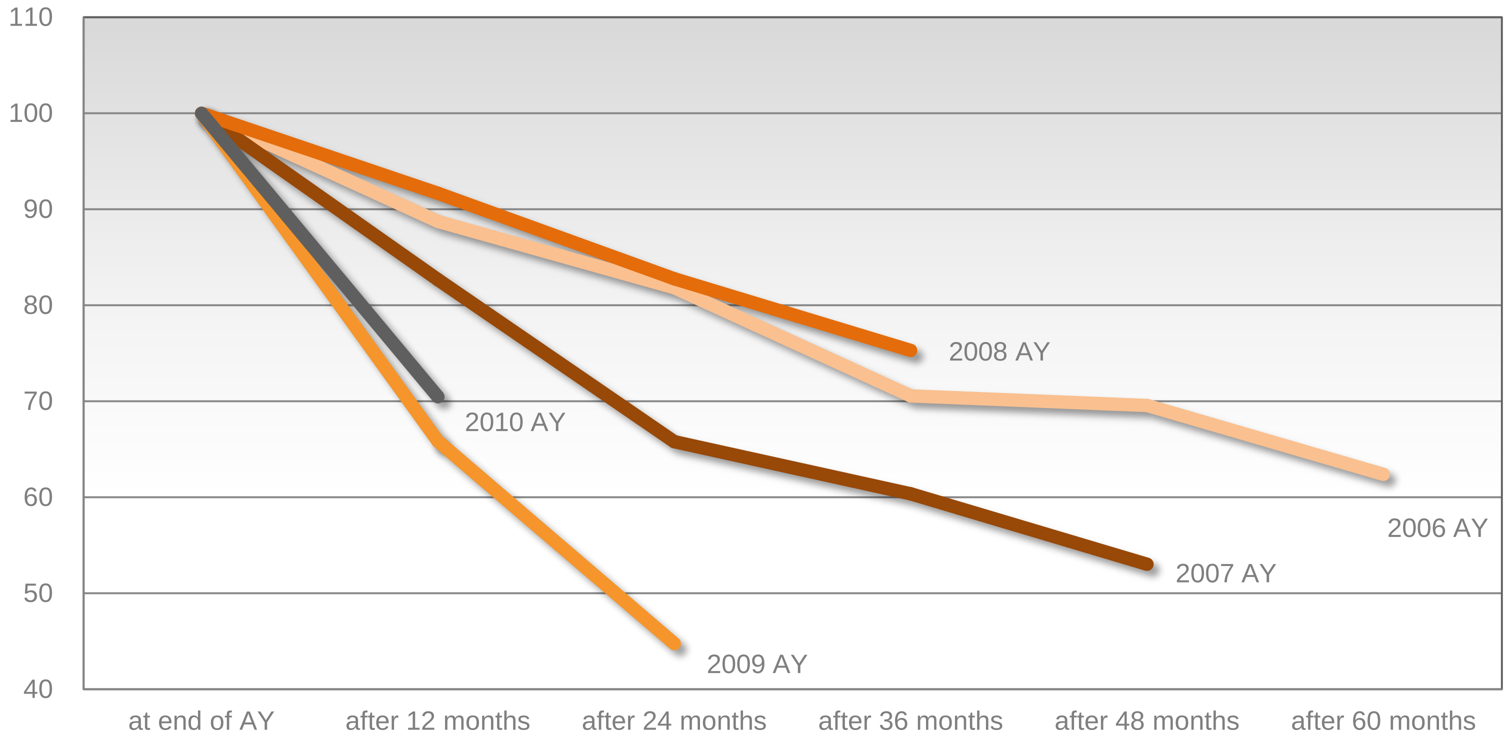
effectively balance risk and return

consistent positive reserve development [1]

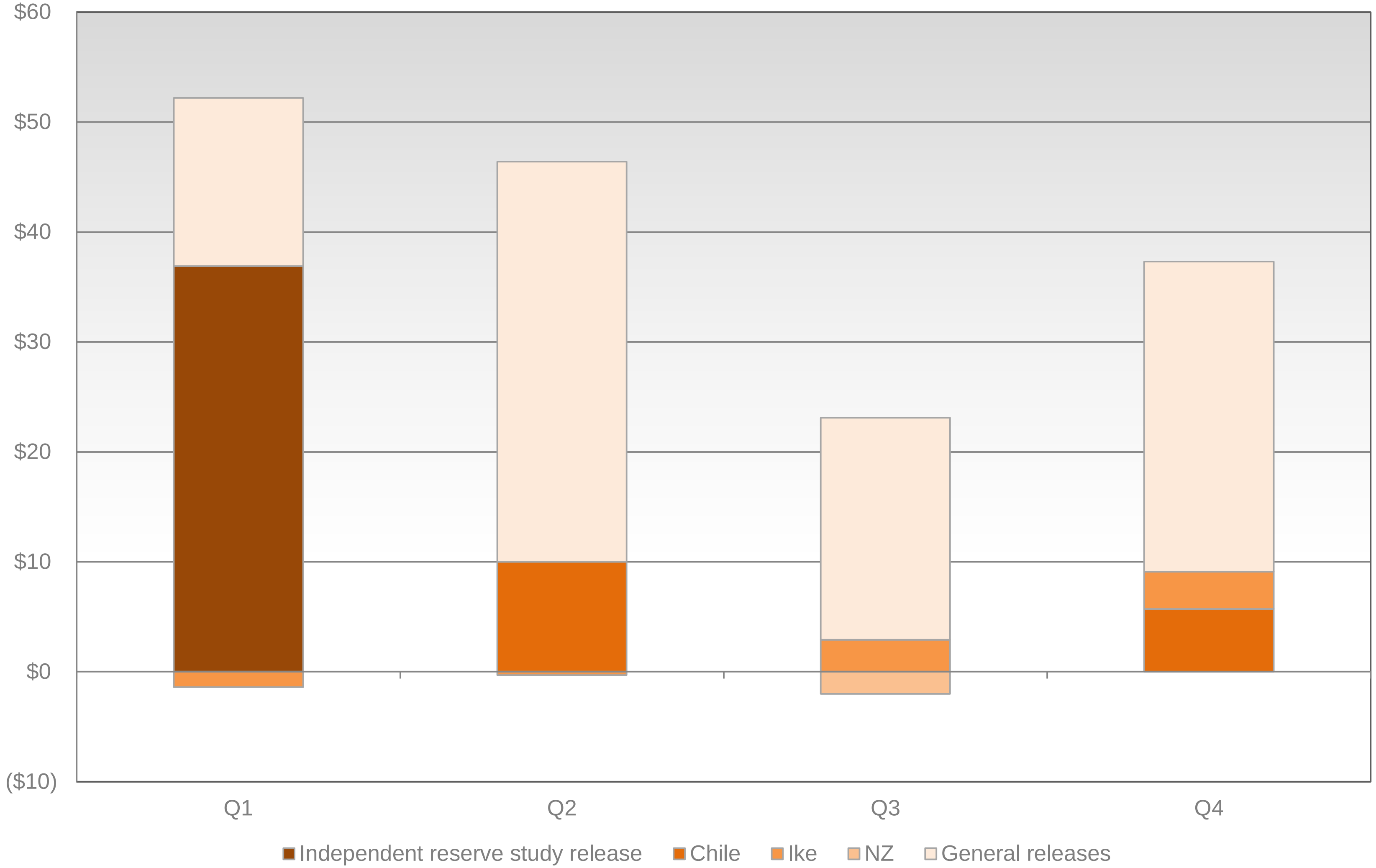


- Favourable prior year reserve development in 2011 of $155.3m, $36.9m in Q1 from an independent reserve study to begin to incorporate our own experience over industry benchmarks

[1] Net reserves at end of accident year = index of 100.

effectively balance risk and return

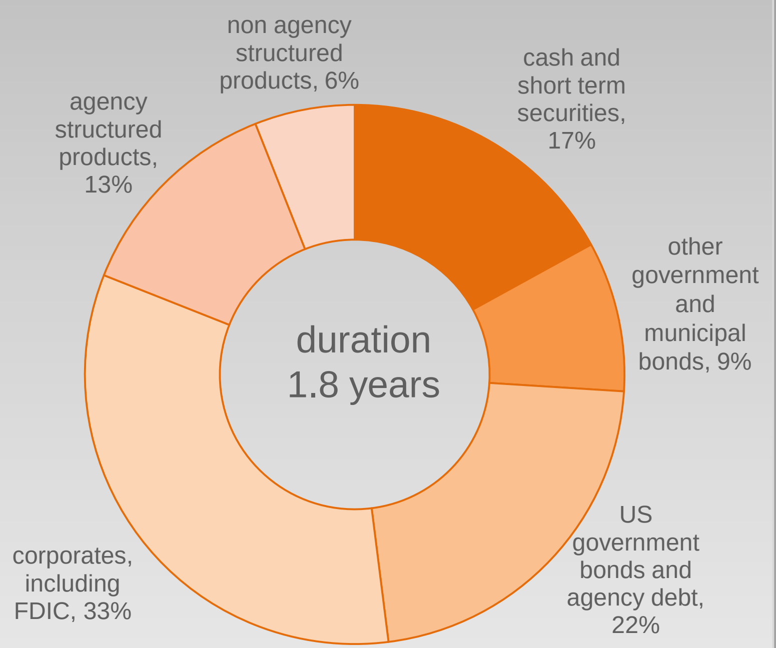
contributors to 2011 positive reserve development ($m)



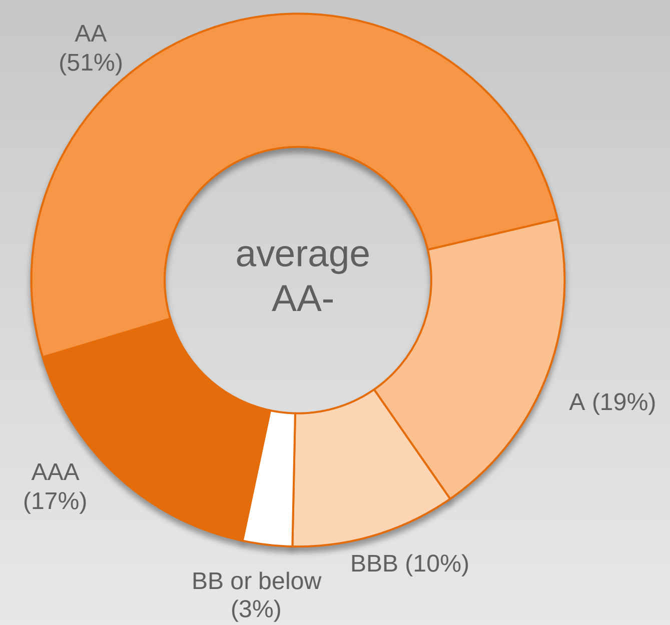
effectively balance risk and return

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

asset allocation



credit quality



- Total portfolio at 31 December 2011 = $1,974m

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effectively balance risk and return

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

- Our market outlook remains subdued:
  - Continued concerns about Europe and it's potential contagion;
  - Continued elevated global volatility.
- Therefore, preservation of capital is paramount and we will keep a very low risk profile:
  - Maintain reduced investment portfolio duration, despite low yields;
  - Maintain diversification in cash holdings;
  - Reduced exposure to high volatility assets:
    - ✓ No equity or alternative asset holdings; and
    - ✓ Negligible foreign currency exposure in emerging market debt portfolio.
  - Increased monitoring of risk/return trade off in the portfolio:
    - ✓ Maintain a balance between interest rate duration and credit risk duration to neutralise the movements between the risk on /risk off trade environment.
- Key statistics as of 31 December 2011 are:
  - Book yield of 1.9%
  - Market yield of 1.5%
  - Duration of 1.8 years
  - Credit quality of AA-

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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	152.0	918.1
ordinary dividends – interim [1]	-	-	10.5	9.4	9.5	29.4
ordinary dividends – final [1]	-	-	-	20.8	18.9	39.7
total	**339.3**	**58.0**	**290.4**	**430.6**	**180.4**	**1,298.7**
average price of share repurchase [2]	102.2%	88.4%	98.5%	97.9%	n/a	97.6%
weighted average dividend yield [1]	15.2%	n/a	18.1%	18.0%	8.5%	n/a

134.7% of IPO capital has been returned to shareholders [3]

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

[2] Ratio of price paid compared to book value.

[3] This includes the 2011 final dividend of approximately $19.0 million that was announced on 23 February 2012.

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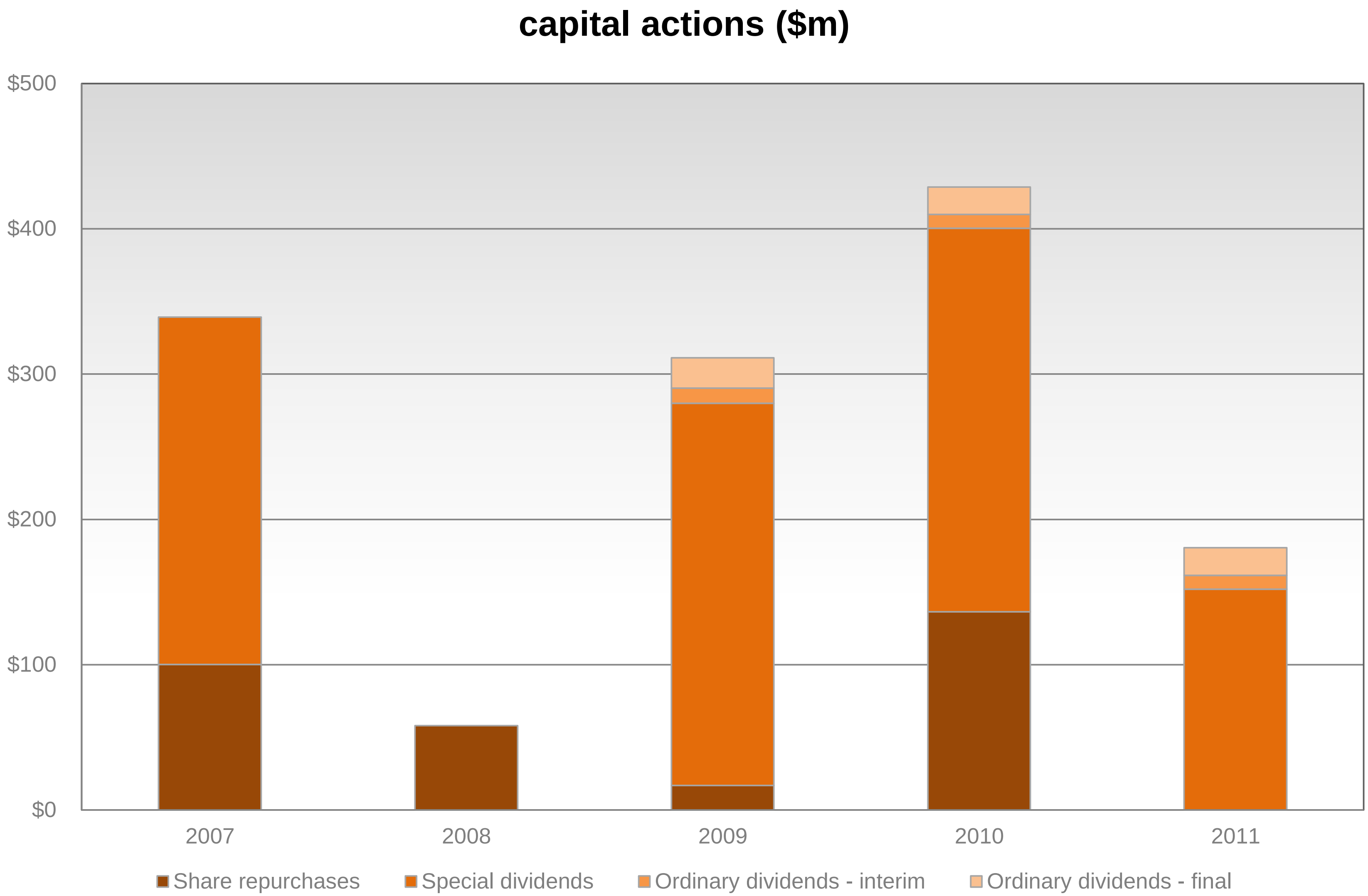
operate nimbly through the cycle



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strategy for long-term success

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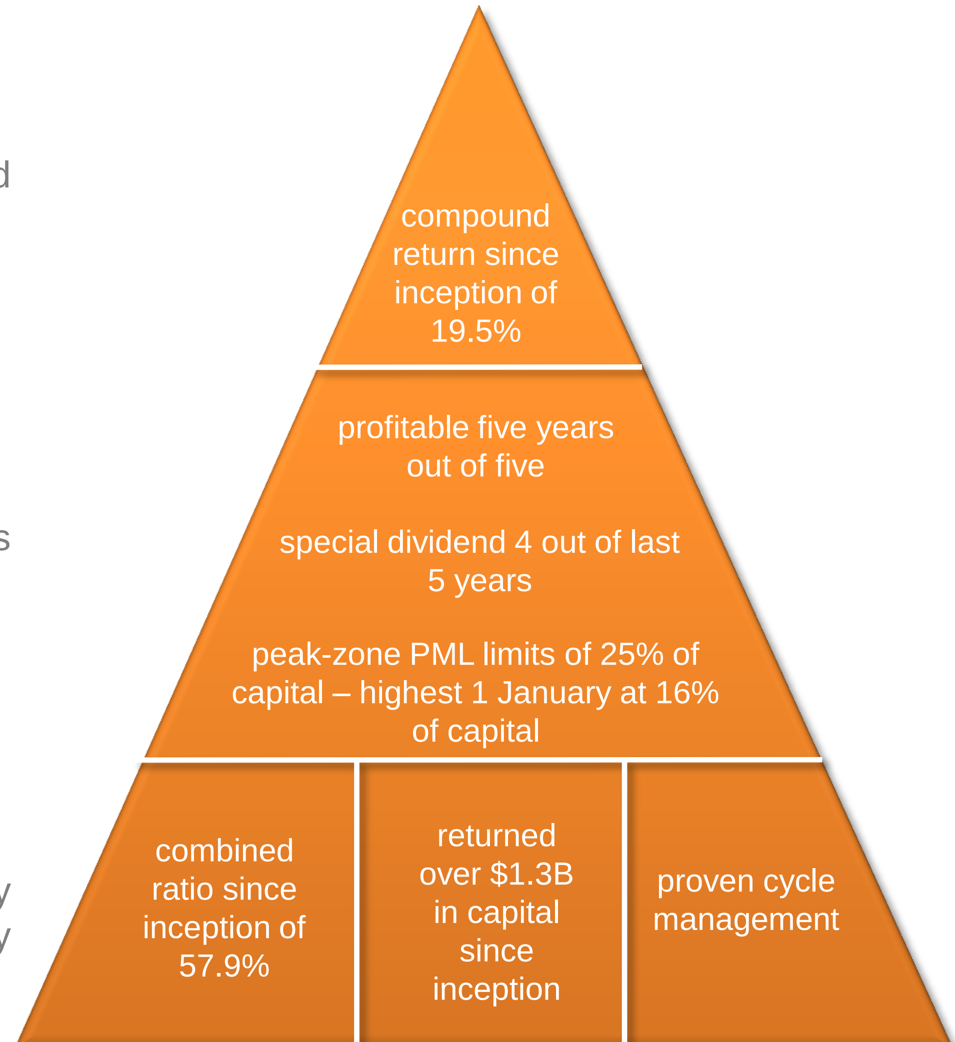

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