



financial supplement

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Contact: Neil McConachie - Chief Financial Officer
Telephone: (441) 278 8950
Email: nmcconachie@lancashire.bm



NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH INCLUDES MODELED LOSS SCENARIOS) MADE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING WITHOUT LIMITATION, STATEMENTS CONTAINING WORDS "BELIEVES", "ANTICIPATES", "PLANS", "PROJECTS", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "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, 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 AT THE JANUARY 1ST AND OTHER RENEWAL PERIODS IN 2007; THE PREMIUM RATES AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN OUR TARGETED BUSINESS LINES; THE ABSENCE OF LARGE OR UNUSUALLY FREQUENT LOSS EVENTS; 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; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; A CYCLICAL DOWNTURN OF THE INDUSTRY; 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.

THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF ANNOUNCEMENT OR OTHER INFORMATION CONCERNED. LANCASHIRE HOLDINGS LIMITED EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS (INCLUDING THE AIM RULES)) 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.

THIS PRESENTATION MAY CONTAIN INFORMATION REGARDING THE PAST TRACK RECORD OF RICHARD BRINDLE IN RELATION TO LLOYD'S SYNDICATES UNAFFILIATED WITH LANCASHIRE DURING PERIODS FOR WHICH RICHARD BRINDLE WAS RESPONSIBLE FOR UNDERWRITING. AS PART OF HIS NON-EXECUTIVE DIRECTORSHIP DUTIES AT ASCOT, MR. BRINDLE WAS RESPONSIBLE FOR INDEPENDENT UNDERWRITING REVIEW AND WAS CHAIR OF THE STRATEGIC BUSINESS DEVELOPMENT COMMITTEE. THIS INFORMATION REGARDING THE ACCOMPLISHMENTS OF RICHARD BRINDLE IS INCLUDED SOLELY AS AN INDICATION OF, AND TO PROVIDE A BASIS FOR EVALUATING, THE DEPTH OF HIS EXPERIENCE AND THE EXTENT OF HIS QUALIFICATIONS. THIS INFORMATION IS NOT INTENDED AS, AND UNDER NO CIRCUMSTANCES SHOULD BE CONSTRUED AS, A PROJECTION OF LANCASHIRE'S PERFORMANCE OR THE RETURN THAT MIGHT BE REALISED ON AN INVESTMENT IN THE COMMON SHARES OF LANCASHIRE.

Lancashire Holdings Limited
table of contents

1. basis of presentation and non-GAAP financial measures
2. consolidated financial highlights
3. summary consolidated income statements
4. premiums by line of business
5. summary consolidated underwriting segment results
6. property segment - underwriting statement
7. energy segment - underwriting statement
8. marine segment - underwriting statement
9. aviation segment - underwriting statement
10. summary consolidated balance sheets
11. composition of investment portfolio
12. losses and loss ratios
13. earnings per share
14. basic and fully converted book value per share

Lancashire Holdings Limited
basis of presentation and non-GAAP financial measures

THE LANCASHIRE GROUP'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS ARE PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") ENDORSED BY THE EUROPEAN COMMISSION. WHERE IFRS IS SILENT, AS IT IS IN RESPECT OF THE MEASUREMENT OF INSURANCE PRODUCTS, THE IFRS FRAMEWORK ALLOWS REFERENCE TO ANOTHER COMPREHENSIVE BODY OF ACCOUNTING PRINCIPLES. IN SUCH INSTANCES, MANAGEMENT DETERMINES APPROPRIATE MEASUREMENT BASES, TO PROVIDE THE MOST USEFUL INFORMATION TO USERS OF THE CONSOLIDATED FINANCIAL STATEMENTS, USING THEIR JUDGMENT AND CONSIDERING THE ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES ("US GAAP").

THIS FINANCIAL SUPPLEMENT HAS NOT BEEN AUDITED AND MAY CONTAIN DIFFERENCES TO NUMBERS AND DISCLOSURES PROVIDED IN OUR AUDITED AND / OR INTERIM FINANCIAL STATEMENTS. THESE DIFFERENCES ARE DUE TO MANAGEMENT'S PREFERRED PRESENTATION OR TO AID USERS' UNDERSTANDING OF THE LANCASHIRE GROUP.

THE FOLLOWING INFORMATION INCLUDED IN THIS DOCUMENT HAS NOT BEEN PREPARED IN ACCORDANCE WITH THE ACCOUNTING PRINCIPLES USED BY LANCASHIRE FOR ITS AUDITED AND / OR INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND INCLUDES NON-IFRS/US-GAAP MEASURES:

NET OPERATING INCOME - NET OPERATING INCOME EXCLUDES REALISED GAINS AND LOSSES ; WARRANTS ISSUED AT IPO ; FOREIGN EXCHANGE AND TAX

NET LOSS RATIO - THE NET LOSS RATIO IS THE NET INSURANCE LOSSES AND LOSS ADJUSTMENT EXPENSES DIVIDED BY NET PREMIUMS EARNED

NET ACQUISITION COST RATIO - THE NET ACQUISITION COST RATIO IS THE NET ACQUISITION EXPENSES DIVIDED BY NET PREMIUMS EARNED

ADMINISTRATIVE EXPENSE RATIO - THE ADMINISTRATIVE EXPENSE RATIO IS THE GENERAL AND ADMINISTRATIVE EXPENSES ("OTHER OPERATING EXPENSES"), BUT EXCLUDING WARRANTS AND OPTIONS EXPENSES, DIVIDED BY NET PREMIUMS EARNED

COMBINED RATIO - THE COMBINED RATIO IS THE SUM OF THE LOSS RATIO, THE ACQUISITION COST RATIO AND THE ADMINISTRATIVE EXPENSE RATIO

FULLY CONVERTED BOOK VALUE PER SHARE - THE CALCULATION IS BASED ON THE FOLLOWING: THE VALUE OF TOTAL SHAREHOLDERS' EQUITY PLUS THE PROCEEDS THAT WOULD BE RECEIVED FROM THE EXERCISE OF ALL OUTSTANDING OPTIONS AND WARRANTS, EXCLUDING PERFORMANCE WARRANTS THAT HAVE NOT YET MET THE RELEVANT CRITERIA; DIVIDED BY: THE SUM OF ALL SHARES, OPTIONS AND WARRANTS OUTSTANDING, ASSUMING ALL ARE EXERCISED, EXCLUDING PERFORMANCE WARRANTS THAT HAVE NOT YET MET THE RELEVANT CRITERIA

CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE - THE CALCULATION IS BASED ON THE MOVEMENT IN FULLY CONVERTED BOOK VALUE PER SHARE BETWEEN ANY TWO BALANCE SHEET DATES

DEBT TO TOTAL CAPITAL RATIO - THE CALCULATION IS BASED ON THE FOLLOWING AND IS AN INDICATION OF THE LEVERAGE OF THE COMPANY: LONG-TERM DEBT DIVIDED BY LONG-TERM DEBT PLUS TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS

ALL AMOUNTS, EXCLUDING SHARE DATA OR WHERE OTHERWISE STATED, ARE IN MILLIONS OF UNITED STATES DOLLARS.

MANAGEMENT BELIEVES THE FINANCIAL MEASURES INCLUDED IN THIS FINANCIAL SUPPLEMENT ARE IMPORTANT FOR UNDERSTANDING THE LANCASHIRE GROUP'S OVERALL RESULTS OF OPERATIONS. WE BELIEVE THAT THE MEASURES INCLUDED IN THIS DOCUMENT ARE IMPORTANT TO INVESTORS AND OTHER INTERESTED PARTIES AND THAT SUCH PERSONS BENEFIT FROM HAVING A CONSISTENT BASIS FOR COMPARISON WITH OTHER COMPANIES WITHIN THE INDUSTRY. HOWEVER, THESE MEASURES MAY NOT BE COMPARABLE TO SIMILARLY LABELED MEASURES USED BY COMPANIES INSIDE OR OUTSIDE THE INSURANCE INDUSTRY. IN ADDITION, THE INFORMATION HEREIN SHOULD NOT BE VIEWED AS A SUBSTITUTE FOR THE MEASURES DETERMINED IN ACCORDANCE WITH THE ACCOUNTING PRINCIPLES USED BY THE LANCASHIRE GROUP FOR ITS CONSOLIDATED FINANCIAL STATEMENTS AND IN ACCORDANCE WITH IFRS/US-GAAP. WHERE INDICATED THROUGHOUT THIS DOCUMENT, REFERENCE SHOULD BE MADE TO COMPARABLE INFORMATION IN THE LANCASHIRE GROUP'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS.

Lancashire Holdings Limited
consolidated financial highlights

	q4 2006	full year 2006
highlights		
gross premiums written	\$ 199.0	\$ 626.0
net premiums written	199.3	547.5
net premiums earned	99.0	243.5
net insurance losses and loss adjustment expenses	18.8	39.1
net investment income	16.3	54.2
net realised gains on investments	2.0	0.8
net unrealised gains on investments	2.4	8.7
profit after tax for the period attributable to equity shareholders	67.4	159.3
net operating income	\$ 71.3	\$ 180.5
total investments and cash	\$ 1,378.2	\$ 1,378.2
total shareholders' equity	\$ 1,137.6	\$ 1,137.6
per share data		
net operating income per share - diluted ⁽¹⁾	\$ 0.35	\$ 0.89
profit after tax available to equity shareholders per share - diluted ⁽¹⁾	\$ 0.33	\$ 0.79
fully converted book value per share	\$ 5.68	\$ 5.68
change in fully converted book value per share	6.2%	17.4%
financial ratios		
net loss ratio	19.0%	16.1%
net acquisition costs ratio	15.8%	14.3%
administrative expense ratio	9.2%	13.9%
combined ratio	44.0%	44.3%

⁽¹⁾ earnings per share calculations use weighted average common shares outstanding - basic when in a net loss position.

Lancashire Holdings Limited
summary consolidated income statements

	<u>q4 2006</u>	<u>q3 2006</u>	<u>q2 2006</u>	<u>q1 2006</u>	<u>full year 2006</u>
gross premiums written	\$ 199.0	\$ 110.7	\$ 203.9	\$ 112.4	\$ 626.0
outwards reinsurance premiums	0.3	(7.8)	(71.0)	-	(78.5)
net premiums written	199.3	102.9	132.9	112.4	547.5
change in unearned premiums	(75.3)	(6.4)	(147.8)	(93.6)	(323.1)
change in unearned premiums on premium ceded	(25.0)	(16.3)	60.4	-	19.1
net premiums earned	99.0	80.2	45.5	18.8	243.5
net investment income	16.3	13.7	12.7	11.5	54.2
other investment income	1.8	-	-	-	1.8
net realised gains (losses) and impairments	2.0	2.1	(3.2)	(0.1)	0.8
share of profit of associate	1.2	2.0	-	-	3.2
net foreign exchange gains (losses)	(0.1)	(0.1)	(0.5)	(0.6)	(1.3)
total net revenue	120.2	97.9	54.5	29.6	302.2
insurance losses and loss adjustment expenses	18.8	12.8	3.5	4.0	39.1
insurance losses and loss adjustment expenses recoverable	-	-	-	-	-
net insurance acquisition expenses	15.6	11.7	5.7	1.9	34.9
equity based compensation	6.4	5.5	4.6	6.0	22.5
other operating expenses	9.1	11.2	7.7	5.9	33.9
total expenses	49.9	41.2	21.5	17.8	130.4
profit before tax and finance costs	70.3	56.7	33.0	11.8	171.8
finance costs	2.7	4.1	3.0	2.5	12.3
profit before tax	67.6	52.6	30.0	9.3	159.5
tax	0.2	-	-	-	0.2
profit after tax for the period attributable to equity shareholders	\$ 67.4	\$ 52.6	\$ 30.0	\$ 9.3	\$ 159.3
net loss ratio	19.0%	16.0%	7.7%	21.3%	16.1%
net acquisition cost ratio	15.8%	14.6%	12.5%	10.1%	14.3%
administrative expense ratio	9.2%	14.0%	16.9%	31.4%	13.9%
combined ratio	44.0%	44.6%	37.1%	62.8%	44.3%
basic earnings per share	\$ 0.34	\$ 0.27	\$ 0.15	\$ 0.05	\$ 0.81
diluted earnings per share	\$ 0.33	\$ 0.26	\$ 0.15	\$ 0.05	\$ 0.79

Lancashire Holdings Limited
premiums by line of business

	<u>q4</u>		<u>q3</u>		<u>q2</u>		<u>q1</u>		<u>full year</u>	
	<u>2006</u>	<u>%</u>	<u>2006</u>	<u>%</u>	<u>2006</u>	<u>%</u>	<u>2006</u>	<u>%</u>	<u>2006</u>	<u>%</u>
gross premiums written										
property retrocession	\$ 18.4	9.2%	\$ 8.1	7.3%	\$ 31.0	15.2%	\$ 55.3	49.2%	\$ 112.8	18.0%
property direct and facultative	51.6	25.9%	20.7	18.7%	32.1	15.7%	7.0	6.2%	111.4	17.8%
terrorism	11.5	5.8%	3.7	3.3%	2.6	1.3%	1.1	1.0%	18.9	3.0%
property political risk	8.5	4.3%	(0.1)	(0.1%)	0.6	0.3%	0.4	0.4%	9.4	1.5%
property cat excess of loss	-	-	0.4	0.4%	0.2	0.1%	-	-	0.6	0.1%
other property	1.2	0.6%	-	-	0.2	0.1%	-	-	1.4	0.2%
total property	91.2	45.8%	32.8	29.6%	66.7	32.7%	63.8	56.8%	254.5	40.6%
gulf of mexico offshore energy	16.7	8.4%	34.4	31.1%	97.4	47.8%	23.3	20.7%	171.8	27.4%
worldwide offshore energy	12.8	6.4%	5.1	4.6%	18.1	8.9%	6.3	5.6%	42.3	6.8%
construction energy	15.8	7.9%	7.0	6.3%	1.2	0.6%	0.5	0.4%	24.5	3.9%
onshore energy	4.9	2.5%	5.3	4.8%	3.0	1.4%	0.3	0.3%	13.5	2.2%
other energy	0.1	0.1%	0.9	0.8%	0.7	0.3%	0.1	0.1%	1.8	0.3%
total energy	50.3	25.3%	52.7	47.6%	120.4	59.0%	30.5	27.1%	253.9	40.6%
marine hull and total loss	15.4	7.7%	4.9	4.5%	4.4	2.2%	1.4	1.2%	26.1	4.1%
marine builders risk	1.4	0.7%	4.7	4.2%	4.4	2.2%	-	-	10.5	1.7%
marine P&I clubs	0.7	0.4%	1.0	0.9%	0.1	-	4.6	4.1%	6.4	1.0%
marine excess of loss	-	-	-	-	-	-	4.3	3.8%	4.3	0.7%
marine hull war	2.1	1.1%	0.4	0.4%	0.4	0.2%	1.2	1.1%	4.1	0.7%
other marine	1.7	0.8%	-	-	-	-	-	-	1.7	0.3%
total marine	21.3	10.7%	11.0	10.0%	9.3	4.6%	11.5	10.2%	53.1	8.5%
AV 52	29.1	14.6%	13.2	11.9%	7.3	3.6%	6.6	5.9%	56.2	9.0%
other aviation	7.1	3.6%	1.0	0.9%	0.2	0.1%	-	-	8.3	1.3%
total aviation	36.2	18.2%	14.2	12.8%	7.5	3.7%	6.6	5.9%	64.5	10.3%
total gross premiums written	\$ 199.0	100.0%	\$ 110.7	100.0%	\$ 203.9	100.0%	\$ 112.4	100.0%	\$ 626.0	100.0%

Lancashire Holdings Limited
summary consolidated underwriting segment results

three months ended december 31, 2006

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 91.2	\$ 50.3	\$ 21.3	\$ 36.2	\$ 199.0
net premiums written	91.2	50.6	21.3	36.2	199.3
net premiums earned	40.5	45.0	10.5	3.0	99.0
net insurance losses and loss adjustment expenses	7.2	7.4	4.2	-	18.8
net insurance acquisition expenses	4.9	8.0	2.2	0.5	15.6
other operating expenses	-	-	-	-	9.1
	<u>\$ 28.4</u>	<u>\$ 29.6</u>	<u>\$ 4.1</u>	<u>\$ 2.5</u>	<u>\$ 55.5</u>
net loss ratio	17.8%	16.4%	40.0%	-	19.0%
net acquisition cost ratio	12.1%	17.8%	21.0%	16.7%	15.8%
administrative expense ratio	-	-	-	-	9.2%
combined ratio	<u>29.9%</u>	<u>34.2%</u>	<u>61.0%</u>	<u>16.7%</u>	<u>44.0%</u>

twelve months ended december 31, 2006

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 254.5	\$ 253.9	\$ 53.1	\$ 64.5	\$ 626.0
net premiums written	214.7	215.2	53.1	64.5	547.5
net premiums earned	98.5	107.6	24.3	13.1	243.5
net insurance losses and loss adjustment expenses	13.2	17.2	8.7	-	39.1
net insurance acquisition expenses	11.2	16.5	4.6	2.6	34.9
other operating expenses	-	-	-	-	33.9
	<u>\$ 74.1</u>	<u>\$ 73.9</u>	<u>\$ 11.0</u>	<u>\$ 10.5</u>	<u>\$ 135.6</u>
net loss ratio	13.4%	16.0%	35.8%	-	16.1%
net acquisition cost ratio	11.4%	15.3%	18.9%	19.8%	14.3%
administrative expense ratio	-	-	-	-	13.9%
combined ratio	<u>24.8%</u>	<u>31.3%</u>	<u>54.7%</u>	<u>19.8%</u>	<u>44.3%</u>

Lancashire Holdings Limited
property segment - underwriting statement

	<u>q4</u> <u>2006</u>	<u>q3</u> <u>2006</u>	<u>q2</u> <u>2006</u>	<u>q1</u> <u>2006</u>	<u>full year</u> <u>2006</u>
underwriting income					
gross premiums written	\$ 91.2	\$ 32.8	\$ 66.7	\$ 63.8	\$ 254.5
outwards reinsurance premiums	-	-	(39.8)	-	(39.8)
net premiums written	<u>91.2</u>	<u>32.8</u>	<u>26.9</u>	<u>63.8</u>	<u>214.7</u>
change in unearned premiums	(38.2)	6.9	(41.9)	(50.3)	(123.5)
change in unearned premiums on premium ceded	(12.5)	(12.5)	32.3	-	7.3
	<u>(50.7)</u>	<u>(5.6)</u>	<u>(9.6)</u>	<u>(50.3)</u>	<u>(116.2)</u>
net premiums earned	<u>\$ 40.5</u>	<u>\$ 27.2</u>	<u>\$ 17.3</u>	<u>\$ 13.5</u>	<u>\$ 98.5</u>
underwriting expenses					
insurance losses and loss adjustment expenses	7.2	3.8	(0.2)	2.4	13.2
net insurance acquisition expenses	4.9	3.1	1.9	1.3	11.2
total underwriting expenses	<u>12.1</u>	<u>6.9</u>	<u>1.7</u>	<u>3.7</u>	<u>24.4</u>
net underwriting income	<u>\$ 28.4</u>	<u>\$ 20.3</u>	<u>\$ 15.6</u>	<u>\$ 9.8</u>	<u>\$ 74.1</u>
net loss ratio (% of net premiums earned)	17.8%	14.0%	(1.2%)	17.8%	13.4%
net acquisition cost ratio (% of net premiums earned)	12.1%	11.4%	11.0%	9.6%	11.4%
	<u>29.9%</u>	<u>25.4%</u>	<u>9.8%</u>	<u>27.4%</u>	<u>24.8%</u>

Lancashire Holdings Limited
energy segment - underwriting statement

	<u>q4</u> <u>2006</u>	<u>q3</u> <u>2006</u>	<u>q2</u> <u>2006</u>	<u>q1</u> <u>2006</u>	<u>full year</u> <u>2006</u>
underwriting income					
gross premiums written	\$ 50.3	\$ 52.7	\$ 120.4	\$ 30.5	\$ 253.9
outwards reinsurance premiums	0.3	(7.8)	(31.2)	-	(38.7)
net premiums written	<u>50.6</u>	<u>44.9</u>	<u>89.2</u>	<u>30.5</u>	<u>215.2</u>
change in unearned premiums	6.9	(2.8)	(95.8)	(27.7)	(119.4)
change in unearned premiums on premium ceded	(12.5)	(3.8)	28.1	-	11.8
	<u>(5.6)</u>	<u>(6.6)</u>	<u>(67.7)</u>	<u>(27.7)</u>	<u>(107.6)</u>
net premiums earned	<u>\$ 45.0</u>	<u>\$ 38.3</u>	<u>\$ 21.5</u>	<u>\$ 2.8</u>	<u>\$ 107.6</u>
underwriting expenses					
insurance losses and loss adjustment expenses	7.4	6.1	2.7	1.0	17.2
net insurance acquisition expenses	8.0	5.6	2.5	0.4	16.5
total underwriting expenses	<u>15.4</u>	<u>11.7</u>	<u>5.2</u>	<u>1.4</u>	<u>33.7</u>
net underwriting income	<u>\$ 29.6</u>	<u>\$ 26.6</u>	<u>\$ 16.3</u>	<u>\$ 1.4</u>	<u>\$ 73.9</u>
net loss ratio (% of net premiums earned)	16.4%	15.9%	12.6%	35.7%	16.0%
net acquisition cost ratio (% of net premiums earned)	17.8%	14.6%	11.6%	14.3%	15.3%
	<u>34.2%</u>	<u>30.5%</u>	<u>24.2%</u>	<u>50.0%</u>	<u>31.3%</u>

Lancashire Holdings Limited
marine segment - underwriting statement

	<u>q4 2006</u>	<u>q3 2006</u>	<u>q2 2006</u>	<u>q1 2006</u>	<u>full year 2006</u>
underwriting income					
gross premiums written	\$ 21.3	\$ 11.0	\$ 9.3	\$ 11.5	\$ 53.1
outwards reinsurance premiums	-	-	-	-	-
net premiums written	<u>21.3</u>	<u>11.0</u>	<u>9.3</u>	<u>11.5</u>	<u>53.1</u>
change in unearned premiums	(10.8)	(3.3)	(5.0)	(9.7)	(28.8)
change in unearned premiums on premium ceded	-	-	-	-	-
	<u>(10.8)</u>	<u>(3.3)</u>	<u>(5.0)</u>	<u>(9.7)</u>	<u>(28.8)</u>
net premiums earned	<u>\$ 10.5</u>	<u>\$ 7.7</u>	<u>\$ 4.3</u>	<u>\$ 1.8</u>	<u>\$ 24.3</u>
underwriting expenses					
insurance losses and loss adjustment expenses	4.2	2.9	1.0	0.6	8.7
net insurance acquisition expenses	2.2	1.4	0.8	0.2	4.6
total underwriting expenses	<u>6.4</u>	<u>4.3</u>	<u>1.8</u>	<u>0.8</u>	<u>13.3</u>
net underwriting income	<u>\$ 4.1</u>	<u>\$ 3.4</u>	<u>\$ 2.5</u>	<u>\$ 1.0</u>	<u>\$ 11.0</u>
net loss ratio (% of net premiums earned)	40.0%	37.7%	23.3%	33.3%	35.8%
net acquisition cost ratio (% of net premiums earned)	<u>21.0%</u>	<u>18.2%</u>	<u>18.6%</u>	<u>11.1%</u>	<u>18.9%</u>
	<u>61.0%</u>	<u>55.9%</u>	<u>41.9%</u>	<u>44.4%</u>	<u>54.7%</u>

Lancashire Holdings Limited
aviation segment - underwriting statement

	<u>q4 2006</u>	<u>q3 2006</u>	<u>q2 2006</u>	<u>q1 2006</u>	<u>full year 2006</u>
underwriting income					
gross premiums written	\$ 36.2	\$ 14.2	\$ 7.5	\$ 6.6	\$ 64.5
outwards reinsurance premiums	-	-	-	-	-
net premiums written	<u>36.2</u>	<u>14.2</u>	<u>7.5</u>	<u>6.6</u>	<u>64.5</u>
change in unearned premiums	(33.2)	(7.2)	(5.1)	(5.9)	(51.4)
change in unearned premiums on premium ceded	-	-	-	-	-
	<u>(33.2)</u>	<u>(7.2)</u>	<u>(5.1)</u>	<u>(5.9)</u>	<u>(51.4)</u>
net premiums earned	<u>\$ 3.0</u>	<u>\$ 7.0</u>	<u>\$ 2.4</u>	<u>\$ 0.7</u>	<u>\$ 13.1</u>
underwriting expenses					
insurance losses and loss adjustment expenses	-	-	-	-	-
net insurance acquisition expenses	0.5	1.5	0.5	0.1	2.6
total underwriting expenses	<u>0.5</u>	<u>1.5</u>	<u>0.5</u>	<u>0.1</u>	<u>2.6</u>
net underwriting income	<u>\$ 2.5</u>	<u>\$ 5.5</u>	<u>\$ 1.9</u>	<u>\$ 0.6</u>	<u>\$ 10.5</u>
net loss ratio (% of net premiums earned)	-	-	-	-	-
net acquisition cost ratio (% of net premiums earned)	<u>16.7%</u>	<u>21.4%</u>	<u>20.8%</u>	<u>14.3%</u>	<u>19.8%</u>
	<u>16.7%</u>	<u>21.4%</u>	<u>20.8%</u>	<u>14.3%</u>	<u>19.8%</u>

Lancashire Holdings Limited
summary consolidated balance sheets

	<u>december 31, 2006</u>	<u>september 30, 2006</u>	<u>june 30, 2006</u>	<u>march 31, 2006</u>	<u>december 31, 2005</u>
assets					
cash and cash equivalents	\$ 400.1	\$ 298.8	\$ 215.0	\$ 338.3	\$ 1,072.4
accrued interest receivable	7.5	7.6	7.9	7.9	2.0
investments					
- fixed income securities	896.3	918.4	885.8	889.6	-
- equity securities	70.3	66.1	67.6	35.4	-
- other investments	11.5	-	-	-	-
reinsurance assets					
- unearned premium on premium ceded	19.1	44.1	60.4	-	-
deferred acquisition costs	51.5	34.6	29.7	10.2	0.5
inwards premium receivable from insureds and cedants	173.7	93.6	165.0	77.2	2.1
investment in associate	23.2	22.0	20.0	-	-
other assets	9.5	23.5	81.2	10.4	0.7
total assets	<u>\$ 1,662.7</u>	<u>\$ 1,508.7</u>	<u>\$ 1,532.6</u>	<u>\$ 1,369.0</u>	<u>\$ 1,077.7</u>
liabilities					
insurance contracts					
- loss and loss adjustment expenses	\$ 39.1	\$ 20.3	\$ 7.4	\$ 4.0	\$ -
- unearned premiums	325.7	250.4	244.0	96.3	2.6
- other payables	3.6	-	-	-	-
amounts payable to reinsurers	2.4	1.4	32.0	-	-
deferred acquisition costs ceded	2.5	4.7	5.6	-	-
other payables	23.2	42.8	125.2	184.2	2.6
long-term debt	128.6	127.5	127.1	126.0	125.4
total liabilities	525.1	447.1	541.3	410.5	130.6
shareholders' equity					
share capital	97.9	97.9	97.9	97.9	97.9
share premium	33.6	876.9	871.4	866.8	860.8
contributed surplus	849.7	-	-	-	-
fair value and other reserves	8.7	6.3	(5.7)	(4.0)	-
retained earnings (deficit)	147.7	80.5	27.7	(2.2)	(11.6)
total shareholders' equity attributable to equity shareholders	<u>\$ 1,137.6</u>	<u>\$ 1,061.6</u>	<u>\$ 991.3</u>	<u>\$ 958.5</u>	<u>\$ 947.1</u>
total liabilities and shareholders' equity	<u>\$ 1,662.7</u>	<u>\$ 1,508.7</u>	<u>\$ 1,532.6</u>	<u>\$ 1,369.0</u>	<u>\$ 1,077.7</u>
basic book value per share	\$ 5.81	\$ 5.42	\$ 5.07	\$ 4.90	\$ 4.84
fully converted book value per share	\$ 5.68	\$ 5.35	\$ 5.05	\$ 4.90	\$ 4.84
change in fully converted book value per share - quarter	6.2%	5.9%	3.1%	1.2%	n/a
change in fully converted book value per share - fiscal year	17.4%	n/a	n/a	n/a	n/a
debt to total capital ratio	10.2%	10.7%	11.4%	11.6%	11.7%

Lancashire Holdings Limited
composition of investment portfolio

	<u>december 31, 2006</u>	%	<u>september 30, 2006</u>	%	<u>june 30, 2006</u>	%	<u>march 31, 2006</u>	%
type of investment								
short term investments	\$ 6.9	0.7%	\$ 11.9	1.2%	\$ 2.0	0.2%	\$ -	-
U.S. treasuries	30.8	3.1%	71.0	7.2%	92.3	9.7%	185.9	20.1%
U.S. government agencies	150.4	15.4%	179.8	18.3%	171.7	18.0%	165.5	17.9%
asset backed securities	121.1	12.4%	122.7	12.5%	109.8	11.5%	98.6	10.7%
mortgage backed securities	367.1	37.5%	320.8	32.6%	324.9	34.1%	272.5	29.4%
corporate bonds	191.1	19.5%	181.6	18.4%	160.0	16.8%	156.2	16.9%
convertible debt securities	28.9	3.0%	30.6	3.1%	25.1	2.6%	10.9	1.2%
total fixed income securities	<u>896.3</u>	<u>91.6%</u>	<u>918.4</u>	<u>93.3%</u>	<u>885.8</u>	<u>92.9%</u>	<u>889.6</u>	<u>96.2%</u>
equity securities	70.3	7.2%	66.1	6.7%	67.6	7.1%	35.4	3.8%
other investments	11.5	1.2%	-	-	-	-	-	-
total investments	<u>\$ 978.1</u>	<u>100.0%</u>	<u>\$ 984.5</u>	<u>100.0%</u>	<u>\$ 953.4</u>	<u>100.0%</u>	<u>\$ 925.0</u>	<u>100.0%</u>
credit quality of fixed income securities								
AAA	\$ 696.0	77.6%	\$ 722.5	78.7%	\$ 713.1	80.5%	\$ 733.4	82.4%
AA+, AA, AA-	43.6	4.9%	41.0	4.5%	34.1	3.8%	22.4	2.5%
A+, A, A-	96.5	10.8%	95.8	10.4%	84.8	9.6%	84.3	9.5%
BBB+, BBB, BBB-	51.9	5.8%	51.8	5.6%	48.0	5.4%	47.0	5.3%
other	8.3	0.9%	7.3	0.8%	5.8	0.7%	2.5	0.3%
	<u>\$ 896.3</u>	<u>100.0%</u>	<u>\$ 918.4</u>	<u>100.0%</u>	<u>\$ 885.8</u>	<u>100.0%</u>	<u>\$ 889.6</u>	<u>100.0%</u>
maturity profile of fixed income securities								
due less than one year	\$ 21.3	2.4%	\$ 28.1	3.1%	\$ 3.3	0.4%	\$ 2.9	0.3%
due between one year and two years	146.7	16.4%	169.4	18.4%	189.1	21.3%	177.6	20.0%
due between two and three years	100.7	11.2%	96.0	10.5%	83.5	9.4%	101.9	11.5%
due between three and four years	98.5	11.0%	85.9	9.4%	92.7	10.5%	116.7	13.1%
due between four and five years	51.9	5.8%	103.8	11.3%	77.6	8.8%	76.2	8.6%
due over five years	477.2	53.2%	435.2	47.3%	439.6	49.6%	414.3	46.5%
	<u>\$ 896.3</u>	<u>100.0%</u>	<u>\$ 918.4</u>	<u>100.0%</u>	<u>\$ 885.8</u>	<u>100.0%</u>	<u>\$ 889.6</u>	<u>100.0%</u>

as at or for the three months ended

	<u>december 31, 2006</u>	<u>september 30, 2006</u>	<u>june 30, 2006</u>	<u>march 31, 2006</u>
average market yield of fixed income securities	5.3%	5.3%	5.7%	5.3%
average duration of fixed income securities	2.3 years	2.4 years	2.8 years	3.0 years
average credit quality of fixed income securities	AA+	AA+	AAA	AAA

Lancashire Holdings Limited
losses and loss ratios

total	q4 2006	q3 2006	q2 2006	q1 2006
net reserves: start	\$ 20.3	\$ 7.5	\$ 4.0	\$ -
paid losses	-	-	-	-
net insurance losses	18.8	12.8	3.5	4.0
net reserves: end	\$ 39.1	\$ 20.3	\$ 7.5	\$ 4.0
net premiums earned	\$ 99.0	\$ 80.2	\$ 45.5	\$ 18.8
net loss ratio	19.0%	16.0%	7.7%	21.3%
IBNR as % of net reserves	96.9%	98.5%	98.7%	100.0%

property	q4 2006	q3 2006	q2 2006	q1 2006
net reserves: start	\$ 6.0	\$ 2.2	\$ 2.4	\$ -
paid losses	-	-	-	-
net insurance losses	7.2	3.8	(0.2)	2.4
net reserves: end	\$ 13.2	\$ 6.0	\$ 2.2	\$ 2.4
net premiums earned	\$ 40.5	\$ 27.2	\$ 17.3	\$ 13.5
net loss ratio	17.8%	14.0%	(1.2%)	17.8%

energy	q4 2006	q3 2006	q2 2006	q1 2006
net reserves: start	\$ 9.8	\$ 3.7	\$ 1.0	\$ -
paid losses	-	-	-	-
net insurance losses	7.4	6.1	2.7	1.0
net reserves: end	\$ 17.2	\$ 9.8	\$ 3.7	\$ 1.0
net premiums earned	\$ 45.0	\$ 38.3	\$ 21.5	\$ 2.8
net loss ratio	16.4%	15.9%	12.6%	35.7%

marine	q4 2006	q3 2006	q2 2006	q1 2006
net reserves: start	\$ 4.5	\$ 1.6	\$ 0.6	\$ -
paid losses	-	-	-	-
net insurance losses	4.2	2.9	1.0	0.6
net reserves: end	\$ 8.7	\$ 4.5	\$ 1.6	\$ 0.6
net premiums earned	\$ 10.5	\$ 7.7	\$ 4.3	\$ 1.8
net loss ratio	40.0%	37.7%	23.3%	33.3%

aviation	q4 2006	q3 2006	q2 2006	q1 2006
net reserves: start	\$ -	\$ -	\$ -	\$ -
paid losses	-	-	-	-
net insurance losses	-	-	-	-
net reserves: end	\$ -	\$ -	\$ -	\$ -
net premiums earned	\$ 3.0	\$ 7.0	\$ 2.4	\$ 0.7
net loss ratio	-	-	-	-

Lancashire Holdings Limited
earnings per share

	<u>q4 2006</u>	<u>q3 2006</u>	<u>q2 2006</u>	<u>q1 2006</u>	<u>full year 2006</u>
basic earnings per share:					
profit after tax for the period attributable to equity shareholders	\$ 67.4	\$ 52.6	\$ 30.0	\$ 9.3	\$ 159.3
weighted average shares outstanding - basic	195,714,144	195,713,902	195,713,902	195,713,902	195,714,144
basic earnings per share	<u>\$ 0.34</u>	<u>\$ 0.27</u>	<u>\$ 0.15</u>	<u>\$ 0.05</u>	<u>\$ 0.81</u>
diluted earnings per share:					
profit after tax for the period attributable to equity shareholders	\$ 67.4	\$ 52.6	\$ 30.0	\$ 9.3	\$ 159.3
weighted average shares outstanding - basic	195,714,144	195,713,902	195,713,902	195,713,902	195,714,144
dilutive effect of warrants	9,477,978	6,848,667	3,788,702	4,592,192	6,324,907
dilutive effect of stock options	92,654	-	-	9,778	-
weighted average & equivalent shares outstanding - diluted	<u>205,284,776</u>	<u>202,562,569</u>	<u>199,502,604</u>	<u>200,315,872</u>	<u>202,039,051</u>
diluted earnings per share	<u>\$ 0.33</u>	<u>\$ 0.26</u>	<u>\$ 0.15</u>	<u>\$ 0.05</u>	<u>\$ 0.79</u>
diluted operating earnings per share:					
net operating income	\$ 71.3	\$ 55.6	\$ 39.8	\$ 13.8	\$ 180.5
weighted average shares outstanding - basic	195,714,144	195,713,902	195,713,902	195,713,902	195,714,144
dilutive effect of warrants	9,477,978	6,848,667	3,788,702	4,592,192	6,324,907
dilutive effect of stock options	92,654	-	-	9,778	-
weighted average & equivalent shares outstanding - diluted	<u>205,284,776</u>	<u>202,562,569</u>	<u>199,502,604</u>	<u>200,315,872</u>	<u>202,039,051</u>
diluted operating earnings per share	<u>\$ 0.35</u>	<u>\$ 0.27</u>	<u>\$ 0.20</u>	<u>\$ 0.07</u>	<u>\$ 0.89</u>

Lancashire Holdings Limited
basic and fully converted book value per share

	<u>q4 2006</u>	<u>q3 2006</u>	<u>q2 2006</u>	<u>q1 2006</u>	<u>q4 2005</u>
numerator (\$ in millions):					
total shareholders' equity	\$ 1,137.6	\$ 1,061.6	\$ 991.3	\$ 958.5	\$ 947.1
proceeds from assumed exercise of outstanding warrants	190.1	190.6	190.6	-	-
proceeds from assumed exercise of outstanding options	-	-	-	-	-
book value numerator	<u>\$ 1,327.7</u>	<u>\$ 1,252.2</u>	<u>\$ 1,181.9</u>	<u>\$ 958.5</u>	<u>\$ 947.1</u>
denominator (in shares):					
weighted average common voting shares outstanding	195,714,144	195,713,902	195,713,902	195,713,902	195,713,902
shares issueable upon exercise of outstanding warrants ⁽¹⁾	38,012,612	38,125,831	38,125,831	-	-
shares outstanding upon exercise of outstanding options ⁽¹⁾	-	-	-	-	-
book value denominator	<u>233,726,756</u>	<u>233,839,733</u>	<u>233,839,733</u>	<u>195,713,902</u>	<u>195,713,902</u>
basic book value per share	<u>\$ 5.81</u>	<u>\$ 5.42</u>	<u>\$ 5.07</u>	<u>\$ 4.90</u>	<u>\$ 4.84</u>
fully converted book value per share	<u>\$ 5.68</u>	<u>\$ 5.35</u>	<u>\$ 5.05</u>	<u>\$ 4.90</u>	<u>\$ 4.84</u>
change in fully converted book value per share - quarter	6.2%	5.9%	3.1%	1.2%	n/a
change in fully converted book value per share - fiscal year	17.4%	n/a	n/a	n/a	n/a

⁽¹⁾ where BV is less than strike price, those warrants and options are not treated as dilutive. Performance warrants are currently excluded because the vesting conditions have not yet been met.