



financial supplement

december 31, 2007

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NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELLED 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", "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 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 AT THE RENEWAL PERIODS; 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.

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. net 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 UNION. 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 ("FCBVS") - 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 DILUTIVE OUTSTANDING OPTIONS AND WARRANTS, EXCLUDING PERFORMANCE WARRANTS THAT HAVE NOT YET MET THE RELEVANT CRITERIA; DIVIDED BY: THE SUM OF ALL SHARES, DILUTIVE 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 ADJUSTED FOR DIVIDENDS - THE CALCULATION IS THE INTERNAL RATE OF RETURN OF THE INCREASE IN FULLY CONVERTED BOOK VALUE PER SHARE IN THE PERIOD PLUS DIVIDENDS ACCRUED.

COMPOUND ANNUAL CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE ADJUSTED FOR DIVIDENDS - THE CALCULATION IS THE INTERNAL RATE OF RETURN ON THE MOVEMENT IN FULLY CONVERTED BOOK VALUE SINCE INCEPTION ON AN ANNUALISED BASIS PLUS DIVIDENDS ACCRUED

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

MANAGED CASH INCLUDES BOTH CASH MANAGED BY EXTERNAL INVESTMENT MANAGERS AND NON-OPERATING CASH MANAGED INTERNALLY

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 AND INTERIM RESULTS ANNOUNCEMENT.

Lancashire Holdings Limited
consolidated financial highlights

	q4 2007	q4 2006	% change q4-07 vs. q4-06	full year 2007	full year 2006	% change ytd-07 vs. ytd-06
highlights						
gross premiums written	\$ 154.3	\$ 199.0	-22%	\$ 753.1	\$ 626.0	20%
net premiums written	150.2	199.3	-25%	666.8	547.5	22%
net premiums earned	158.6	99.0	60%	611.2	243.5	151%
net insurance losses	24.9	18.8	32%	146.3	39.1	274%
net investment income	22.2	16.3	36%	78.4	54.2	45%
net realised gains and impairments	2.4	2.0	20%	9.1	0.8	nm
change in net unrealised gains on investments	6.4	2.4	167%	12.0	8.7	38%
profit after tax	115.3	67.4	71%	390.9	159.3	145%
net operating income ⁽¹⁾	\$ 116.5	\$ 71.3	63%	\$ 390.1	\$ 180.5	116%
total investments and cash	\$ 1,906.5	\$ 1,378.2	38%			
total shareholders' equity	\$ 1,215.6	\$ 1,137.6	7%			
per share data						
net operating income per share - diluted ⁽²⁾	\$ 0.58	\$ 0.35		\$ 1.90	\$ 0.89	
profit after tax per share - diluted ⁽²⁾	\$ 0.57	\$ 0.33		\$ 1.91	\$ 0.79	
FCBVS ⁽³⁾	\$ 6.38	\$ 5.68		\$ 6.38	\$ 5.68	
change in FCBVS adj for dividends ⁽⁴⁾	7.9%	6.2%		31.7%	17.4%	
financial ratios						
net loss ratio	15.7%	19.0%		23.9%	16.1%	
net acquisition cost ratio	8.9%	15.8%		12.5%	14.3%	
administrative expense ratio	13.5%	9.2%		9.9%	13.9%	
combined ratio	38.1%	44.0%		46.3%	44.3%	

⁽¹⁾ excludes realised gains and losses, foreign exchange gains and losses, equity based compensation relating to warrants and taxation

⁽²⁾ earnings per share calculations use weighted average common shares outstanding - basic when in a net loss position.

⁽³⁾ FCBVS = fully converted book value per share

⁽⁴⁾ change in fully converted book value per share adjusted for dividends is the internal rate of return of the increase in fully converted book value per share in the period plus dividends accrued.

nm - not meaningful

Lancashire Holdings Limited
summary consolidated income statements

	<u>q4</u> <u>2007</u>	<u>q3</u> <u>2007</u>	<u>q2</u> <u>2007</u>	<u>q1</u> <u>2007</u>	<u>q4</u> <u>2006</u>	<u>full year</u> <u>2007</u>	<u>full year</u> <u>2006</u>
gross premiums written	\$ 154.3	\$ 147.3	\$ 270.8	\$ 180.7	\$ 199.0	\$ 753.1	\$ 626.0
outwards reinsurance premiums	(4.1)	(6.8)	(69.3)	(6.1)	0.3	(86.3)	(78.5)
net premiums written	150.2	140.5	201.5	174.6	199.3	666.8	547.5
change in unearned premiums	36.8	35.5	(100.8)	(27.6)	(75.3)	(56.1)	(323.1)
change in unearned premiums on premium ceded	(28.4)	(15.5)	51.2	(6.8)	(25.0)	0.5	19.1
net premiums earned	158.6	160.5	151.9	140.2	99.0	611.2	243.5
net investment income	22.2	20.9	18.6	16.7	16.3	78.4	54.2
net other investment income (losses)	(1.0)	(1.5)	(0.7)	(0.1)	1.8	(3.3)	1.8
net realised gains (losses) and impairments	2.4	2.3	2.6	1.8	2.0	9.1	0.8
net fair value gains on investments	0.6	(0.5)	0.3	-	-	0.4	-
share of profit of associate	2.3	1.1	1.5	1.3	1.2	6.2	3.2
net foreign exchange gains (losses)	(1.2)	1.7	0.4	1.4	(0.1)	2.3	(1.3)
total net revenue	183.9	184.5	174.6	161.3	120.2	704.3	302.2
insurance losses	27.1	38.1	52.8	32.0	18.8	150.0	39.1
insurance losses recoverable	(2.2)	(1.0)	(0.5)	-	-	(3.7)	-
net insurance acquisition expenses	14.1	21.2	20.9	20.3	15.6	76.5	34.9
equity based compensation	3.6	4.4	2.7	3.7	6.4	14.4	22.5
other operating expenses	21.4	12.3	12.8	14.0	9.1	60.5	33.9
total expenses	64.0	75.0	88.7	70.0	49.9	297.7	130.4
profit before tax and finance costs	119.9	109.5	85.9	91.3	70.3	406.6	171.8
finance costs	4.2	4.4	3.1	3.0	2.7	14.7	12.3
profit before tax	115.7	105.1	82.8	88.3	67.6	391.9	159.5
tax	0.4	(0.1)	0.3	0.4	0.2	1.0	0.2
profit after tax	\$ 115.3	\$ 105.2	\$ 82.5	\$ 87.9	\$ 67.4	\$ 390.9	\$ 159.3
net loss ratio	15.7%	23.1%	34.4%	22.8%	19.0%	23.9%	16.1%
net acquisition cost ratio	8.9%	13.2%	13.8%	14.5%	15.8%	12.5%	14.3%
administrative expense ratio	13.5%	7.7%	8.4%	10.0%	9.2%	9.9%	13.9%
combined ratio	38.1%	44.0%	56.6%	47.3%	44.0%	46.3%	44.3%
basic earnings per share	\$ 0.61	\$ 0.54	\$ 0.42	\$ 0.45	\$ 0.34	\$ 2.01	\$ 0.81
diluted earnings per share	\$ 0.57	\$ 0.51	\$ 0.40	\$ 0.43	\$ 0.33	\$ 1.91	\$ 0.79

Lancashire Holdings Limited
premiums by line of business

	<u>q4</u> <u>2007</u>	<u>q3</u> <u>2007</u>	<u>q2</u> <u>2007</u>	<u>q1</u> <u>2007</u>	<u>q4</u> <u>2006</u>	<u>full year</u> <u>2007</u>	<u>full year</u> <u>2006</u>
gross premiums written							
property direct and facultative	\$ 29.6	\$ 18.1	\$ 51.0	\$ 24.1	\$ 51.6	\$ 122.8	\$ 111.4
property retrocession	8.2	7.4	28.2	44.7	18.4	88.5	112.8
terrorism	17.0	10.3	16.8	12.5	11.5	56.6	18.9
property cat excess of loss	2.8	8.1	4.3	4.1	-	19.3	0.6
property political risk	2.0	6.7	4.2	4.0	8.5	16.9	9.4
other property	1.8	1.5	0.9	1.0	1.2	5.2	1.4
total property	<u>61.4</u>	<u>52.1</u>	<u>105.4</u>	<u>90.4</u>	<u>91.2</u>	<u>309.3</u>	<u>254.5</u>
gulf of mexico offshore energy	13.1	36.2	79.5	28.7	16.7	157.5	171.8
worldwide offshore energy	(0.2)	15.1	35.2	22.6	12.8	72.7	42.3
onshore energy	6.6	5.5	11.2	2.0	4.9	25.3	13.5
construction energy	13.0	6.0	5.0	0.5	15.8	24.5	24.5
other energy	0.2	2.3	-	0.2	0.1	2.7	1.8
total energy	<u>32.7</u>	<u>65.1</u>	<u>130.9</u>	<u>54.0</u>	<u>50.3</u>	<u>282.7</u>	<u>253.9</u>
marine hull and total loss	9.7	5.5	7.3	6.9	15.4	29.4	26.1
marine builders risk	2.8	7.2	8.9	3.4	1.4	22.3	10.5
marine hull war	3.1	2.8	0.8	4.7	2.1	11.4	4.1
marine P&I clubs	0.7	1.1	1.0	6.6	0.7	9.4	6.4
marine excess of loss	-	-	-	4.4	-	4.4	4.3
other marine	0.2	-	(0.2)	-	1.7	-	1.7
total marine	<u>16.5</u>	<u>16.6</u>	<u>17.8</u>	<u>26.0</u>	<u>21.3</u>	<u>76.9</u>	<u>53.1</u>
AV 52	35.6	10.5	12.4	4.6	29.1	63.1	56.2
other aviation	8.1	3.0	4.3	5.7	7.1	21.1	8.3
total aviation	<u>43.7</u>	<u>13.5</u>	<u>16.7</u>	<u>10.3</u>	<u>36.2</u>	<u>84.2</u>	<u>64.5</u>
total gross premiums written	<u>\$ 154.3</u>	<u>\$ 147.3</u>	<u>\$ 270.8</u>	<u>\$ 180.7</u>	<u>\$ 199.0</u>	<u>\$ 753.1</u>	<u>\$ 626.0</u>

Lancashire Holdings Limited
summary consolidated underwriting segment results

twelve months ended december 31, 2007

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 309.3	\$ 282.7	\$ 76.9	\$ 84.2	\$ 753.1
net premiums written	286.3	219.4	76.9	84.2	666.8
net premiums earned	262.4	203.6	69.0	76.2	611.2
net insurance losses	36.8	67.6	38.0	3.9	146.3
net insurance acquisition expenses	31.3	19.3	14.9	11.0	76.5
other operating expenses	-	-	-	-	60.5
	<u>\$ 194.3</u>	<u>\$ 116.7</u>	<u>\$ 16.1</u>	<u>\$ 61.3</u>	<u>\$ 327.9</u>
net loss ratio	14.0%	33.2%	55.1%	5.1%	23.9%
net acquisition cost ratio	11.9%	9.5%	21.6%	14.4%	12.5%
administrative expense ratio	-	-	-	-	9.9%
combined ratio	<u>25.9%</u>	<u>42.7%</u>	<u>76.7%</u>	<u>19.5%</u>	<u>46.3%</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	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>2007</u>	<u>q3</u> <u>2007</u>	<u>q2</u> <u>2007</u>	<u>q1</u> <u>2007</u>	<u>q4</u> <u>2006</u>	<u>full year</u> <u>2007</u>	<u>full year</u> <u>2006</u>
underwriting income							
gross premiums written	\$ 61.4	\$ 52.1	\$ 105.4	\$ 90.4	\$ 91.2	\$ 309.3	\$ 254.5
outwards reinsurance premiums	(1.6)	(0.7)	(20.7)	-	-	(23.0)	(39.8)
net premiums written	<u>59.8</u>	<u>51.4</u>	<u>84.7</u>	<u>90.4</u>	<u>91.2</u>	<u>286.3</u>	<u>214.7</u>
change in unearned premiums	15.9	21.5	(33.5)	(27.7)	(38.2)	(23.8)	(123.5)
change in unearned premiums on premium ceded	(4.9)	(4.8)	15.0	(5.4)	(12.5)	(0.1)	7.3
	<u>11.0</u>	<u>16.7</u>	<u>(18.5)</u>	<u>(33.1)</u>	<u>(50.7)</u>	<u>(23.9)</u>	<u>(116.2)</u>
net premiums earned	<u>\$ 70.8</u>	<u>\$ 68.1</u>	<u>\$ 66.2</u>	<u>\$ 57.3</u>	<u>\$ 40.5</u>	<u>\$ 262.4</u>	<u>\$ 98.5</u>
underwriting expenses							
net insurance losses	(2.2)	6.6	18.1	14.3	7.2	36.8	13.2
net insurance acquisition expenses	8.9	8.2	7.6	6.6	4.9	31.3	11.2
total underwriting expenses	<u>6.7</u>	<u>14.8</u>	<u>25.7</u>	<u>20.9</u>	<u>12.1</u>	<u>68.1</u>	<u>24.4</u>
net underwriting income	<u>\$ 64.1</u>	<u>\$ 53.3</u>	<u>\$ 40.5</u>	<u>\$ 36.4</u>	<u>\$ 28.4</u>	<u>\$ 194.3</u>	<u>\$ 74.1</u>
net loss ratio (% of net premiums earned)	-3.1%	9.7%	27.3%	25.0%	17.8%	14.0%	13.4%
net acquisition cost ratio (% of net premiums earned)	12.6%	12.0%	11.5%	11.5%	12.1%	11.9%	11.4%
	<u>9.5%</u>	<u>21.7%</u>	<u>38.8%</u>	<u>36.5%</u>	<u>29.9%</u>	<u>25.9%</u>	<u>24.8%</u>

Lancashire Holdings Limited
energy segment - underwriting statement

	<u>q4</u> <u>2007</u>	<u>q3</u> <u>2007</u>	<u>q2</u> <u>2007</u>	<u>q1</u> <u>2007</u>	<u>q4</u> <u>2006</u>	<u>full year</u> <u>2007</u>	<u>full year</u> <u>2006</u>
underwriting income							
gross premiums written	\$ 32.7	\$ 65.1	\$ 130.9	\$ 54.0	\$ 50.3	\$ 282.7	\$ 253.9
outwards reinsurance premiums	(2.5)	(6.1)	(48.6)	(6.1)	0.3	(63.3)	(38.7)
net premiums written	<u>30.2</u>	<u>59.0</u>	<u>82.3</u>	<u>47.9</u>	<u>50.6</u>	<u>219.4</u>	<u>215.2</u>
change in unearned premiums	42.3	2.7	(66.9)	5.5	6.9	(16.4)	(119.4)
change in unearned premiums on premium ceded	(23.6)	(10.7)	36.2	(1.3)	(12.5)	0.6	11.8
	<u>18.7</u>	<u>(8.0)</u>	<u>(30.7)</u>	<u>4.2</u>	<u>(5.6)</u>	<u>(15.8)</u>	<u>(107.6)</u>
net premiums earned	<u>\$ 48.9</u>	<u>\$ 51.0</u>	<u>\$ 51.6</u>	<u>\$ 52.1</u>	<u>\$ 45.0</u>	<u>\$ 203.6</u>	<u>\$ 107.6</u>
underwriting expenses							
net insurance losses	12.0	20.7	22.8	12.1	7.4	67.6	17.2
net insurance acquisition expenses	(2.3)	6.8	7.2	7.6	8.0	19.3	16.5
total underwriting expenses	<u>9.7</u>	<u>27.5</u>	<u>30.0</u>	<u>19.7</u>	<u>15.4</u>	<u>86.9</u>	<u>33.7</u>
net underwriting income	<u>\$ 39.2</u>	<u>\$ 23.5</u>	<u>\$ 21.6</u>	<u>\$ 32.4</u>	<u>\$ 29.6</u>	<u>\$ 116.7</u>	<u>\$ 73.9</u>
net loss ratio (% of net premiums earned)	24.5%	40.6%	44.2%	23.2%	16.4%	33.2%	16.0%
net acquisition cost ratio (% of net premiums earned)	-4.7%	13.3%	14.0%	14.6%	17.8%	9.5%	15.3%
	<u>19.8%</u>	<u>53.9%</u>	<u>58.2%</u>	<u>37.8%</u>	<u>34.2%</u>	<u>42.7%</u>	<u>31.3%</u>

Lancashire Holdings Limited
marine segment - underwriting statement

	<u>q4 2007</u>	<u>q3 2007</u>	<u>q2 2007</u>	<u>q1 2007</u>	<u>q4 2006</u>	<u>full year 2007</u>	<u>full year 2006</u>
underwriting income							
gross premiums written	\$ 16.5	\$ 16.6	\$ 17.8	\$ 26.0	\$ 21.3	\$ 76.9	\$ 53.1
outwards reinsurance premiums	-	-	-	-	-	-	-
net premiums written	<u>16.5</u>	<u>16.6</u>	<u>17.8</u>	<u>26.0</u>	<u>21.3</u>	<u>76.9</u>	<u>53.1</u>
change in unearned premiums	1.3	2.9	(1.0)	(11.1)	(10.8)	(7.9)	(28.8)
change in unearned premiums on premium ceded	-	-	-	-	-	-	-
	<u>1.3</u>	<u>2.9</u>	<u>(1.0)</u>	<u>(11.1)</u>	<u>(10.8)</u>	<u>(7.9)</u>	<u>(28.8)</u>
net premiums earned	<u>\$ 17.8</u>	<u>\$ 19.5</u>	<u>\$ 16.8</u>	<u>\$ 14.9</u>	<u>\$ 10.5</u>	<u>\$ 69.0</u>	<u>\$ 24.3</u>
underwriting expenses							
net insurance losses	13.5	8.9	10.3	5.3	4.2	38.0	8.7
net insurance acquisition expenses	4.1	4.4	3.5	2.9	2.2	14.9	4.6
total underwriting expenses	<u>17.6</u>	<u>13.3</u>	<u>13.8</u>	<u>8.2</u>	<u>6.4</u>	<u>52.9</u>	<u>13.3</u>
net underwriting income	<u>\$ 0.2</u>	<u>\$ 6.2</u>	<u>\$ 3.0</u>	<u>\$ 6.7</u>	<u>\$ 4.1</u>	<u>\$ 16.1</u>	<u>\$ 11.0</u>
net loss ratio (% of net premiums earned)	75.8%	45.6%	61.3%	35.6%	40.0%	55.1%	35.8%
net acquisition cost ratio (% of net premiums earned)	<u>23.0%</u>	<u>22.6%</u>	<u>20.8%</u>	<u>19.5%</u>	<u>21.0%</u>	<u>21.6%</u>	<u>18.9%</u>
	<u>98.8%</u>	<u>68.2%</u>	<u>82.1%</u>	<u>55.1%</u>	<u>61.0%</u>	<u>76.7%</u>	<u>54.7%</u>

Lancashire Holdings Limited
aviation segment - underwriting statement

	<u>q4 2007</u>	<u>q3 2007</u>	<u>q2 2007</u>	<u>q1 2007</u>	<u>q4 2006</u>	<u>full year 2007</u>	<u>full year 2006</u>
underwriting income							
gross premiums written	\$ 43.7	\$ 13.5	\$ 16.7	\$ 10.3	\$ 36.2	\$ 84.2	\$ 64.5
outwards reinsurance premiums	-	-	-	-	-	-	-
net premiums written	<u>43.7</u>	<u>13.5</u>	<u>16.7</u>	<u>10.3</u>	<u>36.2</u>	<u>84.2</u>	<u>64.5</u>
change in unearned premiums	(22.6)	8.4	0.6	5.6	(33.2)	(8.0)	(51.4)
change in unearned premiums on premium ceded	-	-	-	-	-	-	-
	<u>(22.6)</u>	<u>8.4</u>	<u>0.6</u>	<u>5.6</u>	<u>(33.2)</u>	<u>(8.0)</u>	<u>(51.4)</u>
net premiums earned	<u>\$ 21.1</u>	<u>\$ 21.9</u>	<u>\$ 17.3</u>	<u>\$ 15.9</u>	<u>\$ 3.0</u>	<u>\$ 76.2</u>	<u>\$ 13.1</u>
underwriting expenses							
net insurance losses	1.6	0.9	1.1	0.3	-	3.9	-
net insurance acquisition expenses	3.4	1.8	2.6	3.2	0.5	11.0	2.6
total underwriting expenses	<u>5.0</u>	<u>2.7</u>	<u>3.7</u>	<u>3.5</u>	<u>0.5</u>	<u>14.9</u>	<u>2.6</u>
net underwriting income	<u>\$ 16.1</u>	<u>\$ 19.2</u>	<u>\$ 13.6</u>	<u>\$ 12.4</u>	<u>\$ 2.5</u>	<u>\$ 61.3</u>	<u>\$ 10.5</u>
net loss ratio (% of net premiums earned)	7.6%	4.1%	6.4%	1.9%	-	5.1%	-
net acquisition cost ratio (% of net premiums earned)	<u>16.1%</u>	<u>8.2%</u>	<u>15.0%</u>	<u>20.1%</u>	<u>16.7%</u>	<u>14.4%</u>	<u>19.8%</u>
	<u>23.7%</u>	<u>12.3%</u>	<u>21.4%</u>	<u>22.0%</u>	<u>16.7%</u>	<u>19.5%</u>	<u>19.8%</u>

Lancashire Holdings Limited
summary consolidated balance sheets

	<u>december 31, 2007</u>	<u>september 30, 2007</u>	<u>june 30, 2007</u>	<u>march 31, 2007</u>	<u>december 31, 2006</u>
assets					
cash and cash equivalents	\$ 737.3	\$ 539.5	\$ 367.7	\$ 366.6	\$ 400.1
accrued interest receivable	9.8	10.4	10.5	9.5	7.5
investments					
- fixed income securities					
- available for sale	1,069.7	1,254.2	1,220.1	1,109.7	896.3
- at fair value through income	23.5	22.6	17.5	-	-
- equity securities, available for sale	71.6	73.2	68.7	65.2	70.3
- other investments	4.4	7.2	9.3	11.1	11.5
reinsurance assets					
- unearned premium on premium ceded	19.6	48.0	63.5	12.2	19.1
- reinsurance recoveries	3.6	1.5	0.5	-	-
- other receivables	8.2	-	-	-	-
deferred acquisition costs	57.8	61.0	63.8	55.7	51.5
inwards premium receivable from insureds and cedants	198.2	176.7	252.1	180.1	173.7
investment in associate	22.9	21.7	21.4	23.6	23.2
other assets	8.1	34.2	16.5	16.4	9.5
total assets	<u>\$ 2,234.7</u>	<u>\$ 2,250.2</u>	<u>\$ 2,111.6</u>	<u>\$ 1,850.1</u>	<u>\$ 1,662.7</u>
liabilities					
insurance contracts					
- loss and loss adjustment expenses	\$ 179.6	\$ 158.7	\$ 121.7	\$ 70.1	\$ 39.1
- unearned premiums	381.9	418.6	454.1	353.3	325.7
- other payables	16.5	7.0	6.2	6.7	5.2
amounts payable to reinsurers	5.7	29.3	60.8	5.1	0.8
deferred acquisition costs ceded	3.0	6.6	7.1	2.5	2.5
other payables	300.1	69.4	22.2	49.9	23.2
long-term debt	132.3	130.9	129.3	129.0	128.6
total liabilities	<u>1,019.1</u>	<u>820.5</u>	<u>801.4</u>	<u>616.6</u>	<u>525.1</u>
shareholders' equity					
share capital	91.1	98.0	97.9	97.9	97.9
share premium	49.5	46.0	40.2	37.2	33.6
contributed surplus	754.8	848.1	849.5	849.7	849.7
fair value and other reserves	20.7	14.3	4.5	13.1	8.7
dividends	(239.1)	-	-	-	-
retained earnings	538.6	423.3	318.1	235.6	147.7
total shareholders' equity	<u>\$ 1,215.6</u>	<u>\$ 1,429.7</u>	<u>\$ 1,310.2</u>	<u>\$ 1,233.5</u>	<u>\$ 1,137.6</u>
total liabilities and shareholders' equity	<u>\$ 2,234.7</u>	<u>\$ 2,250.2</u>	<u>\$ 2,111.6</u>	<u>\$ 1,850.1</u>	<u>\$ 1,662.7</u>
basic book value per share	\$ 6.67	\$ 7.30	\$ 6.69	\$ 6.30	\$ 5.81
fully converted book value per share	\$ 6.38	\$ 6.93	\$ 6.42	\$ 6.09	\$ 5.68
change in FCBVS adj for dividends ⁽¹⁾ - quarter	7.9%	7.9%	5.4%	7.2%	6.2%
change in FCBVS adj for dividends ⁽¹⁾ - rolling 12 months	31.7%	29.5%	27.1%	24.3%	17.4%
debt to total capital ratio	9.8%	8.4%	9.0%	9.5%	10.2%

⁽¹⁾ Change in fully converted book value per share adjusted for dividends is the internal rate of return of the increase in fully converted book value per share in the period plus dividends accrued.

Lancashire Holdings Limited
composition of investment portfolio

	<u>december 31, 2007</u>	%	<u>september 30, 2007</u>	%	<u>june 30, 2007</u>	%	<u>march 31, 2007</u>	%	<u>december 31, 2006</u>	%					
type of investment															
short term investments	\$	0.7	-	-	-	-	-	-	6.9	0.5%					
U.S. treasuries		254.4	13.7%	115.8	6.3%	141.0	8.6%	69.4	4.6%	30.8	2.3%				
U.S. government agency debt		209.3	11.2%	202.4	11.0%	235.1	14.3%	214.7	14.2%	150.4	11.1%				
asset backed securities		-	-	143.4	7.8%	135.9	8.3%	139.5	9.2%	121.1	8.9%				
U.S. government agency mortgage backed securities		241.1	12.9%	257.8	14.0%	269.2	16.4%	261.0	17.2%	214.6	15.9%				
non-agency mortgage backed securities		7.0	0.4%	214.1	11.6%	186.6	11.4%	179.7	11.9%	152.5	11.3%				
corporate bonds		343.3	18.4%	304.1	16.5%	229.3	14.0%	209.7	13.8%	191.1	14.1%				
convertible debt securities		13.9	0.8%	16.6	0.9%	23.0	1.4%	35.7	2.4%	28.9	2.1%				
total fixed income securities, available for sale		1,069.7	57.4%	1,254.2	68.1%	1,220.1	74.4%	1,109.7	73.3%	896.3	66.2%				
equity securities, available for sale		71.6	3.8%	73.2	4.0%	68.7	4.2%	65.2	4.3%	70.3	5.2%				
fixed income securities, at fair value through income		23.5	1.3%	22.6	1.2%	17.5	1.1%	-	-	-	-				
other investments		4.4	0.2%	7.2	0.4%	9.3	0.6%	11.1	0.7%	11.5	0.9%				
managed cash		695.1	37.3%	483.6	26.3%	322.9	19.7%	329.0	21.7%	375.0	27.7%				
total investments	\$	1,864.3	100.0%	\$	1,840.8	100.0%	\$	1,638.5	100.0%	\$	1,353.1	100.0%			
credit quality of fixed income securities															
AAA		741.5	69.3%	954.6	76.1%	\$	979.7	80.2%	\$	884.6	79.7%	\$	696.0	77.6%	
AA+, AA, AA-		116.6	10.9%	110.0	8.8%		75.4	6.2%		67.4	6.1%		43.6	4.9%	
A+, A, A-		150.8	14.1%	126.3	10.1%		105.6	8.7%		95.7	8.6%		96.5	10.8%	
BBB+, BBB, BBB-		50.6	4.7%	53.0	4.2%		52.3	4.3%		52.7	4.8%		51.9	5.8%	
other		10.2	1.0%	10.3	0.8%		7.1	0.6%		9.3	0.8%		8.3	0.9%	
	\$	1,069.7	100.0%	\$	1,254.2	100.0%	\$	1,220.1	100.0%	\$	1,109.7	100.0%	\$	896.3	100.0%
average market yield of fixed income securities and cash			4.7%		5.2%		5.4%		5.1%		5.2%				
average duration of fixed income securities and cash			1.4 years		1.6 years		1.7 years		1.7 years		1.6 years				
average credit quality of fixed income securities and cash			AA+		AA+		AA+		AA+		AA+				

Lancashire Holdings Limited
net losses and loss ratios

total	q4 2007		q3 2007		q2 2007		q1 2007		q4 2006		full year 2007		full year 2006	
net reserves: start	\$	157.2	\$	121.2	\$	70.1	\$	39.1	\$	20.3	\$	39.1	\$	-
paid losses		(5.8)		(1.9)		(1.2)		(1.0)		-		(9.9)		-
net insurance losses		24.9		37.1		52.3		32.0		18.8		146.3		39.1
foreign exchange		(0.3)		0.8		-		-		-		0.5		-
net reserves: end	\$	176.0	\$	157.2	\$	121.2	\$	70.1	\$	39.1	\$	176.0	\$	39.1
net premiums earned		158.6		160.5		151.9		140.2		99.0		611.2		243.5
net loss ratio		15.7%		23.1%		34.4%		22.8%		19.0%		23.9%		16.1%
IBNR as % of net reserves		60.1%		70.2%		68.4%		76.6%		96.9%		60.1%		96.9%

property	q4 2007		q3 2007		q2 2007		q1 2007		q4 2006		full year 2007		full year 2006		energy	q4 2007		q3 2007		q2 2007		q1 2007		q4 2006		full year 2007		full year 2006	
net reserves: start	\$	52.4	\$	45.4	\$	27.5	\$	13.2	\$	6.0	\$	13.2	\$	-	net reserves: start	\$	70.7	\$	50.6	\$	28.6	\$	17.2	\$	9.8	\$	17.2	\$	-
paid losses		(0.2)		-		(0.2)		-		-		(0.4)		-	paid losses		(3.5)		(0.8)		(0.8)		(0.7)		-		(5.8)		-
net insurance losses		(2.2)		6.6		18.1		14.3		7.2		36.8		13.2	net insurance losses		12.0		20.7		22.8		12.1		7.4		67.6		17.2
foreign exchange		(0.1)		0.4		-		-		-		0.3		-	foreign exchange		-		0.2		-		-		-		0.2		-
net reserves: end	\$	49.9	\$	52.4	\$	45.4	\$	27.5	\$	13.2	\$	49.9	\$	13.2	net reserves: end	\$	79.2	\$	70.7	\$	50.6	\$	28.6	\$	17.2	\$	79.2	\$	17.2
net premiums earned	\$	70.8	\$	68.1	\$	66.2	\$	57.3	\$	40.5	\$	262.4	\$	98.5	net premiums earned	\$	48.9	\$	51.0	\$	51.6	\$	52.1	\$	45.0	\$	203.6	\$	107.6
net loss ratio		-3.1%		9.7%		27.3%		25.0%		17.8%		14.0%		13.4%	net loss ratio		24.5%		40.6%		44.2%		23.2%		16.4%		33.2%		16.0%

marine	q4 2007		q3 2007		q2 2007		q1 2007		q4 2006		full year 2007		full year 2006		aviation	q4 2007		q3 2007		q2 2007		q1 2007		q4 2006		full year 2007		full year 2006	
net reserves: start	\$	31.8	\$	23.8	\$	13.7	\$	8.7	\$	4.5	\$	8.7	\$	-	net reserves: start	\$	2.3	\$	1.4	\$	0.3	\$	-	\$	-	\$	-	\$	-
paid losses		(2.1)		(1.1)		(0.2)		(0.3)		-		(3.7)		-	paid losses		-		-		-		-		-		-		-
net insurance losses		13.5		8.9		10.3		5.3		4.2		38.0		8.7	net insurance losses		1.6		0.9		1.1		0.3		-		3.9		-
foreign exchange		(0.1)		0.2		-		-		-		0.1		-	foreign exchange		(0.1)		-		-		-		-		(0.1)		-
net reserves: end	\$	43.1	\$	31.8	\$	23.8	\$	13.7	\$	8.7	\$	43.1	\$	8.7	net reserves: end	\$	3.8	\$	2.3	\$	1.4	\$	0.3	\$	-	\$	3.8	\$	-
net premiums earned	\$	17.8	\$	19.5	\$	16.8	\$	14.9	\$	10.5	\$	69.0	\$	24.3	net premiums earned	\$	21.1	\$	21.9	\$	17.3	\$	15.9	\$	3.0	\$	76.2	\$	13.1
net loss ratio		75.8%		45.6%		61.3%		35.6%		40.0%		55.1%		35.8%	net loss ratio		7.6%		4.1%		6.4%		1.9%		0.0%		5.1%		0.0%

Lancashire Holdings Limited
earnings per share

	<u>q4 2007</u>	<u>q4 2006</u>	<u>full year 2007</u>	<u>full year 2006</u>
basic earnings per share:				
profit after tax	\$ 115.3	\$ 67.4	\$ 390.9	\$ 159.3
weighted average shares outstanding - basic	<u>189,506,019</u>	<u>195,714,144</u>	<u>194,200,524</u>	<u>195,714,144</u>
basic earnings per share	<u>\$ 0.61</u>	<u>\$ 0.34</u>	<u>\$ 2.01</u>	<u>\$ 0.81</u>
diluted earnings per share:				
profit after tax	\$ 115.3	\$ 67.4	\$ 390.9	\$ 159.3
weighted average shares outstanding - basic	189,506,019	195,714,144	194,200,524	195,714,144
dilutive effect of warrants	12,411,320	9,477,978	10,785,528	6,324,907
dilutive effect of stock options	506,787	92,654	173,534	-
weighted average & equivalent shares outstanding - diluted	<u>202,424,126</u>	<u>205,284,776</u>	<u>205,159,586</u>	<u>202,039,051</u>
diluted earnings per share	<u>\$ 0.57</u>	<u>\$ 0.33</u>	<u>\$ 1.91</u>	<u>\$ 0.79</u>
diluted operating earnings per share:				
net operating income	\$ 116.5	\$ 71.3	\$ 390.1	\$ 180.5
weighted average shares outstanding - basic	189,506,019	195,714,144	194,200,524	195,714,144
dilutive effect of warrants	12,411,320	9,477,978	10,785,528	6,324,907
dilutive effect of stock options	506,787	92,654	173,534	-
weighted average & equivalent shares outstanding - diluted	<u>202,424,126</u>	<u>205,284,776</u>	<u>205,159,586</u>	<u>202,039,051</u>
diluted operating earnings per share	<u>\$ 0.58</u>	<u>\$ 0.35</u>	<u>\$ 1.90</u>	<u>\$ 0.89</u>

Lancashire Holdings Limited
basic and fully converted book value per share

	<u>q4 2007</u>	<u>q3 2007</u>	<u>q2 2007</u>	<u>q1 2007</u>	<u>q4 2006</u>
numerator (\$ in millions):					
shareholders' equity	\$ 1,215.6	\$ 1,429.7	\$ 1,310.2	\$ 1,233.5	\$ 1,137.6
proceeds from assumed exercise of outstanding warrants	190.5	186.9	189.4	190.1	190.1
proceeds from assumed exercise of outstanding options	14.0	43.0	14.0	-	-
book value numerator	<u>\$ 1,420.1</u>	<u>\$ 1,659.6</u>	<u>\$ 1,513.6</u>	<u>\$ 1,423.6</u>	<u>\$ 1,327.7</u>
denominator (in shares):					
common voting shares outstanding	182,283,095	195,924,011	195,775,986	195,743,346	195,743,346
shares issueable upon exercise of outstanding warrants ⁽¹⁾	38,107,633	37,385,525	37,885,525	38,012,612	38,012,612
shares outstanding upon exercise of outstanding options ⁽¹⁾	2,147,769	6,270,956	2,147,769	-	-
book value denominator	<u>222,538,497</u>	<u>239,580,492</u>	<u>235,809,280</u>	<u>233,755,958</u>	<u>233,755,958</u>
basic book value per share	<u>\$ 6.67</u>	<u>\$ 7.30</u>	<u>\$ 6.69</u>	<u>\$ 6.30</u>	<u>\$ 5.81</u>
fully converted book value per share	<u>\$ 6.38</u>	<u>\$ 6.93</u>	<u>\$ 6.42</u>	<u>\$ 6.09</u>	<u>\$ 5.68</u>
dividend per common share	\$ 1.10	\$ -	\$ -	\$ -	\$ -
change in FCBVS adj for dividends ⁽²⁾ - quarter	7.9%	7.9%	5.4%	7.2%	6.2%
change in FCBVS adj for dividends ⁽²⁾ - rolling 12 months	31.7%	29.5%	27.1%	24.3%	17.4%
compound annual change in FCBVS adj for dividends ⁽²⁾	22.3%	20.5%	18.1%	17.1%	13.6%
change in FCBVS adj for dividends ⁽²⁾ - since inception	49.6%	38.6%	28.4%	21.8%	n/a

⁽¹⁾ Where book value is less than strike price, or performance conditions are not yet met, those warrants and options are not treated as dilutive.

⁽²⁾ Change in fully converted book value per share adjusted for dividends is the internal rate of return of the increase in fully converted book value per share in the period plus dividends accrued.

⁽³⁾ FCBVS = fully converted book value per share