



## financial supplement

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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 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 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.

**Lancashire Holdings Limited**  
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**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

COMPOUND ANNUAL CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE - THE CALCULATION IS BASED ON THE MOVEMENT IN FULLY CONVERTED BOOK VALUE SINCE INCEPTION ON AN ANNUALISED BASIS

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 AND INTERIM RESULTS ANNOUNCEMENT.

**Lancashire Holdings Limited**  
**consolidated financial highlights**

|                                                                                         | <u>q1<br/>2007</u> | <u>q1<br/>2006</u> | <u>% change<br/>q1-07 vs.<br/>q1-06</u> |
|-----------------------------------------------------------------------------------------|--------------------|--------------------|-----------------------------------------|
| <b>highlights</b>                                                                       |                    |                    |                                         |
| gross premiums written                                                                  | \$ 180.7           | \$ 112.4           | 61%                                     |
| net premiums written                                                                    | 174.6              | 112.4              | 55%                                     |
| net premiums earned                                                                     | 140.2              | 18.8               | 646%                                    |
| net insurance losses and loss adjustment expenses                                       | 32.0               | 4.0                | 700%                                    |
| net investment income                                                                   | 16.7               | 11.5               | 45%                                     |
| net realised gains (losses) on investments                                              | 1.8                | (0.1)              |                                         |
| change in net unrealised gains (losses) on investments                                  | 4.4                | (4.0)              |                                         |
| profit after tax for the period attributable to equity shareholders                     | 87.9               | 9.3                | 845%                                    |
| net operating income                                                                    | \$ 88.1            | \$ 13.8            | 538%                                    |
| total investments and cash                                                              | \$ 1,552.6         | \$ 1,263.3         | 23%                                     |
| total shareholders' equity                                                              | \$ 1,233.5         | \$ 958.5           | 29%                                     |
| <b>per share data</b>                                                                   |                    |                    |                                         |
| net operating income per share - diluted <sup>(1)</sup>                                 | \$ 0.43            | \$ 0.07            |                                         |
| profit after tax available to equity shareholders<br>per share - diluted <sup>(1)</sup> | \$ 0.43            | \$ 0.05            |                                         |
| fully converted book value per share                                                    | \$ 6.09            | \$ 4.90            |                                         |
| change in fully converted book value per share                                          | 7.2%               | 1.2%               |                                         |
| <b>financial ratios</b>                                                                 |                    |                    |                                         |
| net loss ratio                                                                          | 22.8%              | 21.3%              |                                         |
| net acquisition costs ratio                                                             | 14.5%              | 10.1%              |                                         |
| administrative expense ratio                                                            | 10.0%              | 31.4%              |                                         |
| combined ratio                                                                          | <u>47.3%</u>       | <u>62.8%</u>       |                                         |

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

**Lancashire Holdings Limited**  
summary consolidated income statements

|                                                                            | q1<br>2007 | q4<br>2006 | q3<br>2006 | q2<br>2006 | q1<br>2006 | full year<br>2006 |
|----------------------------------------------------------------------------|------------|------------|------------|------------|------------|-------------------|
| gross premiums written                                                     | \$ 180.7   | \$ 199.0   | \$ 110.7   | \$ 203.9   | \$ 112.4   | \$ 626.0          |
| outwards reinsurance premiums                                              | (6.1)      | 0.3        | (7.8)      | (71.0)     | -          | (78.5)            |
| <b>net premiums written</b>                                                | 174.6      | 199.3      | 102.9      | 132.9      | 112.4      | 547.5             |
| change in unearned premiums                                                | (27.6)     | (75.3)     | (6.4)      | (147.8)    | (93.6)     | (323.1)           |
| change in unearned premiums on premium ceded                               | (6.8)      | (25.0)     | (16.3)     | 60.4       | -          | 19.1              |
| <b>net premiums earned</b>                                                 | 140.2      | 99.0       | 80.2       | 45.5       | 18.8       | 243.5             |
| net investment income                                                      | 16.7       | 16.3       | 13.7       | 12.7       | 11.5       | 54.2              |
| other investment income                                                    | (0.1)      | 1.8        | -          | -          | -          | 1.8               |
| net realised gains (losses) and impairments                                | 1.8        | 2.0        | 2.1        | (3.2)      | (0.1)      | 0.8               |
| share of profit of associate                                               | 1.3        | 1.2        | 2.0        | -          | -          | 3.2               |
| net foreign exchange gains (losses)                                        | 1.4        | (0.1)      | (0.1)      | (0.5)      | (0.6)      | (1.3)             |
| <b>total net revenue</b>                                                   | 161.3      | 120.2      | 97.9       | 54.5       | 29.6       | 302.2             |
| insurance losses and loss adjustment expenses                              | 32.0       | 18.8       | 12.8       | 3.5        | 4.0        | 39.1              |
| insurance losses and loss adjustment expenses recoverable                  | -          | -          | -          | -          | -          | -                 |
| net insurance acquisition expenses                                         | 20.3       | 15.6       | 11.7       | 5.7        | 1.9        | 34.9              |
| equity based compensation                                                  | 3.7        | 6.4        | 5.5        | 4.6        | 6.0        | 22.5              |
| other operating expenses                                                   | 14.0       | 9.1        | 11.2       | 7.7        | 5.9        | 33.9              |
| <b>total expenses</b>                                                      | 70.0       | 49.9       | 41.2       | 21.5       | 17.8       | 130.4             |
| <b>profit before tax and finance costs</b>                                 | 91.3       | 70.3       | 56.7       | 33.0       | 11.8       | 171.8             |
| finance costs                                                              | 3.0        | 2.7        | 4.1        | 3.0        | 2.5        | 12.3              |
| <b>profit before tax</b>                                                   | 88.3       | 67.6       | 52.6       | 30.0       | 9.3        | 159.5             |
| tax                                                                        | 0.4        | 0.2        | -          | -          | -          | 0.2               |
| <b>profit after tax for the period attributable to equity shareholders</b> | \$ 87.9    | \$ 67.4    | \$ 52.6    | \$ 30.0    | \$ 9.3     | \$ 159.3          |
| net loss ratio                                                             | 22.8%      | 19.0%      | 16.0%      | 7.7%       | 21.3%      | 16.1%             |
| net acquisition cost ratio                                                 | 14.5%      | 15.8%      | 14.6%      | 12.5%      | 10.1%      | 14.3%             |
| administrative expense ratio                                               | 10.0%      | 9.2%       | 14.0%      | 16.9%      | 31.4%      | 13.9%             |
| combined ratio                                                             | 47.3%      | 44.0%      | 44.6%      | 37.1%      | 62.8%      | 44.3%             |
| basic earnings per share                                                   | \$ 0.45    | \$ 0.34    | \$ 0.27    | \$ 0.15    | \$ 0.05    | \$ 0.81           |
| diluted earnings per share                                                 | \$ 0.43    | \$ 0.33    | \$ 0.26    | \$ 0.15    | \$ 0.05    | \$ 0.79           |

**Lancashire Holdings Limited**  
**premiums by line of business**

|                                     | <u>q1</u>       |               | <u>q4</u>       |               | <u>q3</u>       |               | <u>q2</u>       |               | <u>q1</u>       |               | <u>full year</u> |               |
|-------------------------------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|------------------|---------------|
|                                     | <u>2007</u>     | <u>%</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>      |
| <b>gross premiums written</b>       |                 |               |                 |               |                 |               |                 |               |                 |               |                  |               |
| property retrocession               | \$ 44.7         | 24.7%         | \$ 18.4         | 9.2%          | \$ 8.1          | 7.3%          | \$ 31.0         | 15.2%         | \$ 55.3         | 49.2%         | \$ 112.8         | 18.0%         |
| property direct and facultative     | 24.1            | 13.3%         | 51.6            | 25.9%         | 20.7            | 18.7%         | 32.1            | 15.7%         | 7.0             | 6.2%          | 111.4            | 17.8%         |
| terrorism                           | 12.5            | 6.9%          | 11.5            | 5.8%          | 3.7             | 3.3%          | 2.6             | 1.3%          | 1.1             | 1.0%          | 18.9             | 3.0%          |
| property political risk             | 4.0             | 2.2%          | 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         | 4.1             | 2.3%          | -               | -             | 0.4             | 0.4%          | 0.2             | 0.1%          | -               | -             | 0.6              | 0.1%          |
| other property                      | 1.0             | 0.6%          | 1.2             | 0.6%          | -               | -             | 0.2             | 0.1%          | -               | -             | 1.4              | 0.2%          |
| <b>total property</b>               | <b>90.4</b>     | <b>50.0%</b>  | <b>91.2</b>     | <b>45.8%</b>  | <b>32.8</b>     | <b>29.6%</b>  | <b>66.7</b>     | <b>32.7%</b>  | <b>63.8</b>     | <b>56.8%</b>  | <b>254.5</b>     | <b>40.6%</b>  |
| gulf of mexico offshore energy      | 28.7            | 15.9%         | 16.7            | 8.4%          | 34.4            | 31.1%         | 97.4            | 47.8%         | 23.3            | 20.7%         | 171.8            | 27.4%         |
| worldwide offshore energy           | 22.6            | 12.5%         | 12.8            | 6.4%          | 5.1             | 4.6%          | 18.1            | 8.9%          | 6.3             | 5.6%          | 42.3             | 6.8%          |
| construction energy                 | 0.5             | 0.3%          | 15.8            | 7.9%          | 7.0             | 6.3%          | 1.2             | 0.6%          | 0.5             | 0.4%          | 24.5             | 3.9%          |
| onshore energy                      | 2.0             | 1.1%          | 4.9             | 2.5%          | 5.3             | 4.8%          | 3.0             | 1.4%          | 0.3             | 0.3%          | 13.5             | 2.2%          |
| other energy                        | 0.2             | 0.1%          | 0.1             | 0.1%          | 0.9             | 0.8%          | 0.7             | 0.3%          | 0.1             | 0.1%          | 1.8              | 0.3%          |
| <b>total energy</b>                 | <b>54.0</b>     | <b>29.9%</b>  | <b>50.3</b>     | <b>25.3%</b>  | <b>52.7</b>     | <b>47.6%</b>  | <b>120.4</b>    | <b>59.0%</b>  | <b>30.5</b>     | <b>27.1%</b>  | <b>253.9</b>     | <b>40.6%</b>  |
| marine hull and total loss          | 6.9             | 3.8%          | 15.4            | 7.7%          | 4.9             | 4.5%          | 4.4             | 2.2%          | 1.4             | 1.2%          | 26.1             | 4.1%          |
| marine builders risk                | 3.4             | 1.9%          | 1.4             | 0.7%          | 4.7             | 4.2%          | 4.4             | 2.2%          | -               | -             | 10.5             | 1.7%          |
| marine P&I clubs                    | 6.6             | 3.7%          | 0.7             | 0.4%          | 1.0             | 0.9%          | 0.1             | -             | 4.6             | 4.1%          | 6.4              | 1.0%          |
| marine excess of loss               | 4.4             | 2.4%          | -               | -             | -               | -             | -               | -             | 4.3             | 3.8%          | 4.3              | 0.7%          |
| marine hull war                     | 4.7             | 2.6%          | 2.1             | 1.1%          | 0.4             | 0.4%          | 0.4             | 0.2%          | 1.2             | 1.1%          | 4.1              | 0.7%          |
| other marine                        | -               | 0.0%          | 1.7             | 0.8%          | -               | -             | -               | -             | -               | -             | 1.7              | 0.3%          |
| <b>total marine</b>                 | <b>26.0</b>     | <b>14.4%</b>  | <b>21.3</b>     | <b>10.7%</b>  | <b>11.0</b>     | <b>10.0%</b>  | <b>9.3</b>      | <b>4.6%</b>   | <b>11.5</b>     | <b>10.2%</b>  | <b>53.1</b>      | <b>8.5%</b>   |
| AV 52                               | 4.6             | 2.5%          | 29.1            | 14.6%         | 13.2            | 11.9%         | 7.3             | 3.6%          | 6.6             | 5.9%          | 56.2             | 9.0%          |
| other aviation                      | 5.7             | 3.2%          | 7.1             | 3.6%          | 1.0             | 0.9%          | 0.2             | 0.1%          | -               | -             | 8.3              | 1.3%          |
| <b>total aviation</b>               | <b>10.3</b>     | <b>5.7%</b>   | <b>36.2</b>     | <b>18.2%</b>  | <b>14.2</b>     | <b>12.8%</b>  | <b>7.5</b>      | <b>3.7%</b>   | <b>6.6</b>      | <b>5.9%</b>   | <b>64.5</b>      | <b>10.3%</b>  |
| <b>total gross premiums written</b> | <b>\$ 180.7</b> | <b>100.0%</b> | <b>\$ 199.0</b> | <b>100.0%</b> | <b>\$ 110.7</b> | <b>100.0%</b> | <b>\$ 203.9</b> | <b>100.0%</b> | <b>\$ 112.4</b> | <b>100.0%</b> | <b>\$ 626.0</b>  | <b>100.0%</b> |

**Lancashire Holdings Limited**  
**summary consolidated underwriting segment results**

**three months ended march 31, 2007**

|                                                   | <b>property</b> | <b>energy</b>  | <b>marine</b> | <b>aviation</b> | <b>consolidated</b> |
|---------------------------------------------------|-----------------|----------------|---------------|-----------------|---------------------|
| gross premiums written                            | \$ 90.4         | \$ 54.0        | \$ 26.0       | \$ 10.3         | \$ 180.7            |
| net premiums written                              | 90.4            | 47.9           | 26.0          | 10.3            | 174.6               |
| net premiums earned                               | 57.3            | 52.1           | 14.9          | 15.9            | 140.2               |
| net insurance losses and loss adjustment expenses | 14.3            | 12.1           | 5.3           | 0.3             | 32.0                |
| net insurance acquisition expenses                | 6.6             | 7.6            | 2.9           | 3.2             | 20.3                |
| other operating expenses                          | -               | -              | -             | -               | 14.0                |
|                                                   | <u>\$ 36.4</u>  | <u>\$ 32.4</u> | <u>\$ 6.7</u> | <u>\$ 12.4</u>  | <u>\$ 73.9</u>      |
| net loss ratio                                    | 25.0%           | 23.2%          | 35.6%         | 1.9%            | 22.8%               |
| net acquisition cost ratio                        | 11.5%           | 14.6%          | 19.5%         | 20.1%           | 14.5%               |
| administrative expense ratio                      | -               | -              | -             | -               | 10.0%               |
| combined ratio                                    | <u>36.5%</u>    | <u>37.8%</u>   | <u>55.1%</u>  | <u>22.0%</u>    | <u>47.3%</u>        |

**twelve months ended december 31, 2006**

|                                                   | <b>property</b> | <b>energy</b>  | <b>marine</b>  | <b>aviation</b> | <b>consolidated</b> |
|---------------------------------------------------|-----------------|----------------|----------------|-----------------|---------------------|
| 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>q1</u><br><u>2007</u> | <u>q4</u><br><u>2006</u> | <u>q3</u><br><u>2006</u> | <u>q2</u><br><u>2006</u> | <u>q1</u><br><u>2006</u> | <u>full year</u><br><u>2006</u> |
|-------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------------|
| <b>underwriting income</b>                            |                          |                          |                          |                          |                          |                                 |
| gross premiums written                                | \$ 90.4                  | \$ 91.2                  | \$ 32.8                  | \$ 66.7                  | \$ 63.8                  | \$ 254.5                        |
| outwards reinsurance premiums                         | -                        | -                        | -                        | (39.8)                   | -                        | (39.8)                          |
| <b>net premiums written</b>                           | <u>90.4</u>              | <u>91.2</u>              | <u>32.8</u>              | <u>26.9</u>              | <u>63.8</u>              | <u>214.7</u>                    |
| change in unearned premiums                           | (27.7)                   | (38.2)                   | 6.9                      | (41.9)                   | (50.3)                   | (123.5)                         |
| change in unearned premiums on premium ceded          | (5.4)                    | (12.5)                   | (12.5)                   | 32.3                     | -                        | 7.3                             |
|                                                       | <u>(33.1)</u>            | <u>(50.7)</u>            | <u>(5.6)</u>             | <u>(9.6)</u>             | <u>(50.3)</u>            | <u>(116.2)</u>                  |
| <b>net premiums earned</b>                            | <u>\$ 57.3</u>           | <u>\$ 40.5</u>           | <u>\$ 27.2</u>           | <u>\$ 17.3</u>           | <u>\$ 13.5</u>           | <u>\$ 98.5</u>                  |
| <b>underwriting expenses</b>                          |                          |                          |                          |                          |                          |                                 |
| insurance losses and loss adjustment expenses         | 14.3                     | 7.2                      | 3.8                      | (0.2)                    | 2.4                      | 13.2                            |
| net insurance acquisition expenses                    | 6.6                      | 4.9                      | 3.1                      | 1.9                      | 1.3                      | 11.2                            |
| <b>total underwriting expenses</b>                    | <u>20.9</u>              | <u>12.1</u>              | <u>6.9</u>               | <u>1.7</u>               | <u>3.7</u>               | <u>24.4</u>                     |
| <b>net underwriting income</b>                        | <u>\$ 36.4</u>           | <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)             | 25.0%                    | 17.8%                    | 14.0%                    | (1.2%)                   | 17.8%                    | 13.4%                           |
| net acquisition cost ratio (% of net premiums earned) | <u>11.5%</u>             | <u>12.1%</u>             | <u>11.4%</u>             | <u>11.0%</u>             | <u>9.6%</u>              | <u>11.4%</u>                    |
|                                                       | <u>36.5%</u>             | <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>q1<br/>2007</u> | <u>q4<br/>2006</u> | <u>q3<br/>2006</u> | <u>q2<br/>2006</u> | <u>q1<br/>2006</u> | <u>full year<br/>2006</u> |
|-------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------------|
| <b>underwriting income</b>                            |                    |                    |                    |                    |                    |                           |
| gross premiums written                                | \$ 54.0            | \$ 50.3            | \$ 52.7            | \$ 120.4           | \$ 30.5            | \$ 253.9                  |
| outwards reinsurance premiums                         | (6.1)              | 0.3                | (7.8)              | (31.2)             | -                  | (38.7)                    |
| <b>net premiums written</b>                           | <u>47.9</u>        | <u>50.6</u>        | <u>44.9</u>        | <u>89.2</u>        | <u>30.5</u>        | <u>215.2</u>              |
| change in unearned premiums                           | 5.5                | 6.9                | (2.8)              | (95.8)             | (27.7)             | (119.4)                   |
| change in unearned premiums on premium ceded          | (1.3)              | (12.5)             | (3.8)              | 28.1               | -                  | 11.8                      |
|                                                       | <u>4.2</u>         | <u>(5.6)</u>       | <u>(6.6)</u>       | <u>(67.7)</u>      | <u>(27.7)</u>      | <u>(107.6)</u>            |
| <b>net premiums earned</b>                            | <u>\$ 52.1</u>     | <u>\$ 45.0</u>     | <u>\$ 38.3</u>     | <u>\$ 21.5</u>     | <u>\$ 2.8</u>      | <u>\$ 107.6</u>           |
| <b>underwriting expenses</b>                          |                    |                    |                    |                    |                    |                           |
| insurance losses and loss adjustment expenses         | 12.1               | 7.4                | 6.1                | 2.7                | 1.0                | 17.2                      |
| net insurance acquisition expenses                    | 7.6                | 8.0                | 5.6                | 2.5                | 0.4                | 16.5                      |
| <b>total underwriting expenses</b>                    | <u>19.7</u>        | <u>15.4</u>        | <u>11.7</u>        | <u>5.2</u>         | <u>1.4</u>         | <u>33.7</u>               |
| <b>net underwriting income</b>                        | <u>\$ 32.4</u>     | <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)             | 23.2%              | 16.4%              | 15.9%              | 12.6%              | 35.7%              | 16.0%                     |
| net acquisition cost ratio (% of net premiums earned) | <u>14.6%</u>       | <u>17.8%</u>       | <u>14.6%</u>       | <u>11.6%</u>       | <u>14.3%</u>       | <u>15.3%</u>              |
|                                                       | <u>37.8%</u>       | <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>q1<br/>2007</u> | <u>q4<br/>2006</u> | <u>q3<br/>2006</u> | <u>q2<br/>2006</u> | <u>q1<br/>2006</u> | <u>full year<br/>2006</u> |
|-------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------------|
| <b>underwriting income</b>                            |                    |                    |                    |                    |                    |                           |
| gross premiums written                                | \$ 26.0            | \$ 21.3            | \$ 11.0            | \$ 9.3             | \$ 11.5            | \$ 53.1                   |
| outwards reinsurance premiums                         | -                  | -                  | -                  | -                  | -                  | -                         |
| <b>net premiums written</b>                           | <u>26.0</u>        | <u>21.3</u>        | <u>11.0</u>        | <u>9.3</u>         | <u>11.5</u>        | <u>53.1</u>               |
| change in unearned premiums                           | (11.1)             | (10.8)             | (3.3)              | (5.0)              | (9.7)              | (28.8)                    |
| change in unearned premiums on premium ceded          | -                  | -                  | -                  | -                  | -                  | -                         |
|                                                       | <u>(11.1)</u>      | <u>(10.8)</u>      | <u>(3.3)</u>       | <u>(5.0)</u>       | <u>(9.7)</u>       | <u>(28.8)</u>             |
| <b>net premiums earned</b>                            | <u>\$ 14.9</u>     | <u>\$ 10.5</u>     | <u>\$ 7.7</u>      | <u>\$ 4.3</u>      | <u>\$ 1.8</u>      | <u>\$ 24.3</u>            |
| <b>underwriting expenses</b>                          |                    |                    |                    |                    |                    |                           |
| insurance losses and loss adjustment expenses         | 5.3                | 4.2                | 2.9                | 1.0                | 0.6                | 8.7                       |
| net insurance acquisition expenses                    | 2.9                | 2.2                | 1.4                | 0.8                | 0.2                | 4.6                       |
| <b>total underwriting expenses</b>                    | <u>8.2</u>         | <u>6.4</u>         | <u>4.3</u>         | <u>1.8</u>         | <u>0.8</u>         | <u>13.3</u>               |
| <b>net underwriting income</b>                        | <u>\$ 6.7</u>      | <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)             | 35.6%              | 40.0%              | 37.7%              | 23.3%              | 33.3%              | 35.8%                     |
| net acquisition cost ratio (% of net premiums earned) | <u>19.5%</u>       | <u>21.0%</u>       | <u>18.2%</u>       | <u>18.6%</u>       | <u>11.1%</u>       | <u>18.9%</u>              |
|                                                       | <u>55.1%</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

|                                                       | q1<br>2007     | q4<br>2006    | q3<br>2006    | q2<br>2006    | q1<br>2006    | full year<br>2006 |
|-------------------------------------------------------|----------------|---------------|---------------|---------------|---------------|-------------------|
| <b>underwriting income</b>                            |                |               |               |               |               |                   |
| gross premiums written                                | \$ 10.3        | \$ 36.2       | \$ 14.2       | \$ 7.5        | \$ 6.6        | \$ 64.5           |
| outwards reinsurance premiums                         | -              | -             | -             | -             | -             | -                 |
| <b>net premiums written</b>                           | <u>10.3</u>    | <u>36.2</u>   | <u>14.2</u>   | <u>7.5</u>    | <u>6.6</u>    | <u>64.5</u>       |
| change in unearned premiums                           | 5.6            | (33.2)        | (7.2)         | (5.1)         | (5.9)         | (51.4)            |
| change in unearned premiums on premium ceded          | -              | -             | -             | -             | -             | -                 |
|                                                       | <u>5.6</u>     | <u>(33.2)</u> | <u>(7.2)</u>  | <u>(5.1)</u>  | <u>(5.9)</u>  | <u>(51.4)</u>     |
| <b>net premiums earned</b>                            | <u>\$ 15.9</u> | <u>\$ 3.0</u> | <u>\$ 7.0</u> | <u>\$ 2.4</u> | <u>\$ 0.7</u> | <u>\$ 13.1</u>    |
| <b>underwriting expenses</b>                          |                |               |               |               |               |                   |
| insurance losses and loss adjustment expenses         | 0.3            | -             | -             | -             | -             | -                 |
| net insurance acquisition expenses                    | 3.2            | 0.5           | 1.5           | 0.5           | 0.1           | 2.6               |
| <b>total underwriting expenses</b>                    | <u>3.5</u>     | <u>0.5</u>    | <u>1.5</u>    | <u>0.5</u>    | <u>0.1</u>    | <u>2.6</u>        |
| <b>net underwriting income</b>                        | <u>\$ 12.4</u> | <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)             | 1.9%           | -             | -             | -             | -             | -                 |
| net acquisition cost ratio (% of net premiums earned) | <u>20.1%</u>   | <u>16.7%</u>  | <u>21.4%</u>  | <u>20.8%</u>  | <u>14.3%</u>  | <u>19.8%</u>      |
|                                                       | <u>22.0%</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>march 31, 2007</u> | <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> |
|-----------------------------------------------------------------------|-----------------------|--------------------------|---------------------------|----------------------|-----------------------|--------------------------|
| <b>assets</b>                                                         |                       |                          |                           |                      |                       |                          |
| cash and cash equivalents                                             | \$ 366.6              | \$ 400.1                 | \$ 298.8                  | \$ 215.0             | \$ 338.3              | \$ 1,072.4               |
| accrued interest receivable                                           | 9.5                   | 7.5                      | 7.6                       | 7.9                  | 7.9                   | 2.0                      |
| investments                                                           |                       |                          |                           |                      |                       |                          |
| - fixed income securities                                             | 1,109.7               | 896.3                    | 918.4                     | 885.8                | 889.6                 | -                        |
| - equity securities                                                   | 65.2                  | 70.3                     | 66.1                      | 67.6                 | 35.4                  | -                        |
| - other investments                                                   | 11.1                  | 11.5                     | -                         | -                    | -                     | -                        |
| reinsurance assets                                                    |                       |                          |                           |                      |                       |                          |
| - reinsurance balances receivable                                     | 0.6                   | -                        | -                         | -                    | -                     | -                        |
| - unearned premium on premium ceded                                   | 12.2                  | 19.1                     | 44.1                      | 60.4                 | -                     | -                        |
| deferred acquisition costs                                            | 55.7                  | 51.5                     | 34.6                      | 29.7                 | 10.2                  | 0.5                      |
| inwards premium receivable from insureds and cedants                  | 179.5                 | 173.7                    | 93.6                      | 165.0                | 77.2                  | 2.1                      |
| investment in associate                                               | 23.6                  | 23.2                     | 22.0                      | 20.0                 | -                     | -                        |
| other assets                                                          | 16.4                  | 9.5                      | 23.5                      | 81.2                 | 10.4                  | 0.7                      |
| <b>total assets</b>                                                   | <u>\$ 1,850.1</u>     | <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>        |
| <b>liabilities</b>                                                    |                       |                          |                           |                      |                       |                          |
| insurance contracts                                                   |                       |                          |                           |                      |                       |                          |
| - loss and loss adjustment expenses                                   | \$ 70.1               | \$ 39.1                  | \$ 20.3                   | \$ 7.4               | \$ 4.0                | \$ -                     |
| - unearned premiums                                                   | 353.3                 | 325.7                    | 250.4                     | 244.0                | 96.3                  | 2.6                      |
| - other payables                                                      | 6.7                   | 3.6                      | -                         | -                    | -                     | -                        |
| amounts payable to reinsurers                                         | 5.1                   | 2.4                      | 1.4                       | 32.0                 | -                     | -                        |
| deferred acquisition costs ceded                                      | 2.5                   | 2.5                      | 4.7                       | 5.6                  | -                     | -                        |
| other payables                                                        | 49.9                  | 23.2                     | 42.8                      | 125.2                | 184.2                 | 2.6                      |
| long-term debt                                                        | 129.0                 | 128.6                    | 127.5                     | 127.1                | 126.0                 | 125.4                    |
| <b>total liabilities</b>                                              | 616.6                 | 525.1                    | 447.1                     | 541.3                | 410.5                 | 130.6                    |
| <b>shareholders' equity</b>                                           |                       |                          |                           |                      |                       |                          |
| share capital                                                         | 97.9                  | 97.9                     | 97.9                      | 97.9                 | 97.9                  | 97.9                     |
| share premium                                                         | 37.2                  | 33.6                     | 876.9                     | 871.4                | 866.8                 | 860.8                    |
| contributed surplus                                                   | 849.7                 | 849.7                    | -                         | -                    | -                     | -                        |
| fair value and other reserves                                         | 13.1                  | 8.7                      | 6.3                       | (5.7)                | (4.0)                 | -                        |
| retained earnings (deficit)                                           | 235.6                 | 147.7                    | 80.5                      | 27.7                 | (2.2)                 | (11.6)                   |
| <b>total shareholders' equity attributable to equity shareholders</b> | \$ 1,233.5            | \$ 1,137.6               | \$ 1,061.6                | \$ 991.3             | \$ 958.5              | \$ 947.1                 |
| <b>total liabilities and shareholders' equity</b>                     | <u>\$ 1,850.1</u>     | <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                                            | \$ 6.30               | \$ 5.81                  | \$ 5.42                   | \$ 5.07              | \$ 4.90               | \$ 4.84                  |
| fully converted book value per share                                  | \$ 6.09               | \$ 5.68                  | \$ 5.35                   | \$ 5.05              | \$ 4.90               | \$ 4.84                  |
| change in fully converted book value per share - quarter              | 7.2%                  | 6.2%                     | 5.9%                      | 3.1%                 | 1.2%                  | n/a                      |
| change in fully converted book value per share - rolling 12 months    | 24.3%                 | 17.4%                    | n/a                       | n/a                  | n/a                   | n/a                      |
| debt to total capital ratio                                           | 9.5%                  | 10.2%                    | 10.7%                     | 11.4%                | 11.6%                 | 11.7%                    |

**Lancashire Holdings Limited**  
composition of investment portfolio

|                                                    | <u>march 31, 2007</u> | %              | <u>december 31, 2006</u> | %         | <u>september 30, 2006</u> | %             | <u>june 30, 2006</u> | %            | <u>march 31, 2006</u> | %         |              |               |           |              |               |
|----------------------------------------------------|-----------------------|----------------|--------------------------|-----------|---------------------------|---------------|----------------------|--------------|-----------------------|-----------|--------------|---------------|-----------|--------------|---------------|
| <b>type of investment</b>                          |                       |                |                          |           |                           |               |                      |              |                       |           |              |               |           |              |               |
| short term investments                             | \$                    | -              | -                        | \$        | 6.9                       | 0.7%          | \$                   | 11.9         | 1.2%                  | \$        | -            | -             |           |              |               |
| U.S. treasuries                                    |                       | 69.4           | 5.9%                     |           | 30.8                      | 3.1%          |                      | 71.0         | 7.2%                  |           | 92.3         | 9.7%          | \$        | 185.9        | 20.1%         |
| U.S. government agencies                           |                       | 214.7          | 18.1%                    |           | 150.4                     | 15.4%         |                      | 179.8        | 18.3%                 |           | 171.7        | 18.0%         |           | 165.5        | 17.9%         |
| asset backed securities                            |                       | 139.5          | 11.8%                    |           | 121.1                     | 12.4%         |                      | 122.7        | 12.5%                 |           | 109.8        | 11.5%         |           | 98.6         | 10.7%         |
| mortgage backed securities                         |                       | 440.7          | 37.2%                    |           | 367.1                     | 37.5%         |                      | 320.8        | 32.6%                 |           | 324.9        | 34.1%         |           | 272.5        | 29.4%         |
| corporate bonds                                    |                       | 209.7          | 17.7%                    |           | 191.1                     | 19.5%         |                      | 181.6        | 18.4%                 |           | 160.0        | 16.8%         |           | 156.2        | 16.9%         |
| convertible debt securities                        |                       | 35.7           | 3.0%                     |           | 28.9                      | 3.0%          |                      | 30.6         | 3.1%                  |           | 25.1         | 2.6%          |           | 10.9         | 1.2%          |
| <b>total fixed income securities</b>               |                       | <u>1,109.7</u> | <u>93.6%</u>             |           | <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                                  |                       | 65.2           | 5.5%                     |           | 70.3                      | 7.2%          |                      | 66.1         | 6.7%                  |           | 67.6         | 7.1%          |           | 35.4         | 3.8%          |
| other investments                                  |                       | 11.1           | 0.9%                     |           | 11.5                      | 1.2%          |                      | -            | -                     |           | -            | -             |           | -            | -             |
| <b>total investments</b>                           | <u>\$</u>             | <u>1,186.0</u> | <u>100.00%</u>           | <u>\$</u> | <u>978.1</u>              | <u>100.0%</u> | <u>\$</u>            | <u>984.5</u> | <u>100.0%</u>         | <u>\$</u> | <u>953.4</u> | <u>100.0%</u> | <u>\$</u> | <u>925.0</u> | <u>100.0%</u> |
| <b>credit quality of fixed income securities</b>   |                       |                |                          |           |                           |               |                      |              |                       |           |              |               |           |              |               |
| AAA                                                | \$                    | 884.6          | 79.7%                    | \$        | 696.0                     | 77.6%         | \$                   | 722.5        | 78.7%                 | \$        | 713.1        | 80.5%         | \$        | 733.4        | 82.4%         |
| AA+, AA, AA-                                       |                       | 67.4           | 6.1%                     |           | 43.6                      | 4.9%          |                      | 41.0         | 4.5%                  |           | 34.1         | 3.8%          |           | 22.4         | 2.5%          |
| A+, A, A-                                          |                       | 95.7           | 8.6%                     |           | 96.5                      | 10.8%         |                      | 95.8         | 10.4%                 |           | 84.8         | 9.6%          |           | 84.3         | 9.5%          |
| BBB+, BBB, BBB-                                    |                       | 52.7           | 4.8%                     |           | 51.9                      | 5.8%          |                      | 51.8         | 5.6%                  |           | 48.0         | 5.4%          |           | 47.0         | 5.3%          |
| other                                              |                       | 9.3            | 0.8%                     |           | 8.3                       | 0.9%          |                      | 7.3          | 0.8%                  |           | 5.8          | 0.7%          |           | 2.5          | 0.3%          |
| <b>total</b>                                       | <u>\$</u>             | <u>1,109.7</u> | <u>100.0%</u>            | <u>\$</u> | <u>896.3</u>              | <u>100.0%</u> | <u>\$</u>            | <u>918.4</u> | <u>100.0%</u>         | <u>\$</u> | <u>885.8</u> | <u>100.0%</u> | <u>\$</u> | <u>889.6</u> | <u>100.0%</u> |
| <b>maturity profile of fixed income securities</b> |                       |                |                          |           |                           |               |                      |              |                       |           |              |               |           |              |               |
| due less than one year                             | \$                    | 41.4           | 3.7%                     | \$        | 21.3                      | 2.4%          | \$                   | 28.1         | 3.1%                  | \$        | 3.3          | 0.4%          | \$        | 2.9          | 0.3%          |
| due between one year and two years                 |                       | 170.4          | 15.4%                    |           | 146.7                     | 16.4%         |                      | 169.4        | 18.4%                 |           | 189.1        | 21.3%         |           | 177.6        | 20.0%         |
| due between two and three years                    |                       | 171.8          | 15.5%                    |           | 100.7                     | 11.2%         |                      | 96.0         | 10.5%                 |           | 83.5         | 9.4%          |           | 101.9        | 11.5%         |
| due between three and four years                   |                       | 96.0           | 8.6%                     |           | 98.5                      | 11.0%         |                      | 85.9         | 9.4%                  |           | 92.7         | 10.5%         |           | 116.7        | 13.1%         |
| due between four and five years                    |                       | 63.3           | 5.7%                     |           | 51.9                      | 5.8%          |                      | 103.8        | 11.3%                 |           | 77.6         | 8.8%          |           | 76.2         | 8.6%          |
| due over five years                                |                       | 566.8          | 51.1%                    |           | 477.2                     | 53.2%         |                      | 435.2        | 47.3%                 |           | 439.6        | 49.6%         |           | 414.3        | 46.5%         |
| <b>total</b>                                       | <u>\$</u>             | <u>1,109.7</u> | <u>100.0%</u>            | <u>\$</u> | <u>896.3</u>              | <u>100.0%</u> | <u>\$</u>            | <u>918.4</u> | <u>100.0%</u>         | <u>\$</u> | <u>885.8</u> | <u>100.0%</u> | <u>\$</u> | <u>889.6</u> | <u>100.0%</u> |

as at or for the three months ended

|                                                   | <u>march 31, 2007</u> | <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   | 5.2%                  | 5.3%                     | 5.3%                      | 5.7%                 | 5.3%                  |
| average duration of fixed income securities       | 2.2 years             | 2.3 years                | 2.4 years                 | 2.8 years            | 3.0 years             |
| average credit quality of fixed income securities | AAA-                  | AA+                      | AA+                       | AAA                  | AAA                   |

**Lancashire Holdings Limited**  
**losses and loss ratios**

| <b>total</b>              | <b>q1<br/>2007</b> | <b>q4<br/>2006</b> | <b>q3<br/>2006</b> | <b>q2<br/>2006</b> | <b>q1<br/>2006</b> |
|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| net reserves: start       | \$ 39.1            | \$ 20.3            | \$ 7.5             | \$ 4.0             | \$ -               |
| paid losses               | (1.0)              | -                  | -                  | -                  | -                  |
| net insurance losses      | 32.0               | 18.8               | 12.8               | 3.5                | 4.0                |
| net reserves: end         | \$ 70.1            | \$ 39.1            | \$ 20.3            | \$ 7.5             | \$ 4.0             |
| net premiums earned       | \$ 140.2           | \$ 99.0            | \$ 80.2            | \$ 45.5            | \$ 18.8            |
| net loss ratio            | 22.8%              | 19.0%              | 16.0%              | 7.7%               | 21.3%              |
| IBNR as % of net reserves | 76.6%              | 96.9%              | 98.5%              | 98.7%              | 100.0%             |

| <b>property</b>      | <b>q1<br/>2007</b> | <b>q4<br/>2006</b> | <b>q3<br/>2006</b> | <b>q2<br/>2006</b> | <b>q1<br/>2006</b> |
|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| net reserves: start  | \$ 13.2            | \$ 6.0             | \$ 2.2             | \$ 2.4             | \$ -               |
| paid losses          | -                  | -                  | -                  | -                  | -                  |
| net insurance losses | 14.3               | 7.2                | 3.8                | (0.2)              | 2.4                |
| net reserves: end    | \$ 27.5            | \$ 13.2            | \$ 6.0             | \$ 2.2             | \$ 2.4             |
| net premiums earned  | \$ 57.3            | \$ 40.5            | \$ 27.2            | \$ 17.3            | \$ 13.5            |
| net loss ratio       | 25.0%              | 17.8%              | 14.0%              | (1.2%)             | 17.8%              |

| <b>energy</b>        | <b>q1<br/>2007</b> | <b>q4<br/>2006</b> | <b>q3<br/>2006</b> | <b>q2<br/>2006</b> | <b>q1<br/>2006</b> |
|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| net reserves: start  | \$ 17.2            | \$ 9.8             | \$ 3.7             | \$ 1.0             | \$ -               |
| paid losses          | (0.7)              | -                  | -                  | -                  | -                  |
| net insurance losses | 12.1               | 7.4                | 6.1                | 2.7                | 1.0                |
| net reserves: end    | \$ 28.6            | \$ 17.2            | \$ 9.8             | \$ 3.7             | \$ 1.0             |
| net premiums earned  | \$ 52.1            | \$ 45.0            | \$ 38.3            | \$ 21.5            | \$ 2.8             |
| net loss ratio       | 23.2%              | 16.4%              | 15.9%              | 12.6%              | 35.7%              |

| <b>marine</b>        | <b>q1<br/>2007</b> | <b>q4<br/>2006</b> | <b>q3<br/>2006</b> | <b>q2<br/>2006</b> | <b>q1<br/>2006</b> |
|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| net reserves: start  | \$ 8.7             | \$ 4.5             | \$ 1.6             | \$ 0.6             | \$ -               |
| paid losses          | (0.3)              | -                  | -                  | -                  | -                  |
| net insurance losses | 5.3                | 4.2                | 2.9                | 1.0                | 0.6                |
| net reserves: end    | \$ 13.7            | \$ 8.7             | \$ 4.5             | \$ 1.6             | \$ 0.6             |
| net premiums earned  | \$ 14.9            | \$ 10.5            | \$ 7.7             | \$ 4.3             | \$ 1.8             |
| net loss ratio       | 35.6%              | 40.0%              | 37.7%              | 23.3%              | 33.3%              |

| <b>aviation</b>      | <b>q1<br/>2007</b> | <b>q4<br/>2006</b> | <b>q3<br/>2006</b> | <b>q2<br/>2006</b> | <b>q1<br/>2006</b> |
|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| net reserves: start  | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| paid losses          | -                  | -                  | -                  | -                  | -                  |
| net insurance losses | 0.3                | -                  | -                  | -                  | -                  |
| net reserves: end    | \$ 0.3             | \$ -               | \$ -               | \$ -               | \$ -               |
| net premiums earned  | \$ 15.9            | \$ 3.0             | \$ 7.0             | \$ 2.4             | \$ 0.7             |
| net loss ratio       | 1.9%               | -                  | -                  | -                  | -                  |

**Lancashire Holdings Limited**  
earnings per share

|                                                                     | q1<br>2007         | q4<br>2006         | q3<br>2006         | q2<br>2006         | q1<br>2006         | full year<br>2006  |
|---------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>basic earnings per share:</b>                                    |                    |                    |                    |                    |                    |                    |
| profit after tax for the period attributable to equity shareholders | \$ 87.9            | \$ 67.4            | \$ 52.6            | \$ 30.0            | \$ 9.3             | \$ 159.3           |
| weighted average shares outstanding - basic                         | 195,743,346        | 195,714,144        | 195,713,902        | 195,713,902        | 195,713,902        | 195,714,144        |
| basic earnings per share                                            | <u>\$ 0.45</u>     | <u>\$ 0.34</u>     | <u>\$ 0.27</u>     | <u>\$ 0.15</u>     | <u>\$ 0.05</u>     | <u>\$ 0.81</u>     |
| <b>diluted earnings per share:</b>                                  |                    |                    |                    |                    |                    |                    |
| profit after tax for the period attributable to equity shareholders | \$ 87.9            | \$ 67.4            | \$ 52.6            | \$ 30.0            | \$ 9.3             | \$ 159.3           |
| weighted average shares outstanding - basic                         | 195,743,346        | 195,714,144        | 195,713,902        | 195,713,902        | 195,713,902        | 195,714,144        |
| dilutive effect of warrants                                         | 9,367,955          | 9,477,978          | 6,848,667          | 3,788,702          | 4,592,192          | 6,324,907          |
| dilutive effect of stock options                                    | 80,096             | 92,654             | -                  | -                  | 9,778              | -                  |
| weighted average & equivalent shares outstanding - diluted          | <u>205,191,397</u> | <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>\$ 0.43</u>     | <u>\$ 0.33</u>     | <u>\$ 0.26</u>     | <u>\$ 0.15</u>     | <u>\$ 0.05</u>     | <u>\$ 0.79</u>     |
| <b>diluted operating earnings per share:</b>                        |                    |                    |                    |                    |                    |                    |
| net operating income                                                | \$ 88.1            | \$ 71.3            | \$ 55.6            | \$ 39.8            | \$ 13.8            | \$ 180.5           |
| weighted average shares outstanding - basic                         | 195,743,346        | 195,714,144        | 195,713,902        | 195,713,902        | 195,713,902        | 195,714,144        |
| dilutive effect of warrants                                         | 9,367,955          | 9,477,978          | 6,848,667          | 3,788,702          | 4,592,192          | 6,324,907          |
| dilutive effect of stock options                                    | 80,096             | 92,654             | -                  | -                  | 9,778              | -                  |
| weighted average & equivalent shares outstanding - diluted          | <u>205,191,397</u> | <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>\$ 0.43</u>     | <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>q1<br/>2007</u> | <u>q4<br/>2006</u> | <u>q3<br/>2006</u> | <u>q2<br/>2006</u> | <u>q1<br/>2006</u> |
|------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| numerator (\$ in millions):                                            |                    |                    |                    |                    |                    |
| total shareholders' equity                                             | \$ 1,233.5         | \$ 1,137.6         | \$ 1,061.6         | \$ 991.3           | \$ 958.5           |
| proceeds from assumed exercise of outstanding warrants                 | 190.1              | 190.1              | 190.6              | 190.6              | -                  |
| proceeds from assumed exercise of outstanding options                  | -                  | -                  | -                  | -                  | -                  |
| book value numerator                                                   | <u>\$ 1,423.6</u>  | <u>\$ 1,327.7</u>  | <u>\$ 1,252.2</u>  | <u>\$ 1,181.9</u>  | <u>\$ 958.5</u>    |
| denominator (in shares):                                               |                    |                    |                    |                    |                    |
| weighted average common voting shares outstanding                      | 195,743,346        | 195,714,144        | 195,713,902        | 195,713,902        | 195,713,902        |
| shares issuable upon exercise of outstanding warrants <sup>(1)</sup>   | 38,012,612         | 38,012,612         | 38,125,831         | 38,125,831         | -                  |
| shares outstanding upon exercise of outstanding options <sup>(1)</sup> | -                  | -                  | -                  | -                  | -                  |
| book value denominator                                                 | <u>233,755,958</u> | <u>233,726,756</u> | <u>233,839,733</u> | <u>233,839,733</u> | <u>195,713,902</u> |
| basic book value per share                                             | <u>\$ 6.30</u>     | <u>\$ 5.81</u>     | <u>\$ 5.42</u>     | <u>\$ 5.07</u>     | <u>\$ 4.90</u>     |
| fully converted book value per share                                   | <u>\$ 6.09</u>     | <u>\$ 5.68</u>     | <u>\$ 5.35</u>     | <u>\$ 5.05</u>     | <u>\$ 4.90</u>     |
| change in fully converted book value per share - quarter               | 7.2%               | 6.2%               | 5.9%               | 3.1%               | 1.2%               |
| change in fully converted book value per share - rolling 12 months     | 24.3%              | 17.4%              | n/a                | n/a                | n/a                |
| compound annual change in fully converted book value per share         | 16.5%              | 13.0%              | 8.9%               | 1.9%               | n/a                |
| change in fully converted book value per share - since inception       | 21.8%              | n/a                | n/a                | n/a                | n/a                |

<sup>(1)</sup> 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.