



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 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 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 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 - 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

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

	q3 2007	q3 2006	% change q3-07 vs. q3-06	ytd 2007	ytd 2006	% change ytd-07 vs. ytd-06
highlights						
gross premiums written	\$ 147.3	\$ 110.7	33%	\$ 598.8	\$ 427.0	40%
net premiums written	140.5	102.9	37%	516.6	348.2	48%
net premiums earned	160.5	80.2	100%	452.6	144.5	213%
net insurance losses and loss adjustment expenses	37.1	12.8	190%	121.4	20.2	501%
net investment income	20.9	13.7	53%	56.2	37.9	48%
net realised gains (losses) and impairments	2.3	2.1	10%	6.7	(1.3)	nm
change in net unrealised gains (losses) on investments	9.8	12.0	-18%	5.6	6.3	-11%
profit after tax for the period attributable to equity shareholders	105.2	52.6	100%	275.6	91.9	200%
net operating income	\$ 103.9	\$ 55.6	87%	\$ 273.6	\$ 109.2	151%
total investments and cash	\$ 1,896.7	\$ 1,283.3	48%			
total shareholders' equity	\$ 1,429.7	\$ 1,061.6	35%			
per share data						
net operating income per share - diluted ⁽¹⁾	\$ 0.50	\$ 0.27		\$ 1.33	\$ 0.54	
profit after tax available to equity shareholders per share - diluted ⁽¹⁾	\$ 0.51	\$ 0.26		\$ 1.34	\$ 0.46	
fully converted book value per share	\$ 6.93	\$ 5.35		\$ 6.93	\$ 5.35	
change in fully converted book value per share	7.9%	5.9%		22.0%	10.5%	
financial ratios						
net loss ratio	23.1%	16.0%		26.8%	14.0%	
net acquisition cost ratio	13.2%	14.6%		13.8%	13.4%	
administrative expense ratio	7.7%	14.0%		8.6%	17.2%	
combined ratio	<u>44.0%</u>	<u>44.6%</u>		<u>49.2%</u>	<u>44.6%</u>	

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

nm - not meaningful

Lancashire Holdings Limited
summary consolidated income statements

	q3 2007	q2 2007	q1 2007	q4 2006	q3 2006	ytd 2007	ytd 2006	full year 2006
gross premiums written	\$ 147.3	\$ 270.8	\$ 180.7	\$ 199.0	\$ 110.7	\$ 598.8	\$ 427.0	\$ 626.0
outwards reinsurance premiums	(6.8)	(69.3)	(6.1)	0.3	(7.8)	(82.2)	(78.8)	(78.5)
net premiums written	140.5	201.5	174.6	199.3	102.9	516.6	348.2	547.5
change in unearned premiums	35.5	(100.8)	(27.6)	(75.3)	(6.4)	(92.9)	(247.8)	(323.1)
change in unearned premiums on premium ceded	(15.5)	51.2	(6.8)	(25.0)	(16.3)	28.9	44.1	19.1
net premiums earned	160.5	151.9	140.2	99.0	80.2	452.6	144.5	243.5
net investment income	20.9	18.6	16.7	16.3	13.7	56.2	37.9	54.2
net other investment income (losses)	(1.5)	(0.7)	(0.1)	1.8	-	(2.3)	-	1.8
net realised gains (losses) and impairments	2.3	2.6	1.8	2.0	2.1	6.7	(1.3)	0.8
net fair value gains on investments at fair value through income	(0.5)	0.3	-	-	-	(0.2)	-	-
share of profit of associate	1.1	1.5	1.3	1.2	2.0	3.9	2.0	3.2
net foreign exchange gains (losses)	1.7	0.4	1.4	(0.1)	(0.1)	3.5	(1.2)	(1.3)
total net revenue	184.5	174.6	161.3	120.2	97.9	520.4	181.9	302.2
insurance losses and loss adjustment expenses	38.1	52.8	32.0	18.8	12.8	122.9	20.2	39.1
insurance losses and loss adjustment expenses recoverable	(1.0)	(0.5)	-	-	-	(1.5)	-	-
net insurance acquisition expenses	21.2	20.9	20.3	15.6	11.7	62.4	19.3	34.9
equity based compensation	4.4	2.7	3.7	6.4	5.5	10.8	16.1	22.5
other operating expenses	12.3	12.8	14.0	9.1	11.2	39.1	24.8	33.9
total expenses	75.0	88.7	70.0	49.9	41.2	233.7	80.4	130.4
profit before tax and finance costs	109.5	85.9	91.3	70.3	56.7	286.7	101.5	171.8
finance costs	4.4	3.1	3.0	2.7	4.1	10.5	9.6	12.3
profit before tax	105.1	82.8	88.3	67.6	52.6	276.2	91.9	159.5
tax	(0.1)	0.3	0.4	0.2	-	0.6	-	0.2
profit after tax for the period attributable to equity shareholders	\$ 105.2	\$ 82.5	\$ 87.9	\$ 67.4	\$ 52.6	\$ 275.6	\$ 91.9	\$ 159.3
net loss ratio	23.1%	34.4%	22.8%	19.0%	16.0%	26.8%	14.0%	16.1%
net acquisition cost ratio	13.2%	13.8%	14.5%	15.8%	14.6%	13.8%	13.4%	14.3%
administrative expense ratio	7.7%	8.4%	10.0%	9.2%	14.0%	8.6%	17.2%	13.9%
combined ratio	44.0%	56.6%	47.3%	44.0%	44.6%	49.2%	44.6%	44.3%
basic earnings per share	\$ 0.54	\$ 0.42	\$ 0.45	\$ 0.34	\$ 0.27	\$ 1.41	\$ 0.47	\$ 0.81
diluted earnings per share	\$ 0.51	\$ 0.40	\$ 0.43	\$ 0.33	\$ 0.26	\$ 1.34	\$ 0.46	\$ 0.79

Lancashire Holdings Limited
premiums by line of business

	<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>q3</u> <u>2006</u>	<u>ytd</u> <u>2007</u>	<u>ytd</u> <u>2006</u>	<u>full year</u> <u>2006</u>
gross premiums written								
property retrocession	\$ 7.4	\$ 28.2	\$ 44.7	\$ 18.4	\$ 8.1	\$ 80.3	\$ 94.4	\$ 112.8
property direct and facultative	18.1	51.0	24.1	51.6	20.7	93.2	59.8	111.4
terrorism	10.3	16.8	12.5	11.5	3.7	39.6	7.4	18.9
property political risk	6.7	4.2	4.0	8.5	(0.1)	14.9	0.9	9.4
property cat excess of loss	8.1	4.3	4.1	-	0.4	16.5	0.6	0.6
other property	1.5	0.9	1.0	1.2	-	3.4	0.2	1.4
total property	<u>52.1</u>	<u>105.4</u>	<u>90.4</u>	<u>91.2</u>	<u>32.8</u>	<u>247.9</u>	<u>163.3</u>	<u>254.5</u>
gulf of mexico offshore energy	36.2	79.5	28.7	16.7	34.4	144.4	155.1	171.8
worldwide offshore energy	15.1	35.2	22.6	12.8	5.1	72.9	29.5	42.3
construction energy	6.0	5.0	0.5	15.8	7.0	11.5	8.7	24.5
onshore energy	5.5	11.2	2.0	4.9	5.3	18.7	8.6	13.5
other energy	2.3	-	0.2	0.1	0.9	2.5	1.7	1.8
total energy	<u>65.1</u>	<u>130.9</u>	<u>54.0</u>	<u>50.3</u>	<u>52.7</u>	<u>250.0</u>	<u>203.6</u>	<u>253.9</u>
marine hull and total loss	5.5	7.3	6.9	15.4	4.9	19.7	10.7	26.1
marine builders risk	7.2	8.9	3.4	1.4	4.7	19.5	9.1	10.5
marine P&I clubs	1.1	1.0	6.6	0.7	1.0	8.7	5.7	6.4
marine excess of loss	-	-	4.4	-	-	4.4	4.3	4.3
marine hull war	2.8	0.8	4.7	2.1	0.4	8.3	2.0	4.1
other marine	-	(0.2)	-	1.7	-	(0.2)	-	1.7
total marine	<u>16.6</u>	<u>17.8</u>	<u>26.0</u>	<u>21.3</u>	<u>11.0</u>	<u>60.4</u>	<u>31.8</u>	<u>53.1</u>
AV 52	10.5	12.4	4.6	29.1	13.2	27.5	27.1	56.2
other aviation	3.0	4.3	5.7	7.1	1.0	13.0	1.2	8.3
total aviation	<u>13.5</u>	<u>16.7</u>	<u>10.3</u>	<u>36.2</u>	<u>14.2</u>	<u>40.5</u>	<u>28.3</u>	<u>64.5</u>
total gross premiums written	<u>\$ 147.3</u>	<u>\$ 270.8</u>	<u>\$ 180.7</u>	<u>\$ 199.0</u>	<u>\$ 110.7</u>	<u>\$ 598.8</u>	<u>\$ 427.0</u>	<u>\$ 626.0</u>

Lancashire Holdings Limited
summary consolidated underwriting segment results

nine months ended september 30, 2007

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 247.9	\$ 250.0	\$ 60.4	\$ 40.5	\$ 598.8
net premiums written	226.5	189.2	60.4	40.5	516.6
net premiums earned	191.6	154.7	51.2	55.1	452.6
net insurance losses and loss adjustment expenses	39.0	55.6	24.5	2.3	121.4
net insurance acquisition expenses	22.4	21.6	10.8	7.6	62.4
other operating expenses	-	-	-	-	39.1
	<u>\$ 130.2</u>	<u>\$ 77.5</u>	<u>\$ 15.9</u>	<u>\$ 45.2</u>	<u>\$ 229.7</u>
net loss ratio	20.4%	35.9%	47.9%	4.2%	26.8%
net acquisition cost ratio	11.7%	14.0%	21.1%	13.8%	13.8%
administrative expense ratio	-	-	-	-	8.6%
combined ratio	<u>32.1%</u>	<u>49.9%</u>	<u>69.0%</u>	<u>18.0%</u>	<u>49.2%</u>

nine months ended september 30, 2006

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 163.3	\$ 203.6	\$ 31.8	\$ 28.3	\$ 427.0
net premiums written	123.5	164.6	31.8	28.3	348.2
net premiums earned	58.0	62.6	13.8	10.1	144.5
net insurance losses and loss adjustment expenses	5.9	9.8	4.5	-	20.2
net insurance acquisition expenses	6.3	8.5	2.4	2.1	19.3
other operating expenses	-	-	-	-	24.8
	<u>\$ 45.8</u>	<u>\$ 44.3</u>	<u>\$ 6.9</u>	<u>\$ 8.0</u>	<u>\$ 80.2</u>
net loss ratio	10.2%	15.7%	32.6%	-	14.0%
net acquisition cost ratio	10.9%	13.6%	17.4%	20.8%	13.4%
administrative expense ratio	-	-	-	-	17.2%
combined ratio	<u>21.1%</u>	<u>29.3%</u>	<u>50.0%</u>	<u>20.8%</u>	<u>44.6%</u>

Lancashire Holdings Limited
property segment - underwriting statement

	<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>q3</u> <u>2006</u>	<u>full year</u> <u>2006</u>
underwriting income						
gross premiums written	\$ 52.1	\$ 105.4	\$ 90.4	\$ 91.2	\$ 32.8	\$ 254.5
outwards reinsurance premiums	(0.7)	(20.7)	-	-	-	(39.8)
net premiums written	<u>51.4</u>	<u>84.7</u>	<u>90.4</u>	<u>91.2</u>	<u>32.8</u>	<u>214.7</u>
change in unearned premiums	22.5	(33.5)	(27.7)	(38.2)	6.9	(123.5)
change in unearned premiums on premium ceded	(5.8)	15.0	(5.4)	(12.5)	(12.5)	7.3
	<u>16.7</u>	<u>(18.5)</u>	<u>(33.1)</u>	<u>(50.7)</u>	<u>(5.6)</u>	<u>(116.2)</u>
net premiums earned	<u>\$ 68.1</u>	<u>\$ 66.2</u>	<u>\$ 57.3</u>	<u>\$ 40.5</u>	<u>\$ 27.2</u>	<u>\$ 98.5</u>
underwriting expenses						
net insurance losses and loss adjustment expenses	6.6	18.1	14.3	7.2	3.8	13.2
net insurance acquisition expenses	8.2	7.6	6.6	4.9	3.1	11.2
total underwriting expenses	<u>14.8</u>	<u>25.7</u>	<u>20.9</u>	<u>12.1</u>	<u>6.9</u>	<u>24.4</u>
net underwriting income	<u>\$ 53.3</u>	<u>\$ 40.5</u>	<u>\$ 36.4</u>	<u>\$ 28.4</u>	<u>\$ 20.3</u>	<u>\$ 74.1</u>
net loss ratio (% of net premiums earned)	9.7%	27.3%	25.0%	17.8%	14.0%	13.4%
net acquisition cost ratio (% of net premiums earned)	<u>12.0%</u>	<u>11.5%</u>	<u>11.5%</u>	<u>12.1%</u>	<u>11.4%</u>	<u>11.4%</u>
	<u>21.7%</u>	<u>38.8%</u>	<u>36.5%</u>	<u>29.9%</u>	<u>25.4%</u>	<u>24.8%</u>

Lancashire Holdings Limited
energy segment - underwriting statement

	<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>q3</u> <u>2006</u>	<u>full year</u> <u>2006</u>
underwriting income						
gross premiums written	\$ 65.1	\$ 130.9	\$ 54.0	\$ 50.3	\$ 52.7	\$ 253.9
outwards reinsurance premiums	(6.1)	(48.6)	(6.1)	0.3	(7.8)	(38.7)
net premiums written	<u>59.0</u>	<u>82.3</u>	<u>47.9</u>	<u>50.6</u>	<u>44.9</u>	<u>215.2</u>
change in unearned premiums	2.7	(66.9)	5.5	6.9	(2.8)	(119.4)
change in unearned premiums on premium ceded	(10.7)	36.2	(1.3)	(12.5)	(3.8)	11.8
	<u>(8.0)</u>	<u>(30.7)</u>	<u>4.2</u>	<u>(5.6)</u>	<u>(6.6)</u>	<u>(107.6)</u>
net premiums earned	<u>\$ 51.0</u>	<u>\$ 51.6</u>	<u>\$ 52.1</u>	<u>\$ 45.0</u>	<u>\$ 38.3</u>	<u>\$ 107.6</u>
underwriting expenses						
net insurance losses and loss adjustment expenses	20.7	22.8	12.1	7.4	6.1	17.2
net insurance acquisition expenses	6.8	7.2	7.6	8.0	5.6	16.5
total underwriting expenses	<u>27.5</u>	<u>30.0</u>	<u>19.7</u>	<u>15.4</u>	<u>11.7</u>	<u>33.7</u>
net underwriting income	<u>\$ 23.5</u>	<u>\$ 21.6</u>	<u>\$ 32.4</u>	<u>\$ 29.6</u>	<u>\$ 26.6</u>	<u>\$ 73.9</u>
net loss ratio (% of net premiums earned)	40.6%	44.2%	23.2%	16.4%	15.9%	16.0%
net acquisition cost ratio (% of net premiums earned)	13.3%	14.0%	14.6%	17.8%	14.6%	15.3%
	<u>53.9%</u>	<u>58.2%</u>	<u>37.8%</u>	<u>34.2%</u>	<u>30.5%</u>	<u>31.3%</u>

Lancashire Holdings Limited
marine segment - underwriting statement

	<u>q3 2007</u>	<u>q2 2007</u>	<u>q1 2007</u>	<u>q4 2006</u>	<u>q3 2006</u>	<u>full year 2006</u>
underwriting income						
gross premiums written	\$ 16.6	\$ 17.8	\$ 26.0	\$ 21.3	\$ 11.0	\$ 53.1
outwards reinsurance premiums	-	-	-	-	-	-
net premiums written	<u>16.6</u>	<u>17.8</u>	<u>26.0</u>	<u>21.3</u>	<u>11.0</u>	<u>53.1</u>
change in unearned premiums	2.9	(1.0)	(11.1)	(10.8)	(3.3)	(28.8)
change in unearned premiums on premium ceded	-	-	-	-	-	-
	<u>2.9</u>	<u>(1.0)</u>	<u>(11.1)</u>	<u>(10.8)</u>	<u>(3.3)</u>	<u>(28.8)</u>
net premiums earned	<u>\$ 19.5</u>	<u>\$ 16.8</u>	<u>\$ 14.9</u>	<u>\$ 10.5</u>	<u>\$ 7.7</u>	<u>\$ 24.3</u>
underwriting expenses						
net insurance losses and loss adjustment expenses	8.9	10.3	5.3	4.2	2.9	8.7
net insurance acquisition expenses	4.4	3.5	2.9	2.2	1.4	4.6
total underwriting expenses	<u>13.3</u>	<u>13.8</u>	<u>8.2</u>	<u>6.4</u>	<u>4.3</u>	<u>13.3</u>
net underwriting income	<u>\$ 6.2</u>	<u>\$ 3.0</u>	<u>\$ 6.7</u>	<u>\$ 4.1</u>	<u>\$ 3.4</u>	<u>\$ 11.0</u>
net loss ratio (% of net premiums earned)	45.6%	61.3%	35.6%	40.0%	37.7%	35.8%
net acquisition cost ratio (% of net premiums earned)	<u>22.6%</u>	<u>20.8%</u>	<u>19.5%</u>	<u>21.0%</u>	<u>18.2%</u>	<u>18.9%</u>
	<u>68.2%</u>	<u>82.1%</u>	<u>55.1%</u>	<u>61.0%</u>	<u>55.9%</u>	<u>54.7%</u>

Lancashire Holdings Limited
aviation segment - underwriting statement

	<u>q3 2007</u>	<u>q2 2007</u>	<u>q1 2007</u>	<u>q4 2006</u>	<u>q3 2006</u>	<u>full year 2006</u>
underwriting income						
gross premiums written	\$ 13.5	\$ 16.7	\$ 10.3	\$ 36.2	\$ 14.2	\$ 64.5
outwards reinsurance premiums	-	-	-	-	-	-
net premiums written	<u>13.5</u>	<u>16.7</u>	<u>10.3</u>	<u>36.2</u>	<u>14.2</u>	<u>64.5</u>
change in unearned premiums	8.4	0.6	5.6	(33.2)	(7.2)	(51.4)
change in unearned premiums on premium ceded	-	-	-	-	-	-
	<u>8.4</u>	<u>0.6</u>	<u>5.6</u>	<u>(33.2)</u>	<u>(7.2)</u>	<u>(51.4)</u>
net premiums earned	<u>\$ 21.9</u>	<u>\$ 17.3</u>	<u>\$ 15.9</u>	<u>\$ 3.0</u>	<u>\$ 7.0</u>	<u>\$ 13.1</u>
underwriting expenses						
net insurance losses and loss adjustment expenses	0.9	1.1	0.3	-	-	-
net insurance acquisition expenses	1.8	2.6	3.2	0.5	1.5	2.6
total underwriting expenses	<u>2.7</u>	<u>3.7</u>	<u>3.5</u>	<u>0.5</u>	<u>1.5</u>	<u>2.6</u>
net underwriting income	<u>\$ 19.2</u>	<u>\$ 13.6</u>	<u>\$ 12.4</u>	<u>\$ 2.5</u>	<u>\$ 5.5</u>	<u>\$ 10.5</u>
net loss ratio (% of net premiums earned)	4.1%	6.4%	1.9%	-	-	-
net acquisition cost ratio (% of net premiums earned)	<u>8.2%</u>	<u>15.0%</u>	<u>20.1%</u>	<u>16.7%</u>	<u>21.4%</u>	<u>19.8%</u>
	<u>12.3%</u>	<u>21.4%</u>	<u>22.0%</u>	<u>16.7%</u>	<u>21.4%</u>	<u>19.8%</u>

Lancashire Holdings Limited
summary consolidated balance sheets

	<u>september 30, 2007</u>	<u>june 30, 2007</u>	<u>march 31, 2007</u>	<u>december 31, 2006</u>	<u>september 30, 2006</u>
assets					
cash and cash equivalents	\$ 539.5	\$ 367.7	\$ 366.6	\$ 400.1	\$ 298.8
accrued interest receivable	10.4	10.5	9.5	7.5	7.6
investments					
- fixed income securities					
- available for sale	1,254.2	1,220.1	1,109.7	896.3	918.4
- at fair value through income	22.6	17.5	-	-	-
- equity securities, available for sale	73.2	68.7	65.2	70.3	66.1
- other investments	7.2	9.3	11.1	11.5	-
reinsurance assets					
- unearned premium on premium ceded	48.0	63.5	12.2	19.1	44.1
- reinsurance recoveries	1.5	0.5	-	-	-
deferred acquisition costs	61.0	63.8	55.7	51.5	34.6
inwards premium receivable from insureds and cedants	176.7	252.1	180.1	173.7	93.6
investment in associate	21.7	21.4	23.6	23.2	22.0
other assets	34.2	16.5	16.4	9.5	23.5
total assets	<u>\$ 2,250.2</u>	<u>\$ 2,111.6</u>	<u>\$ 1,850.1</u>	<u>\$ 1,662.7</u>	<u>\$ 1,508.7</u>
liabilities					
insurance contracts					
- loss and loss adjustment expenses	\$ 158.7	\$ 121.7	\$ 70.1	\$ 39.1	\$ 20.3
- unearned premiums	418.6	454.1	353.3	325.7	250.4
- other payables	7.0	6.2	6.7	3.6	-
amounts payable to reinsurers	29.3	60.8	5.1	2.4	1.4
deferred acquisition costs ceded	6.6	7.1	2.5	2.5	4.7
other payables	69.4	22.2	49.9	23.2	42.8
long-term debt	130.9	129.3	129.0	128.6	127.5
total liabilities	<u>820.5</u>	<u>801.4</u>	<u>616.6</u>	<u>525.1</u>	<u>447.1</u>
shareholders' equity					
share capital	98.0	97.9	97.9	97.9	97.9
share premium	46.0	40.2	37.2	33.6	876.9
contributed surplus	848.1	849.5	849.7	849.7	-
fair value and other reserves	14.3	4.5	13.1	8.7	6.3
retained earnings	423.3	318.1	235.6	147.7	80.5
total shareholders' equity attributable to equity shareholders	<u>\$ 1,429.7</u>	<u>\$ 1,310.2</u>	<u>\$ 1,233.5</u>	<u>\$ 1,137.6</u>	<u>\$ 1,061.6</u>
total liabilities and shareholders' equity	<u>\$ 2,250.2</u>	<u>\$ 2,111.6</u>	<u>\$ 1,850.1</u>	<u>\$ 1,662.7</u>	<u>\$ 1,508.7</u>
basic book value per share	\$ 7.30	\$ 6.69	\$ 6.30	\$ 5.81	\$ 5.42
fully converted book value per share	\$ 6.93	\$ 6.42	\$ 6.09	\$ 5.68	\$ 5.35
change in fully converted book value per share - quarter	7.9%	5.4%	7.2%	6.2%	5.9%
change in fully converted book value per share - rolling 12 months	29.5%	27.1%	24.3%	17.4%	n/a
debt to total capital ratio	8.4%	9.0%	9.5%	10.2%	10.7%

Lancashire Holdings Limited
composition of investment portfolio

	september 30, 2007	%	june 30, 2007	%	march 31, 2007	%	december 31, 2006	%	september 30, 2006	%
type of investment										
short term investments	\$ -	-	\$ -	-	\$ -	-	\$ 6.9	0.5%	\$ 11.9	1.0%
U.S. treasuries	115.8	6.3%	141.0	8.6%	69.4	4.6%	30.8	2.3%	71.0	5.7%
U.S. government agencies	202.4	11.0%	235.1	14.3%	214.7	14.2%	150.4	11.1%	179.8	14.6%
asset backed securities	143.4	7.8%	135.9	8.3%	139.5	9.2%	121.1	9.0%	122.7	9.9%
mortgage backed securities	471.9	25.6%	455.8	27.8%	440.7	29.1%	367.1	27.1%	320.8	26.0%
corporate bonds	304.1	16.5%	229.3	14.0%	209.7	13.8%	191.1	14.1%	181.6	14.7%
convertible debt securities	16.6	0.9%	23.0	1.4%	35.7	2.4%	28.9	2.1%	30.6	2.5%
total fixed income securities	1,254.2	68.1%	1,220.1	74.4%	1,109.7	73.3%	896.3	66.2%	918.4	74.4%
equity securities, available for sale	73.2	4.0%	68.7	4.2%	65.2	4.3%	70.3	5.2%	66.1	5.4%
fixed income securities, at fair value through income	22.6	1.2%	17.5	1.1%	-	-	-	-	-	-
other investments	7.2	0.4%	9.3	0.6%	11.1	0.7%	11.5	0.9%	-	-
managed cash	483.6	26.3%	322.9	19.7%	329.0	21.7%	375.0	27.7%	249.5	20.2%
total investments	\$ 1,840.8	100.0%	\$ 1,638.5	100.0%	\$ 1,515.0	100.0%	\$ 1,353.1	100.0%	\$ 1,234.0	100.0%
credit quality of fixed income securities										
AAA	954.6	76.1%	\$ 979.7	80.2%	\$ 884.6	79.7%	\$ 696.0	77.6%	\$ 722.5	78.7%
AA+, AA, AA-	110.0	8.8%	75.4	6.2%	67.4	6.1%	43.6	4.9%	41.0	4.5%
A+, A, A-	126.3	10.1%	105.6	8.7%	95.7	8.6%	96.5	10.8%	95.8	10.4%
BBB+, BBB, BBB-	53.0	4.2%	52.3	4.3%	52.7	4.8%	51.9	5.8%	51.8	5.6%
other	10.3	0.8%	7.1	0.6%	9.3	0.8%	8.3	0.9%	7.3	0.8%
total	\$ 1,254.2	100.0%	\$ 1,220.1	100.0%	\$ 1,109.7	100.0%	\$ 896.3	100.0%	\$ 918.4	100.0%
securitized holdings sectors and ratings										
commercial										
AAA	133.8	7.3%	134.2	8.2%	129.1	8.5%	115.6	8.5%	100.8	8.2%
duration	2.6		2.8		3.3		3.5		3.3	
residential										
US government and agencies	257.8	14.0%	269.2	16.4%	261.0	17.2%	214.7	15.9%	192.3	15.6%
AAA	86.0	4.7%	84.2	5.1%	86.2	5.7%	66.3	4.9%	56.4	4.6%
duration	2.5		2.6		2.1		2.1		2.3	
consumer										
AAA	137.7	7.5%	104.1	6.4%	103.9	6.9%	91.6	6.8%	94.0	7.6%
duration	1.0		1.0		1.1		1.4		1.6	
other investments and cash	1,225.5	66.5%	1,046.8	63.9%	934.8	61.7%	864.9	63.9%	790.5	64.0%
total investments and cash	\$ 1,840.8	100.0%	\$ 1,638.5	100.0%	\$ 1,515.0	100.0%	\$ 1,353.1	100.0%	\$ 1,234.0	100.0%
	september 30, 2007		june 30, 2007		march 31, 2007		december 31, 2006		september 30, 2006	
average market yield of fixed income securities		5.2%		5.5%		5.2%		5.3%		5.3%
average duration of fixed income securities		2.1 years		2.2 years		2.2 years		2.3 years		2.4 years
average credit quality of fixed income securities		AA+		AA+		AAA-		AA+		AA+

Lancashire Holdings Limited
losses and loss ratios

total	q3 2007	q2 2007	q1 2007	q4 2006	q3 2006
net reserves: start	\$ 121.2	\$ 70.1	\$ 39.1	\$ 20.3	\$ 7.5
paid losses	(1.9)	(1.2)	(1.0)	-	-
net insurance losses	37.1	52.3	32.0	18.8	12.8
foreign exchange	0.8	-	-	-	-
net reserves: end	\$ 157.2	\$ 121.2	\$ 70.1	\$ 39.1	\$ 20.3
net premiums earned	\$ 160.5	\$ 151.9	\$ 140.2	\$ 99.0	\$ 80.2
net loss ratio	23.1%	34.4%	22.8%	19.0%	16.0%
IBNR as % of net reserves	70.2%	68.4%	76.6%	96.9%	98.5%

property	q3 2007	q2 2007	q1 2007	q4 2006	q3 2006
net reserves: start	\$ 45.4	\$ 27.5	\$ 13.2	\$ 6.0	\$ 2.2
paid losses	-	(0.2)	-	-	-
net insurance losses	6.6	18.1	14.3	7.2	3.8
foreign exchange	0.4	-	-	-	-
net reserves: end	\$ 52.4	\$ 45.4	\$ 27.5	\$ 13.2	\$ 6.0
net premiums earned	\$ 68.1	\$ 66.2	\$ 57.3	\$ 40.5	\$ 27.2
net loss ratio	9.7%	27.3%	25.0%	17.8%	14.0%

energy	q3 2007	q2 2007	q1 2007	q4 2006	q3 2006
net reserves: start	\$ 50.6	\$ 28.6	\$ 17.2	\$ 9.8	\$ 3.7
paid losses	(0.8)	(0.8)	(0.7)	-	-
net insurance losses	20.7	22.8	12.1	7.4	6.1
foreign exchange	0.2	-	-	-	-
net reserves: end	\$ 70.7	\$ 50.6	\$ 28.6	\$ 17.2	\$ 9.8
net premiums earned	\$ 51.0	\$ 51.6	\$ 52.1	\$ 45.0	\$ 38.3
net loss ratio	40.6%	44.2%	23.2%	16.4%	15.9%

marine	q3 2007	q2 2007	q1 2007	q4 2006	q3 2006
net reserves: start	\$ 23.8	\$ 13.7	\$ 8.7	\$ 4.5	\$ 1.6
paid losses	(1.1)	(0.2)	(0.3)	-	-
net insurance losses	8.9	10.3	5.3	4.2	2.9
foreign exchange	0.2	-	-	-	-
net reserves: end	\$ 31.8	\$ 23.8	\$ 13.7	\$ 8.7	\$ 4.5
net premiums earned	\$ 19.5	\$ 16.8	\$ 14.9	\$ 10.5	\$ 7.7
net loss ratio	45.6%	61.3%	35.6%	40.0%	37.7%

aviation	q3 2007	q2 2007	q1 2007	q4 2006	q3 2006
net reserves: start	\$ 1.4	\$ 0.3	\$ -	\$ -	\$ -
paid losses	-	-	-	-	-
net insurance losses	0.9	1.1	0.3	-	-
foreign exchange	-	-	-	-	-
net reserves: end	\$ 2.3	\$ 1.4	\$ 0.3	\$ -	\$ -
net premiums earned	\$ 21.9	\$ 17.3	\$ 15.9	\$ 3.0	\$ 7.0
net loss ratio	4.1%	6.4%	1.9%	-	-

Lancashire Holdings Limited
earnings per share

	<u>q3 2007</u>	<u>q3 2006</u>	<u>ytd 2007</u>	<u>ytd 2006</u>	<u>full year 2006</u>
basic earnings per share:					
profit after tax for the period attributable to equity shareholders	\$ 105.2	\$ 52.6	\$ 275.6	\$ 91.9	\$ 159.3
weighted average shares outstanding - basic	195,841,954	195,713,902	195,782,554	195,713,902	195,714,144
basic earnings per share	<u>\$ 0.54</u>	<u>\$ 0.27</u>	<u>\$ 1.41</u>	<u>\$ 0.47</u>	<u>\$ 0.81</u>
diluted earnings per share:					
profit after tax for the period attributable to equity shareholders	\$ 105.2	\$ 52.6	\$ 275.6	\$ 91.9	\$ 159.3
weighted average shares outstanding - basic	195,841,954	195,713,902	195,782,554	195,713,902	195,714,144
dilutive effect of warrants	10,551,842	6,848,713	10,003,673	5,128,375	6,324,907
dilutive effect of stock options	146,100	-	79,552	-	-
weighted average & equivalent shares outstanding - diluted	<u>206,539,896</u>	<u>202,562,615</u>	<u>205,865,779</u>	<u>200,842,277</u>	<u>202,039,051</u>
diluted earnings per share	<u>\$ 0.51</u>	<u>\$ 0.26</u>	<u>\$ 1.34</u>	<u>\$ 0.46</u>	<u>\$ 0.79</u>
diluted operating earnings per share:					
net operating income	\$ 103.9	\$ 55.6	\$ 273.6	\$ 109.2	\$ 180.5
weighted average shares outstanding - basic	195,841,954	195,713,902	195,782,554	195,713,902	195,714,144
dilutive effect of warrants	10,551,842	6,848,713	10,003,673	5,128,375	6,324,907
dilutive effect of stock options	146,100	-	79,552	-	-
weighted average & equivalent shares outstanding - diluted	<u>206,539,896</u>	<u>202,562,615</u>	<u>205,865,779</u>	<u>200,842,277</u>	<u>202,039,051</u>
diluted operating earnings per share	<u>\$ 0.50</u>	<u>\$ 0.27</u>	<u>\$ 1.33</u>	<u>\$ 0.54</u>	<u>\$ 0.89</u>

Lancashire Holdings Limited
basic and fully converted book value per share

	<u>q3 2007</u>	<u>q2 2007</u>	<u>q1 2007</u>	<u>q4 2006</u>	<u>q3 2006</u>
numerator (\$ in millions):					
total shareholders' equity	\$ 1,429.7	\$ 1,310.2	\$ 1,233.5	\$ 1,137.6	\$ 1,061.6
proceeds from assumed exercise of outstanding warrants	186.9	189.4	190.1	190.1	190.6
proceeds from assumed exercise of outstanding options	43.0	14.0	-	-	-
book value numerator	<u>\$ 1,659.6</u>	<u>\$ 1,513.6</u>	<u>\$ 1,423.6</u>	<u>\$ 1,327.7</u>	<u>\$ 1,252.2</u>
denominator (in shares):					
number of common voting shares outstanding	195,924,011	195,775,986	195,743,346	195,743,346	195,713,902
shares issueable upon exercise of outstanding warrants ⁽¹⁾	37,385,525	37,885,525	38,012,612	38,012,612	38,125,831
shares outstanding upon exercise of outstanding options ⁽¹⁾	6,270,956	2,147,769	-	-	-
book value denominator	<u>239,580,492</u>	<u>235,809,280</u>	<u>233,755,958</u>	<u>233,755,958</u>	<u>233,839,733</u>
basic book value per share	<u>\$ 7.30</u>	<u>\$ 6.69</u>	<u>\$ 6.30</u>	<u>\$ 5.81</u>	<u>\$ 5.42</u>
fully converted book value per share	<u>\$ 6.93</u>	<u>\$ 6.42</u>	<u>\$ 6.09</u>	<u>\$ 5.68</u>	<u>\$ 5.35</u>
change in fully converted book value per share - quarter	7.9%	5.4%	7.2%	6.2%	5.9%
change in fully converted book value per share - rolling 12 months	29.5%	27.1%	24.3%	17.4%	n/a
compound annual change in fully converted book value per share	20.0%	17.6%	16.5%	13.0%	8.9%
change in fully converted book value per share - since inception	38.6%	28.4%	21.8%	n/a	n/a

⁽¹⁾ Where book value 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.