LANCASHIRE HOLDINGS LIMITED

Fully converted book value per share grows 5.0% in Q1 2008
Combined ratio 61.2%

Hamilton, Bermuda, 29 April 2008

Lancashire Holdings Limited ("Lancashire" or "the Company") today announces its first quarter results for the three month period ended 31 March 2008.

In a quarter with extensive industry insurance losses, softening rates and highly volatile investment markets, Lancashire has produced an excellent return for shareholders.

Financial highlights for the first quarter of 2008:

- Return on equity of 5.0%, measured as the growth in fully converted book value per share plus dividends. Compound annual return on equity since inception is 22.2%;
- Gross written premiums of $186.7 million. Net written premiums of $141.9 million;
- Loss ratio of 38.9% and a combined ratio of 61.2%;
- Total annualised investment return of 5.2%, including net investment income, realised gains and losses, and unrealised gains and losses;
- Net income after tax of $84.6 million, or $0.45 diluted earnings per share.

The Company also announces that on 29 April 2008 its Board of Directors approved a share repurchase program which authorises the Company to repurchase its own shares by way of market purchases, tender offers, accelerated purchase programs or privately negotiated transactions, up to an aggregate purchase price of $100 million.

Richard Brindle, Group Chief Executive Officer, commented:

"I am extremely pleased to report a very strong performance by Lancashire. In the first quarter the industry suffered a number of severe property risk losses. Lancashire is a major insurer in this sector. It is therefore a great testament to our underwriting team that Lancashire has produced a 39% loss ratio in such a challenging period. Our estimated loss from the property risk events in the first quarter is between $20 and $25 million, gross and net. In the context of losses in this sector estimated at up to six billion dollars, together with cat losses of approximately three to four billion dollars, this is solid evidence of our underwriting strength."

"Losses from the credit crisis are accelerating. The investment markets are rightly cautious about the financial consequences for insurers writing D&O or E&O risks, or holding investment classes suffering material write-downs. Lancashire is not one of these companies. We do not write insurance classes exposed to credit crisis losses and we maintain a particularly unadventurous investment portfolio. We made the decision in late 2007 to exit all non-agency structured product sectors. The carnage of the first quarter confirmed that was absolutely the right thing to do. Investors should take great comfort that our balance sheet is stronger than ever."

Neil McConachie, Chief Financial Officer and Chief Risk Officer, commented:

"Our investment strategy is conservative at the best of times, even more so in recent months. Rule number one is 'Don't lose your money'. Happily, we achieved that in the first quarter. The risk profile of our portfolio is unusually low right now. Thus, our down-side risk to further sudden market shocks is well-contained. An added bonus is that our short duration stance positions us well for the possibility of a weakening bond market in the remainder of 2008."

"Capital requirements are continually assessed. Our stated aim is to maximise return within agreed tolerances of risk. The trading environment changes quickly and at this time we are reducing overall enterprise risk, not increasing it. Maintaining the flexibility to efficiently match capital to the existing environment is important. To enhance this flexibility, our board of directors have authorised a $100 million share repurchase."

Underwriting results

Gross written premiums increased 3.3% in the first quarter of 2008 compared to the same period in 2007. The first quarter contains the majority of the retrocession renewals, a class where rates have held up relatively well. Subsequent quarters are expected to experience premium reductions. Lancashire is being highly selective when binding catastrophe-exposed deals. Many such contracts renew before June 30 and the second quarter 2008 written premiums will be materially lower than the second quarter of 2007. Many programs continue to offer an acceptable return on allocated capital. Nonetheless there are also a growing number of deals currently being placed in the market that don't meet our requirements. Consequently, Lancashire's gross and net exposure to U.S. windstorm risk will be materially lower heading into the 2008 hurricane season than it was in 2007.

Net written premiums decreased 18.7% in the first quarter of 2008 compared to the same period in 2007. In the three months to 31 March 2008, we purchased a greater level of reinsurance protection than was purchased in the same period in 2007. In 2008, there is a material increase in reinsurance cover for programs not exposed to natural catastrophes compared to 2007, reducing potential earnings volatility from risk losses. Lancashire's gross exposure to natural catastrophes in general is significantly less than a year ago, particularly with respect to the U.S. wind and quake perils. This has lessened the need for reinsurance dedicated to natural catastrophes. In 2007, a significant amount of energy premium was ceded to Sirocco Re, the Lancashire sponsored sidecar which has not been renewed for 2008. As a result, ceded premium in the second quarter of 2008 will be lower than it was in the second quarter of 2007.

Net earned premiums as a proportion of net written premiums were 119.1% in the first quarter of 2008 compared to 80.3% in the same period in 2007. This difference is driven by a portfolio which is now mature compared to a book of business which was still in the growth phase one year earlier.

The loss ratio of 38.9% for the three months to 31 March 2008 reflects a very good underwriting performance despite a high level of industry losses in classes written by Lancashire. $3.2 million of prior year net reserves were released in the quarter.

Investments

Net investment income was $17.7 million for the first quarter, an increase of 6.0% over the first quarter of 2007. The increase in investment income is due to an 18% increase in invested assets and cash year on year, offset by lower yields.

Total investment return, incorporating net investment income, net realised gains and losses and net unrealised gains and losses, was $22.7 million in the quarter, a decrease of 0.9% compared to the first quarter of 2007. Total investment return was higher than net investment income due primarily to gains realised from the sale of fixed income assets. Equity markets were weak in the quarter. Lancashire's small equity portfolio declined 3.8%, performing well on a relative basis to the 9.5% fall in the S&P 500.

Other operating expenses of $11.7 million in the first quarter of 2008 are $2.3 million lower than that of the first quarter in 2007 primarily due to a one off credit in the first quarter of 2008 of $2.9 million.

Capital

At 31 March 2008, total capital was $1.431 billion, comprising shareholders' equity of $1.296 billion and $134.9 million of long-term debt. Leverage was 9.4%. Total capital at 31 March 2007 was $1.362 billion.

Outlook

Lancashire aims to achieve a cross-cycle return of 13% above a risk free rate. This is unchanged from previous guidance.

Further detail of our 2008 first quarter results can be obtained from our Financial Supplement. This can be accessed via our website www.lancashiregroup.com.

Investor Presentation and Earnings Call

There will be an investor conference call on the results at 12.00 UK time / 07:00 EST on Wednesday 30 April 2008. This call will be hosted by Richard Brindle, Chief Executive Officer; Simon Burton, Deputy Chief Executive; and Neil McConachie, Chief Financial Officer and Chief Risk Officer. The call can be accessed by dialing 0845 146 2004/+1 866 434 1089 with the passcode 42013256.

The call can also be accessed via webcast, please go to our website (www.lancashiregroup.com) to access.

A replay facility will be available for two weeks until Wednesday 14 May. The dial in number for the replay facility is 0845 146 2004/ +1 866 434 1089 and the passcode is 42013256. A replay facility can also be accessed at www.lancashiregroup.com .

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Investor enquiries and questions can also be directed to investors@lancashiregroup.com or by accessing the Company's website www.lancashiregroup.com.

consolidated balance sheet

(unaudited)	march 31, 2008	december 31, 2007
	$m	$m
assets		
cash and cash equivalents	610.0	737.3
accrued interest receivable	6.8	9.8
investments		
- fixed income securities		
- available for sale	1,109.6	1,069.7
- at fair value through income	23.9	23.5
- equity securities, available for sale	75.8	71.6
- other investments	3.5	4.4
reinsurance assets		
- unearned premium on premium ceded	43.5	19.6
- reinsurance recoveries	4.9	3.6
- other receivables	-	8.2
deferred acquisition costs	59.3	57.8
inwards premium receivable from insureds and cedants	207.5	198.2
investment in associate	3.6	22.9
other assets	21.3	8.1
total assets	2,169.7	2,234.7
liabilities		
insurance contracts		
- loss and loss adjustment expenses	236.0	179.6
- unearned premiums	378.6	381.9
- other payables	10.0	16.5
amounts payable to reinsurers	33.3	5.7
deferred acquisition costs ceded	3.8	3.0
other payables	76.8	300.1
long-term debt	134.9	132.3
total liabilities	873.4	1,019.1
shareholders' equity		
share capital	91.1	91.1
share premium	48.0	49.5
contributed surplus	754.8	754.8
fair value and other reserves	18.2	20.7
dividends	0.1	(239.1)
retained earnings	384.1	538.6
total shareholders' equity attributable to equity shareholders	1,296.3	1,215.6
total liabilities and shareholders' equity	2,169.7	2,234.7
basic book value per share	$7.11	$6.67
fully converted book value per share	$6.70	$6.38

consolidated income statement

(unaudited)

	quarter 1 2008 $m	quarter 1 2007 $m
gross premiums written	186.7	180.7
outwards reinsurance premiums	(44.8)	(6.1)
net premiums written	141.9	174.6
change in unearned premiums	3.2	(27.6)
change in unearned premiums on premium ceded	23.9	(6.8)
net premiums earned	169.0	140.2
net investment income	17.7	16.7
net realised gains and impairments	7.5	1.8
share of profit (loss) of associate	(0.1)	1.3
net foreign exchange gains	0.3	1.4
net other investment losses	(1.2)	(0.1)
total net revenue	193.2	161.3
insurance losses and loss adjustment expenses	66.9	32.0
insurance losses and loss adjustment expenses recoverable	(1.2)	-
net insurance acquisition expenses	26.0	20.3
equity based compensation	(1.5)	3.7
other operating expenses	11.7	14.0
total expenses	101.9	70.0
profit before tax and finance costs	91.3	91.3
finance costs	4.9	3.0
profit before tax	86.4	88.3
tax	1.8	0.4
profit after tax	84.6	87.9
net loss ratio	38.9%	22.8%
net acquisition cost ratio	15.4%	14.5%
administrative expense ratio	6.9%	10.0%
combined ratio	61.2%	47.3%
basic earnings per share	$0.46	$0.45
diluted earnings per share	$0.45	$0.43
change in fully converted book value per share	5.0%	7.2%

consolidated cash flow statement

(unaudited)

	quarter 1 2008 $m	quarter 1 2007 $m
cash flows from operating activities		
profit before tax	86.4	88.3
tax paid	(0.5)	-
depreciation	0.3	0.3
interest expense	2.8	2.8
interest income	(16.2)	(16.6)
dividend income	(0.2)	(0.2)
amortisation of fixed income securities	(0.3)	(0.3)
employee benefit expense	(1.5)	3.7
foreign exchange	0.2	(1.1)
share of loss (profit) of associate	0.1	(1.3)
net unrealised losses on other investments	0.5	0.1
net realised gains and impairments on investments	(7.5)	(1.8)
net fair value losses on investments at fair value through income	0.7	-
unrealised loss on interest rate swaps	1.8	0.2
reinsurance assets		
- unearned premium on premium ceded	(23.9)	6.9
- reinsurance recoveries	(1.3)	-
- other receivables	8.2	-
deferred acquisition costs	(1.5)	(4.2)
other receivables	(15.0)	(6.4)
inwards premium receivable from insureds and cedants	(6.3)	(6.5)
insurance contracts		
- losses and loss adjustment expenses	54.5	30.9
- unearned premiums	(3.2)	27.6
- other payables	(6.1)	1.5
amounts payable to reinsurers	27.6	4.3
deferred acquisition costs ceded	0.8	-
other payables	23.3	26.2
net cash flows from operating activities	**123.7**	**154.4**
cash flows used in investing activities		
interest received	19.3	14.6
dividends received	0.2	0.2
purchase of property, plant and equipment	-	(0.8)
dividends received from associate	19.2	0.8
purchase of fixed income securities	(886.2)	(526.3)
purchase of equity securities	(9.3)	(6.7)
proceeds on maturity and disposal of debt securities	853.9	316.3
proceeds on disposal of equity securities	2.2	14.6
net proceeds on other investments	0.1	0.6
net cash flows used in investing activities	**(0.6)**	**(186.7)**
cash flows used in financing activities		
interest paid	(2.9)	(2.8)
dividends paid	(238.2)	-
shares repurchased	(10.5)	-
net cash flows used in financing activities	**(251.6)**	**(2.8)**
net decrease in cash and cash equivalents	**(128.5)**	**(35.1)**
cash and cash equivalents at beginning of period	737.3	400.1
effect of exchange rate fluctuations on cash and cash equivalents	1.2	1.6
cash and cash equivalents at end of period	**610.0**	**366.6**

About Lancashire

Lancashire, through its UK and Bermuda-based insurance subsidiaries, is a global provider of specialty insurance products. Its insurance subsidiaries carry the Lancashire group rating of A minus (Excellent) from A.M. Best with a stable outlook. Lancashire has capital in excess of $1 billion and its Common Shares trade on AIM under the ticker symbol LRE. Lancashire is headquartered at Mintflower Place, 8 Par-La-Ville Road, Hamilton HM 08, Bermuda. The mailing address is Lancashire Holdings Limited, P.O. Box HM 2358, Hamilton HM HX, Bermuda. For more information on Lancashire, visit the company's website at www.lancashiregroup.com

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