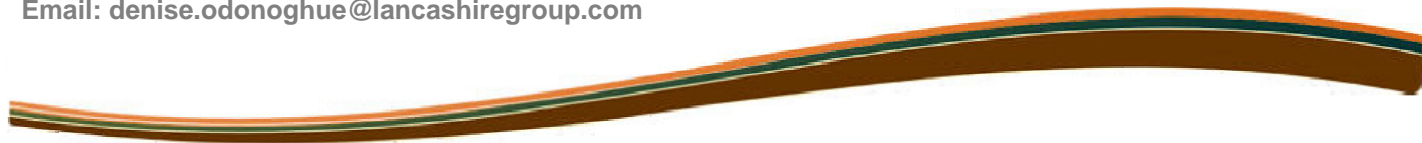




financial supplement

march 31, 2008

Contact: Denise O'Donoghue - Corporate Finance Officer
Telephone: (441) 278 8416
Email: denise.odonoghue@lancashiregroup.com



NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS "BELIEVES", "ANTICIPATES", "PLANS", "PROJECTS", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "WILL", "SEEKS", "SHOULD", OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDING, WITHOUT LIMITATION, THOSE REGARDING THE GROUP'S FINANCIAL POSITION, RESULTS OF OPERATIONS, LIQUIDITY, PROSPECTS, GROWTH, BUSINESS STRATEGY, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS (INCLUDING DEVELOPMENT PLANS AND OBJECTIVES RELATING TO THE GROUP'S INSURANCE BUSINESS) ARE FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE GROUP TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO:

THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT WE WRITE AT THE RENEWAL PERIODS; THE PREMIUM RATES AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN OUR TARGETED BUSINESS LINES; THE ABSENCE OF LARGE OR UNUSUALLY FREQUENT LOSS EVENTS; THE IMPACT THAT OUR FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN OUR UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; LOSS OF KEY PERSONNEL; A DECLINE IN OUR OPERATING SUBSIDIARIES' RATING WITH A.M. BEST COMPANY; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; A CYCLICAL DOWNTURN OF THE INDUSTRY; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE LANCASHIRE CONDUCTS BUSINESS; LANCASHIRE OR ITS BERMUDIAN SUBSIDIARY BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE UNITED KINGDOM; AND THE EFFECTIVENESS OF OUR LOSS LIMITATION METHODS.

THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF ANNOUNCEMENT OR OTHER INFORMATION CONCERNED. LANCASHIRE HOLDINGS LIMITED EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS (INCLUDING THE AIM RULES)) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

Lancashire Holdings Limited
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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 UNION. WHERE IFRS IS SILENT, AS IT IS IN RESPECT OF THE MEASUREMENT OF INSURANCE PRODUCTS, THE IFRS FRAMEWORK ALLOWS REFERENCE TO ANOTHER COMPREHENSIVE BODY OF ACCOUNTING PRINCIPLES. IN SUCH INSTANCES, MANAGEMENT DETERMINES APPROPRIATE MEASUREMENT BASES, TO PROVIDE THE MOST USEFUL INFORMATION TO USERS OF THE CONSOLIDATED FINANCIAL STATEMENTS, USING THEIR JUDGEMENT AND CONSIDERING THE ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES ("US GAAP").

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

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

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

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

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

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

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

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

CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE ADJUSTED FOR DIVIDENDS - THE CALCULATION IS THE INTERNAL RATE OF RETURN OF THE INCREASE IN FULLY CONVERTED BOOK VALUE PER SHARE IN THE PERIOD PLUS DIVIDENDS ACCRUED.

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

COMPOUND ANNUAL CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE ADJUSTED FOR DIVIDENDS ABOVE 3 MONTH LIBOR - THE CALCULATION IS THE INTERNAL RATE OF RETURN ON THE MOVEMENT IN FULLY CONVERTED BOOK VALUE SINCE INCEPTION ON AN ANNUALISED BASIS PLUS DIVIDENDS ACCRUED LESS ANNUALISED 3 MONTH LIBOR

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

	<u>q1</u> <u>2008</u>	<u>q1</u> <u>2007</u>	<u>% change</u> <u>q1-08 vs.</u> <u>q1-07</u>
highlights			
gross premiums written	\$ 186.7	\$ 180.7	3%
net premiums written	141.9	174.6	-19%
net premiums earned	169.0	140.2	21%
net insurance losses	65.7	32.0	105%
net investment income	17.7	16.7	6%
net realised gains and impairments	7.5	1.8	317%
change in net unrealised gains on investments	(2.5)	4.4	-157%
profit after tax	84.6	87.9	-4%
net operating income ⁽¹⁾	\$ 73.2	\$ 88.1	-17%
total investments and cash	\$ 1,822.8	\$ 1,552.6	17%
total shareholders' equity	\$ 1,296.3	\$ 1,233.5	5%
per share data			
net operating income per share - diluted ⁽²⁾	\$ 0.39	\$ 0.43	
profit after tax per share - diluted ⁽²⁾	\$ 0.45	\$ 0.43	
FCBVS ⁽³⁾	\$ 6.70	\$ 6.09	
change in FCBVS adj for dividends ⁽⁴⁾	5.0%	7.2%	
financial ratios			
net loss ratio	38.9%	22.8%	
net acquisition cost ratio	15.4%	14.5%	
administrative expense ratio	6.9%	10.0%	
combined ratio	<u>61.2%</u>	<u>47.3%</u>	

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

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

⁽³⁾ FCBVS = fully converted book value per share

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

nm - not meaningful

Lancashire Holdings Limited
summary consolidated income statements

	q1 2008	q4 2007	q3 2007	q2 2007	q1 2007	full year 2007
gross premiums written	\$ 186.7	\$ 154.3	\$ 147.3	\$ 270.8	\$ 180.7	\$ 753.1
outwards reinsurance premiums	(44.8)	(4.1)	(6.8)	(69.3)	(6.1)	(86.3)
net premiums written	141.9	150.2	140.5	201.5	174.6	666.8
change in unearned premiums	3.2	36.8	35.5	(100.8)	(27.6)	(56.1)
change in unearned premiums on premium ceded	23.9	(28.4)	(15.5)	51.2	(6.8)	0.5
net premiums earned	169.0	158.6	160.5	151.9	140.2	611.2
net investment income	17.7	22.2	20.9	18.6	16.7	78.4
net other investment losses	(0.5)	(1.0)	(1.5)	(0.7)	(0.1)	(3.3)
net realised gains and impairments	7.5	2.4	2.3	2.6	1.8	9.1
net fair value gains (losses) on investments	(0.7)	0.6	(0.5)	0.3	-	0.4
share of profit (loss) of associate	(0.1)	2.3	1.1	1.5	1.3	6.2
net foreign exchange gains (losses)	0.3	(1.2)	1.7	0.4	1.4	2.3
total net revenue	193.2	183.9	184.5	174.6	161.3	704.3
insurance losses	66.9	27.1	38.1	52.8	32.0	150.0
insurance losses recoverable	(1.2)	(2.2)	(1.0)	(0.5)	-	(3.7)
net insurance acquisition expenses	26.0	14.1	21.2	20.9	20.3	76.5
equity based compensation	(1.5)	3.6	4.4	2.7	3.7	14.4
other operating expenses	11.7	21.4	12.3	12.8	14.0	60.5
total expenses	101.9	64.0	75.0	88.7	70.0	297.7
profit before tax and finance costs	91.3	119.9	109.5	85.9	91.3	406.6
finance costs	4.9	4.2	4.4	3.1	3.0	14.7
profit before tax	86.4	115.7	105.1	82.8	88.3	391.9
tax	1.8	0.4	(0.1)	0.3	0.4	1.0
profit after tax	\$ 84.6	\$ 115.3	\$ 105.2	\$ 82.5	\$ 87.9	\$ 390.9
net loss ratio	38.9%	15.7%	23.1%	34.4%	22.8%	23.9%
net acquisition cost ratio	15.4%	8.9%	13.2%	13.8%	14.5%	12.5%
administrative expense ratio	6.9%	13.5%	7.7%	8.4%	10.0%	9.9%
combined ratio	61.2%	38.1%	44.0%	56.6%	47.3%	46.3%
basic earnings per share	\$ 0.46	\$ 0.61	\$ 0.54	\$ 0.42	\$ 0.45	\$ 2.01
diluted earnings per share	\$ 0.45	\$ 0.57	\$ 0.51	\$ 0.40	\$ 0.43	\$ 1.91

Lancashire Holdings Limited
premiums by line of business

	<u>q1 2008</u>	<u>q4 2007</u>	<u>q3 2007</u>	<u>q2 2007</u>	<u>q1 2007</u>	<u>full year 2007</u>
gross premiums written						
property direct and facultative	\$ 22.7	\$ 29.6	\$ 18.1	\$ 51.0	\$ 24.1	\$ 122.8
property retrocession	43.3	8.2	7.4	28.2	44.7	88.5
terrorism	16.3	17.0	10.3	16.8	12.5	56.6
property cat excess of loss	9.6	2.8	8.1	4.3	4.1	19.3
property political risk	9.9	2.0	6.7	4.2	4.0	16.9
other property	0.6	1.8	1.5	0.9	1.0	5.2
total property	<u>102.4</u>	<u>61.4</u>	<u>52.1</u>	<u>105.4</u>	<u>90.4</u>	<u>309.3</u>
gulf of mexico offshore energy	15.9	13.1	36.2	79.5	28.7	157.5
worldwide offshore energy	19.1	(0.2)	15.1	35.2	22.6	72.7
onshore energy	3.1	6.6	5.5	11.2	2.0	25.3
construction energy	5.4	13.0	6.0	5.0	0.5	24.5
other energy	0.4	0.2	2.3	-	0.2	2.7
total energy	<u>43.9</u>	<u>32.7</u>	<u>65.1</u>	<u>130.9</u>	<u>54.0</u>	<u>282.7</u>
marine hull and total loss	10.3	9.7	5.5	7.3	6.9	29.4
marine builders risk	9.2	2.8	7.2	8.9	3.4	22.3
marine hull war	5.4	3.1	2.8	0.8	4.7	11.4
marine P&I clubs	8.3	0.7	1.1	1.0	6.6	9.4
marine excess of loss	-	-	-	-	4.4	4.4
other marine	0.2	0.2	-	(0.2)	-	-
total marine	<u>33.4</u>	<u>16.5</u>	<u>16.6</u>	<u>17.8</u>	<u>26.0</u>	<u>76.9</u>
AV 52	3.1	35.6	10.5	12.4	4.6	63.1
other aviation	3.9	8.1	3.0	4.3	5.7	21.1
total aviation	<u>7.0</u>	<u>43.7</u>	<u>13.5</u>	<u>16.7</u>	<u>10.3</u>	<u>84.2</u>
total gross premiums written	<u><u>\$ 186.7</u></u>	<u><u>\$ 154.3</u></u>	<u><u>\$ 147.3</u></u>	<u><u>\$ 270.8</u></u>	<u><u>\$ 180.7</u></u>	<u><u>\$ 753.1</u></u>

Lancashire Holdings Limited
summary consolidated underwriting segment results

three months ended march 31, 2008

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 102.4	\$ 43.9	\$ 33.4	\$ 7.0	\$ 186.7
net premiums written	80.0	32.1	24.0	5.8	141.9
net premiums earned	66.4	60.6	20.1	21.9	169.0
net insurance losses	35.7	16.5	11.6	1.9	65.7
net insurance acquisition expenses	8.2	8.6	5.2	4.0	26.0
other operating expenses	-	-	-	-	11.7
	<u>\$ 22.5</u>	<u>\$ 35.5</u>	<u>\$ 3.3</u>	<u>\$ 16.0</u>	<u>\$ 65.6</u>
net loss ratio	53.8%	27.2%	57.7%	8.7%	38.9%
net acquisition cost ratio	12.3%	14.2%	25.9%	18.3%	15.4%
administrative expense ratio	-	-	-	-	6.9%
combined ratio	<u>66.1%</u>	<u>41.4%</u>	<u>83.6%</u>	<u>27.0%</u>	<u>61.2%</u>

twelve months ended december 31, 2007

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 309.3	\$ 282.7	\$ 76.9	\$ 84.2	\$ 753.1
net premiums written	286.3	219.4	76.9	84.2	666.8
net premiums earned	262.4	203.6	69.0	76.2	611.2
net insurance losses	36.8	67.6	38.0	3.9	146.3
net insurance acquisition expenses	31.3	19.3	14.9	11.0	76.5
other operating expenses	-	-	-	-	60.5
	<u>\$ 194.3</u>	<u>\$ 116.7</u>	<u>\$ 16.1</u>	<u>\$ 61.3</u>	<u>\$ 327.9</u>
net loss ratio	14.0%	33.2%	55.1%	5.1%	23.9%
net acquisition cost ratio	11.9%	9.5%	21.6%	14.4%	12.5%
administrative expense ratio	-	-	-	-	9.9%
combined ratio	<u>25.9%</u>	<u>42.7%</u>	<u>76.7%</u>	<u>19.5%</u>	<u>46.3%</u>

Lancashire Holdings Limited
property segment - underwriting statement

	<u>q1 2008</u>	<u>q4 2007</u>	<u>q3 2007</u>	<u>q2 2007</u>	<u>q1 2007</u>	<u>full year 2007</u>
underwriting income						
gross premiums written	\$ 102.4	\$ 61.4	\$ 52.1	\$ 105.4	\$ 90.4	\$ 309.3
outwards reinsurance premiums	(22.4)	(1.6)	(0.7)	(20.7)	-	(23.0)
net premiums written	<u>80.0</u>	<u>59.8</u>	<u>51.4</u>	<u>84.7</u>	<u>90.4</u>	<u>286.3</u>
change in unearned premiums	(26.3)	15.9	21.5	(33.5)	(27.7)	(23.8)
change in unearned premiums on premium ceded	12.7	(4.9)	(4.8)	15.0	(5.4)	(0.1)
	<u>(13.6)</u>	<u>11.0</u>	<u>16.7</u>	<u>(18.5)</u>	<u>(33.1)</u>	<u>(23.9)</u>
net premiums earned	<u>\$ 66.4</u>	<u>\$ 70.8</u>	<u>\$ 68.1</u>	<u>\$ 66.2</u>	<u>\$ 57.3</u>	<u>\$ 262.4</u>
underwriting expenses						
net insurance losses	35.7	(2.2)	6.6	18.1	14.3	36.8
net insurance acquisition expenses	8.2	8.9	8.2	7.6	6.6	31.3
total underwriting expenses	<u>43.9</u>	<u>6.7</u>	<u>14.8</u>	<u>25.7</u>	<u>20.9</u>	<u>68.1</u>
net underwriting income	<u>\$ 22.5</u>	<u>\$ 64.1</u>	<u>\$ 53.3</u>	<u>\$ 40.5</u>	<u>\$ 36.4</u>	<u>\$ 194.3</u>
net loss ratio (% of net premiums earned)	53.8%	-3.1%	9.7%	27.3%	25.0%	14.0%
net acquisition cost ratio (% of net premiums earned)	12.3%	12.6%	12.0%	11.5%	11.5%	11.9%
	<u>66.1%</u>	<u>9.5%</u>	<u>21.7%</u>	<u>38.8%</u>	<u>36.5%</u>	<u>25.9%</u>

Lancashire Holdings Limited
energy segment - underwriting statement

	<u>q1 2008</u>	<u>q4 2007</u>	<u>q3 2007</u>	<u>q2 2007</u>	<u>q1 2007</u>	<u>full year 2007</u>
underwriting income						
gross premiums written	\$ 43.9	\$ 32.7	\$ 65.1	\$ 130.9	\$ 54.0	\$ 282.7
outwards reinsurance premiums	(11.8)	(2.5)	(6.1)	(48.6)	(6.1)	(63.3)
net premiums written	<u>32.1</u>	<u>30.2</u>	<u>59.0</u>	<u>82.3</u>	<u>47.9</u>	<u>219.4</u>
change in unearned premiums	25.4	42.3	2.7	(66.9)	5.5	(16.4)
change in unearned premiums on premium ceded	3.1	(23.6)	(10.7)	36.2	(1.3)	0.6
	<u>28.5</u>	<u>18.7</u>	<u>(8.0)</u>	<u>(30.7)</u>	<u>4.2</u>	<u>(15.8)</u>
net premiums earned	<u>\$ 60.6</u>	<u>\$ 48.9</u>	<u>\$ 51.0</u>	<u>\$ 51.6</u>	<u>\$ 52.1</u>	<u>\$ 203.6</u>
underwriting expenses						
net insurance losses	16.5	12.0	20.7	22.8	12.1	67.6
net insurance acquisition expenses	8.6	(2.3)	6.8	7.2	7.6	19.3
total underwriting expenses	<u>25.1</u>	<u>9.7</u>	<u>27.5</u>	<u>30.0</u>	<u>19.7</u>	<u>86.9</u>
net underwriting income	<u>\$ 35.5</u>	<u>\$ 39.2</u>	<u>\$ 23.5</u>	<u>\$ 21.6</u>	<u>\$ 32.4</u>	<u>\$ 116.7</u>
net loss ratio (% of net premiums earned)	27.2%	24.5%	40.6%	44.2%	23.2%	33.2%
net acquisition cost ratio (% of net premiums earned)	<u>14.2%</u>	<u>-4.7%</u>	<u>13.3%</u>	<u>14.0%</u>	<u>14.6%</u>	<u>9.5%</u>
	<u>41.4%</u>	<u>19.8%</u>	<u>53.9%</u>	<u>58.2%</u>	<u>37.8%</u>	<u>42.7%</u>

Lancashire Holdings Limited
marine segment - underwriting statement

	<u>q1 2008</u>	<u>q4 2007</u>	<u>q3 2007</u>	<u>q2 2007</u>	<u>q1 2007</u>	<u>full year 2007</u>
underwriting income						
gross premiums written	\$ 33.4	\$ 16.5	\$ 16.6	\$ 17.8	\$ 26.0	\$ 76.9
outwards reinsurance premiums	(9.4)	-	-	-	-	-
net premiums written	<u>24.0</u>	<u>16.5</u>	<u>16.6</u>	<u>17.8</u>	<u>26.0</u>	<u>76.9</u>
change in unearned premiums	(11.0)	1.3	2.9	(1.0)	(11.1)	(7.9)
change in unearned premiums on premium ceded	7.1	-	-	-	-	-
	<u>(3.9)</u>	<u>1.3</u>	<u>2.9</u>	<u>(1.0)</u>	<u>(11.1)</u>	<u>(7.9)</u>
net premiums earned	<u>\$ 20.1</u>	<u>\$ 17.8</u>	<u>\$ 19.5</u>	<u>\$ 16.8</u>	<u>\$ 14.9</u>	<u>\$ 69.0</u>
underwriting expenses						
net insurance losses	11.6	13.5	8.9	10.3	5.3	38.0
net insurance acquisition expenses	5.2	4.1	4.4	3.5	2.9	14.9
total underwriting expenses	<u>16.8</u>	<u>17.6</u>	<u>13.3</u>	<u>13.8</u>	<u>8.2</u>	<u>52.9</u>
net underwriting income	<u>\$ 3.3</u>	<u>\$ 0.2</u>	<u>\$ 6.2</u>	<u>\$ 3.0</u>	<u>\$ 6.7</u>	<u>\$ 16.1</u>
net loss ratio (% of net premiums earned)	57.7%	75.8%	45.6%	61.3%	35.6%	55.1%
net acquisition cost ratio (% of net premiums earned)	<u>25.9%</u>	<u>23.0%</u>	<u>22.6%</u>	<u>20.8%</u>	<u>19.5%</u>	<u>21.6%</u>
	<u>83.6%</u>	<u>98.8%</u>	<u>68.2%</u>	<u>82.1%</u>	<u>55.1%</u>	<u>76.7%</u>

Lancashire Holdings Limited
aviation segment - underwriting statement

	<u>q1 2008</u>	<u>q4 2007</u>	<u>q3 2007</u>	<u>q2 2007</u>	<u>q1 2007</u>	<u>full year 2007</u>
underwriting income						
gross premiums written	\$ 7.0	\$ 43.7	\$ 13.5	\$ 16.7	\$ 10.3	\$ 84.2
outwards reinsurance premiums	(1.2)	-	-	-	-	-
net premiums written	<u>5.8</u>	<u>43.7</u>	<u>13.5</u>	<u>16.7</u>	<u>10.3</u>	<u>84.2</u>
change in unearned premiums	15.1	(22.6)	8.4	0.6	5.6	(8.0)
change in unearned premiums on premium ceded	1.0	-	-	-	-	-
	<u>16.1</u>	<u>(22.6)</u>	<u>8.4</u>	<u>0.6</u>	<u>5.6</u>	<u>(8.0)</u>
net premiums earned	<u>\$ 21.9</u>	<u>\$ 21.1</u>	<u>\$ 21.9</u>	<u>\$ 17.3</u>	<u>\$ 15.9</u>	<u>\$ 76.2</u>
underwriting expenses						
net insurance losses	1.9	1.6	0.9	1.1	0.3	3.9
net insurance acquisition expenses	4.0	3.4	1.8	2.6	3.2	11.0
total underwriting expenses	<u>5.9</u>	<u>5.0</u>	<u>2.7</u>	<u>3.7</u>	<u>3.5</u>	<u>14.9</u>
net underwriting income	<u>\$ 16.0</u>	<u>\$ 16.1</u>	<u>\$ 19.2</u>	<u>\$ 13.6</u>	<u>\$ 12.4</u>	<u>\$ 61.3</u>
net loss ratio (% of net premiums earned)	8.7%	7.6%	4.1%	6.4%	1.9%	5.1%
net acquisition cost ratio (% of net premiums earned)	<u>18.3%</u>	<u>16.1%</u>	<u>8.2%</u>	<u>15.0%</u>	<u>20.1%</u>	<u>14.4%</u>
	<u>27.0%</u>	<u>23.7%</u>	<u>12.3%</u>	<u>21.4%</u>	<u>22.0%</u>	<u>19.5%</u>

Lancashire Holdings Limited
summary consolidated balance sheets

	march 31, 2008	december 31, 2007	september 30, 2007	june 30, 2007	march 31, 2007
assets					
cash and cash equivalents	\$ 610.0	\$ 737.3	\$ 539.5	\$ 367.7	\$ 366.6
accrued interest receivable	6.8	9.8	10.4	10.5	9.5
investments					
- fixed income securities					
- available for sale	1,109.6	1,069.7	1,254.2	1,220.1	1,109.7
- at fair value through income	23.9	23.5	22.6	17.5	-
- equity securities, available for sale	75.8	71.6	73.2	68.7	65.2
- other investments	3.5	4.4	7.2	9.3	11.1
reinsurance assets					
- unearned premium on premium ceded	43.5	19.6	48.0	63.5	12.2
- reinsurance recoveries	4.9	3.6	1.5	0.5	-
- other receivables	-	8.2	-	-	-
deferred acquisition costs	59.3	57.8	61.0	63.8	55.7
inwards premium receivable from insureds and cedants	207.5	198.2	176.7	252.1	180.1
investment in associate	3.6	22.9	21.7	21.4	23.6
other assets	21.3	8.1	34.2	16.5	16.4
total assets	\$ 2,169.7	\$ 2,234.7	\$ 2,250.2	\$ 2,111.6	\$ 1,850.1
liabilities					
insurance contracts					
- loss and loss adjustment expenses	\$ 236.0	\$ 179.6	\$ 158.7	\$ 121.7	\$ 70.1
- unearned premiums	378.6	381.9	418.6	454.1	353.3
- other payables	10.0	16.5	7.0	6.2	6.7
amounts payable to reinsurers	33.3	5.7	29.3	60.8	5.1
deferred acquisition costs ceded	3.8	3.0	6.6	7.1	2.5
other payables	76.8	300.1	69.4	22.2	49.9
long-term debt	134.9	132.3	130.9	129.3	129.0
total liabilities	873.4	1,019.1	820.5	801.4	616.6
shareholders' equity					
share capital	91.1	91.1	98.0	97.9	97.9
share premium	48.0	49.5	46.0	40.2	37.2
contributed surplus	754.8	754.8	848.1	849.5	849.7
fair value and other reserves	18.2	20.7	14.3	4.5	13.1
dividends	0.1	(239.1)	-	-	-
retained earnings	384.1	538.6	423.3	318.1	235.6
total shareholders' equity	\$ 1,296.3	\$ 1,215.6	\$ 1,429.7	\$ 1,310.2	\$ 1,233.5
total liabilities and shareholders' equity	\$ 2,169.7	\$ 2,234.7	\$ 2,250.2	\$ 2,111.6	\$ 1,850.1
basic book value per share	\$ 7.11	\$ 6.67	\$ 7.30	\$ 6.69	\$ 6.30
fully converted book value per share	\$ 6.70	\$ 6.38	\$ 6.93	\$ 6.42	\$ 6.09
change in FCBVS adj for dividends ⁽¹⁾ - quarter	5.0%	7.9%	7.9%	5.4%	7.2%
change in FCBVS adj for dividends ⁽¹⁾ - rolling 12 months	29.3%	31.7%	29.5%	27.1%	24.3%
debt to total capital ratio	9.4%	9.8%	8.4%	9.0%	9.5%

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

Lancashire Holdings Limited
composition of investment portfolio

	march 31, 2008	%	december 31, 2007	%	september 30, 2007	%	june 30, 2007	%	march 31, 2007	%
type of investment										
short term investments	\$ 197.9	11.1%	\$ 0.7	-	\$ -	-	\$ -	-	\$ -	-
U.S. treasuries	452.7	25.3%	254.4	13.7%	115.8	6.3%	141.0	8.6%	69.4	4.6%
U.S. government agency debt	3.8	0.2%	209.3	11.2%	202.4	11.0%	235.1	14.3%	214.7	14.2%
asset backed securities	-	-	-	-	143.4	7.8%	135.9	8.3%	139.5	9.2%
U.S. government agency mortgage backed securities	207.6	11.6%	241.1	12.9%	257.8	14.0%	269.2	16.4%	261.0	17.2%
non-agency mortgage backed securities	-	-	7.0	0.4%	214.1	11.6%	186.6	11.4%	179.7	11.9%
corporate bonds	234.3	13.1%	343.3	18.4%	304.1	16.5%	229.3	14.0%	209.7	13.8%
convertible debt securities	13.3	0.8%	13.9	0.8%	16.6	0.9%	23.0	1.4%	35.7	2.4%
total fixed income securities, available for sale	1,109.6	62.1%	1,069.7	57.4%	1,254.2	68.1%	1,220.1	74.4%	1,109.7	73.3%
equity securities, available for sale	75.8	4.2%	71.6	3.8%	73.2	4.0%	68.7	4.2%	65.2	4.3%
fixed income securities, at fair value through income	23.9	1.3%	23.5	1.3%	22.6	1.2%	17.5	1.1%	-	-
other investments	3.5	0.2%	4.4	0.2%	7.2	0.4%	9.3	0.6%	11.1	0.7%
managed cash	575.2	32.2%	695.1	37.3%	483.6	26.3%	322.9	19.7%	329.0	21.7%
total investments	\$ 1,788.0	100.0%	\$ 1,864.3	100.0%	\$ 1,840.8	100.0%	\$ 1,638.5	100.0%	\$ 1,515.0	100.0%
credit quality of fixed income securities										
AAA	\$ 891.6	80.4%	\$ 741.5	69.3%	\$ 954.6	76.1%	\$ 979.7	80.2%	\$ 884.6	79.7%
AA+, AA, AA-	51.4	4.6%	116.6	10.9%	110.0	8.8%	75.4	6.2%	67.4	6.1%
A+, A, A-	112.8	10.2%	150.8	14.1%	126.3	10.1%	105.6	8.7%	95.7	8.6%
BBB+, BBB, BBB-	46.9	4.2%	50.6	4.7%	53.0	4.2%	52.3	4.3%	52.7	4.8%
other	6.9	0.6%	10.2	1.0%	10.3	0.8%	7.1	0.6%	9.3	0.8%
total	\$ 1,109.6	100.0%	\$ 1,069.7	100.0%	\$ 1,254.2	100.0%	\$ 1,220.1	100.0%	\$ 1,109.7	100.0%
average market yield of fixed income securities and managed cash	2.7%		4.7%		5.2%		5.4%		5.1%	
average duration of fixed income securities and managed cash	1.3 years		1.4 years		1.6 years		1.7 years		1.7 years	
average credit quality of fixed income securities and managed cash	AA+		AA+		AA+		AA+		AA+	

Lancashire Holdings Limited
losses and loss ratios

total	q1 2008	q4 2007	q3 2007	q2 2007	q1 2007
net reserves: start	\$ 176.0	\$ 157.2	\$ 121.2	\$ 70.1	\$ 39.1
paid losses	(12.4)	(5.8)	(1.9)	(1.2)	(1.0)
net insurance losses	65.7	24.9	37.1	52.3	32.0
foreign exchange	1.8	(0.3)	0.8	-	-
net reserves: end	\$ 231.1	\$ 176.0	\$ 157.2	\$ 121.2	\$ 70.1
net premiums earned	\$ 169.0	\$ 158.6	\$ 160.5	\$ 151.9	\$ 140.2
net loss ratio	38.9%	15.7%	23.1%	34.4%	22.8%
IBNR as % of net reserves	56.4%	60.1%	70.2%	68.4%	76.6%

property	q1 2008	q4 2007	q3 2007	q2 2007	q1 2007
net reserves: start	\$ 49.9	\$ 52.4	\$ 45.4	\$ 27.5	\$ 13.2
paid losses	(7.2)	(0.2)	-	(0.2)	-
net insurance losses	35.7	(2.2)	6.6	18.1	14.3
foreign exchange	0.7	(0.1)	0.4	-	-
net reserves: end	\$ 79.1	\$ 49.9	\$ 52.4	\$ 45.4	\$ 27.5
net premiums earned	\$ 66.4	\$ 70.8	\$ 68.1	\$ 66.2	\$ 57.3
net loss ratio	53.8%	-3.1%	9.7%	27.3%	25.0%

energy	q1 2008	q4 2007	q3 2007	q2 2007	q1 2007
net reserves: start	\$ 79.2	\$ 70.7	\$ 50.6	\$ 28.6	\$ 17.2
paid losses	(3.0)	(3.5)	(0.8)	(0.8)	(0.7)
net insurance losses	16.5	12.0	20.7	22.8	12.1
foreign exchange	0.3	-	0.2	-	-
net reserves: end	\$ 93.0	\$ 79.2	\$ 70.7	\$ 50.6	\$ 28.6
net premiums earned	\$ 60.6	\$ 48.9	\$ 51.0	\$ 51.6	\$ 52.1
net loss ratio	27.2%	24.5%	40.6%	44.2%	23.2%

marine	q1 2008	q4 2007	q3 2007	q2 2007	q1 2007
net reserves: start	\$ 43.1	\$ 31.8	\$ 23.8	\$ 13.7	\$ 8.7
paid losses	(2.2)	(2.1)	(1.1)	(0.2)	(0.3)
net insurance losses	11.6	13.5	8.9	10.3	5.3
foreign exchange	0.7	(0.1)	0.2	-	-
net reserves: end	\$ 53.2	\$ 43.1	\$ 31.8	\$ 23.8	\$ 13.7
net premiums earned	\$ 20.1	\$ 17.8	\$ 19.5	\$ 16.8	\$ 14.9
net loss ratio	57.7%	75.8%	45.6%	61.3%	35.6%

aviation	q1 2008	q4 2007	q3 2007	q2 2007	q1 2007
net reserves: start	\$ 3.8	\$ 2.3	\$ 1.4	\$ 0.3	\$ -
paid losses	-	-	-	-	-
net insurance losses	1.9	1.6	0.9	1.1	0.3
foreign exchange	0.1	(0.1)	-	-	-
net reserves: end	\$ 5.8	\$ 3.8	\$ 2.3	\$ 1.4	\$ 0.3
net premiums earned	\$ 21.9	\$ 21.1	\$ 21.9	\$ 17.3	\$ 15.9
net loss ratio	8.7%	7.6%	4.1%	6.4%	1.9%

Lancashire Holdings Limited
earnings per share

	<u>q1 2008</u>	<u>q4 2007</u>	<u>q3 2007</u>	<u>q2 2007</u>	<u>q1 2007</u>	<u>full year 2007</u>
basic earnings per share:						
profit after tax for the period attributable to equity shareholders	\$ 84.6	\$ 115.3	\$ 105.2	\$ 82.5	\$ 87.9	\$ 390.9
weighted average shares outstanding - basic	182,283,095	189,506,019	195,841,954	195,765,106	195,743,346	194,200,524
basic earnings per share	<u>\$ 0.46</u>	<u>\$ 0.61</u>	<u>\$ 0.54</u>	<u>\$ 0.42</u>	<u>\$ 0.45</u>	<u>\$ 2.01</u>
diluted earnings per share:						
profit after tax for the period attributable to equity shareholders	\$ 84.6	\$ 115.3	\$ 105.2	\$ 82.5	\$ 87.9	\$ 390.9
weighted average shares outstanding - basic	182,283,095	189,506,019	195,841,954	195,765,106	195,743,346	194,200,524
dilutive effect of warrants	6,126,676	12,411,320	10,551,842	10,347,380	9,367,955	10,785,528
dilutive effect of stock options	201,811	506,787	146,100	115,005	80,096	173,534
dilutive effect of restricted stock	166,904	-	-	-	-	-
weighted average & equivalent shares outstanding - diluted	<u>188,778,486</u>	<u>202,424,126</u>	<u>206,539,896</u>	<u>206,227,491</u>	<u>205,191,397</u>	<u>205,159,586</u>
diluted earnings per share	<u>\$ 0.45</u>	<u>\$ 0.57</u>	<u>\$ 0.51</u>	<u>\$ 0.40</u>	<u>\$ 0.43</u>	<u>\$ 1.91</u>
diluted operating earnings per share:						
net operating income	\$ 73.2	\$ 116.5	\$ 103.9	\$ 81.6	\$ 88.1	\$ 390.1
weighted average shares outstanding - basic	182,283,095	189,506,019	195,841,954	195,765,106	195,743,346	194,200,524
dilutive effect of warrants	6,126,676	12,411,320	10,551,842	10,347,380	9,367,955	10,785,528
dilutive effect of stock options	201,811	506,787	146,100	115,005	80,096	173,534
dilutive effect of restricted stock	166,904	-	-	-	-	-
weighted average & equivalent shares outstanding - diluted	<u>188,778,486</u>	<u>202,424,126</u>	<u>206,539,896</u>	<u>206,227,491</u>	<u>205,191,397</u>	<u>205,159,586</u>
diluted operating earnings per share	<u>\$ 0.39</u>	<u>\$ 0.58</u>	<u>\$ 0.50</u>	<u>\$ 0.40</u>	<u>\$ 0.43</u>	<u>\$ 1.90</u>

Lancashire Holdings Limited
basic and fully converted book value per share

	<u>q1 2008</u>	<u>q4 2007</u>	<u>q3 2007</u>	<u>q2 2007</u>	<u>q1 2007</u>
numerator (\$ in millions):					
shareholders' equity	\$ 1,296.3	\$ 1,215.6	\$ 1,429.7	\$ 1,310.2	\$ 1,233.5
proceeds from assumed exercise of outstanding warrants	187.1	190.5	186.9	189.4	190.1
proceeds from assumed exercise of outstanding options	40.3	14.0	43.0	14.0	-
book value numerator	<u>\$ 1,523.7</u>	<u>\$ 1,420.1</u>	<u>\$ 1,659.6</u>	<u>\$ 1,513.6</u>	<u>\$ 1,423.6</u>
denominator (in shares):					
common voting shares outstanding	182,283,095	182,283,095	195,924,011	195,775,986	195,743,346
shares issueable upon exercise of outstanding warrants ⁽¹⁾	38,107,633	38,107,633	37,385,525	37,885,525	38,012,612
shares outstanding upon exercise of outstanding options ⁽¹⁾	6,992,047	2,147,769	6,270,956	2,147,769	-
shares outstanding upon exercise of restricted stock	166,904	-	-	-	-
book value denominator	<u>227,549,679</u>	<u>222,538,497</u>	<u>239,580,492</u>	<u>235,809,280</u>	<u>233,755,958</u>
basic book value per share	<u>\$ 7.11</u>	<u>\$ 6.67</u>	<u>\$ 7.30</u>	<u>\$ 6.69</u>	<u>\$ 6.30</u>
fully converted book value per share	<u>\$ 6.70</u>	<u>\$ 6.38</u>	<u>\$ 6.93</u>	<u>\$ 6.42</u>	<u>\$ 6.09</u>
dividend per common share	\$ -	\$ 1.10	\$ -	\$ -	\$ -
change in FCBVS adj for dividends ⁽²⁾ - quarter	5.0%	7.9%	7.9%	5.4%	7.2%
change in FCBVS adj for dividends ⁽²⁾ - rolling 12 months	29.3%	31.7%	29.5%	27.1%	24.3%
compound annual change in FCBVS adj for dividends ⁽²⁾	22.2%	22.3%	20.5%	18.1%	17.1%
compound annual change in FCBVS adj for dividends ⁽²⁾ - above 3 month LIBOR	17.2%	17.0%	15.2%	12.9%	11.9%
change in FCBVS adj for dividends ⁽²⁾ - since inception	57.1%	49.6%	38.6%	28.4%	21.8%

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

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

⁽³⁾ FCBVS = fully converted book value per share