



## financial supplement

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## **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 table of contents

1. basis of presentation and non-GAAP financial measures
2. consolidated financial highlights
3. summary consolidated income statements
4. premiums by line of business
5. summary consolidated underwriting segment results
6. property segment - underwriting statement
7. energy segment - underwriting statement
8. marine segment - underwriting statement
9. aviation segment - underwriting statement
10. summary consolidated balance sheets
11. composition of investment portfolio
12. net losses and loss ratios
13. earnings per share
14. basic and fully converted book value per share
15. basic and fully diluted book value per share

**Lancashire Holdings Limited**  
**basis of presentation and non-GAAP financial measures**

THE LANCASHIRE GROUP'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS ARE PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") ENDORSED BY THE EUROPEAN UNION. WHERE IFRS IS SILENT, AS IT IS IN RESPECT OF THE MEASUREMENT OF INSURANCE PRODUCTS, THE IFRS FRAMEWORK ALLOWS REFERENCE TO ANOTHER COMPREHENSIVE BODY OF ACCOUNTING PRINCIPLES. IN SUCH INSTANCES, MANAGEMENT DETERMINES APPROPRIATE MEASUREMENT BASES, TO PROVIDE THE MOST USEFUL INFORMATION TO USERS OF THE CONSOLIDATED FINANCIAL STATEMENTS, USING THEIR 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:

COMPREHENSIVE INCOME (LOSS) - COMPREHENSIVE INCOME (LOSS) IS PROFIT (LOSS) AFTER TAX PLUS THE CHANGE IN UNREALISED GAINS (LOSSES) ON INVESTMENTS

NET OPERATING INCOME (LOSS) - NET OPERATING INCOME (LOSS) 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, OPTIONS AND RESTRICTED STOCK 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 CHANGE 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 ABOVE 3 MONTH TREASURY - 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 TREASURY

FULLY DILUTED BOOK VALUE PER SHARE ("FDBVS") - THE CALCULATION IS BASED ON THE FOLLOWING: THE VALUE OF TOTAL SHAREHOLDERS' EQUITY DIVIDED BY: THE SUM OF ALL SHARES AND DILUTIVE SHARES OUTSTANDING AFTER THE EXERCISE OF ALL 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

DEBT TO TOTAL CAPITAL RATIO - THE CALCULATION IS BASED ON THE FOLLOWING AND IS AN INDICATION OF THE LEVERAGE OF THE COMPANY: LONG-TERM DEBT DIVIDED BY LONG-TERM DEBT PLUS TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS

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

ALL AMOUNTS, EXCLUDING SHARE DATA OR WHERE OTHERWISE STATED, ARE IN MILLIONS OF UNITED STATES DOLLARS

MANAGEMENT BELIEVES THE FINANCIAL MEASURES INCLUDED IN THIS FINANCIAL SUPPLEMENT ARE IMPORTANT FOR UNDERSTANDING THE LANCASHIRE GROUP'S OVERALL RESULTS OF OPERATIONS. WE BELIEVE THAT THE MEASURES INCLUDED IN THIS DOCUMENT ARE IMPORTANT TO INVESTORS AND OTHER INTERESTED PARTIES AND THAT SUCH PERSONS BENEFIT FROM HAVING A CONSISTENT BASIS FOR COMPARISON WITH OTHER COMPANIES WITHIN THE INDUSTRY. HOWEVER, THESE MEASURES MAY NOT BE COMPARABLE TO SIMILARLY LABELED MEASURES USED BY COMPANIES INSIDE OR OUTSIDE THE INSURANCE INDUSTRY. IN ADDITION, THE INFORMATION HEREIN SHOULD NOT BE VIEWED AS A SUBSTITUTE FOR THE MEASURES DETERMINED IN ACCORDANCE WITH THE ACCOUNTING PRINCIPLES USED BY THE LANCASHIRE GROUP FOR ITS CONSOLIDATED FINANCIAL STATEMENTS AND IN ACCORDANCE WITH IFRS/US-GAAP. WHERE INDICATED THROUGHOUT THIS DOCUMENT, REFERENCE SHOULD BE MADE TO COMPARABLE INFORMATION IN THE LANCASHIRE GROUP'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND INTERIM RESULTS ANNOUNCEMENT.

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

	q4 2008	q4 2007	% change q4-08 vs. q4-07	full year 2008	full year 2007	% change ytd-08 vs. ytd-07
<b>highlights</b>						
gross premiums written	\$ 130.1	\$ 154.3	(16%)	\$ 638.1	\$ 753.1	(15%)
net premiums written	130.1	150.2	(13%)	574.7	666.8	(14%)
net premiums earned	141.9	158.6	(11%)	607.3	611.2	(1%)
net insurance losses	16.3	24.9	(35%)	375.5	146.3	157%
net investment income	13.4	22.2	(40%)	59.5	78.4	(24%)
net realised gains (losses) and impairments	(4.0)	2.4	(267%)	(11.0)	9.1	(221%)
profit after tax before change in unrealised gains	81.1	115.3	(30%)	97.5	390.9	(75%)
change in net unrealised gains on investments	28.1	6.4	339%	6.9	12.0	(43%)
comprehensive income	109.2	121.7	(10%)	104.4	402.9	(74%)
net operating income <sup>(1)</sup>	\$ 98.3	\$ 116.5	(16%)	\$ 119.4	\$ 390.1	(69%)
total investments and cash	\$ 2,018.8	\$ 1,906.5	6%			
total shareholders' equity	\$ 1,272.7	\$ 1,215.6	5%			
<b>per share data</b>						
net operating income per share - diluted <sup>(2)</sup>	\$ 0.55	\$ 0.58		\$ 0.64	\$ 1.90	
profit after tax per share - diluted <sup>(2)</sup>	\$ 0.45	\$ 0.57		\$ 0.53	\$ 1.91	
fully converted book value per share	\$ 6.86	\$ 6.38		\$ 6.86	\$ 6.38	
change in FCBVS adj for dividends <sup>(3)</sup>	8.4%	7.9%		7.5%	31.7%	
fully diluted book value per share	\$ 6.78	\$ 6.34		\$ 6.78	\$ 6.34	
change in FDBVS adj for dividends <sup>(4)</sup>	8.1%	8.3%		6.9%	31.5%	
<b>financial ratios</b>						
net loss ratio	11.5%	15.7%		61.8%	23.9%	
net acquisition cost ratio	17.8%	8.9%		16.4%	12.5%	
administrative expense ratio	6.1%	13.5%		8.1%	9.9%	
combined ratio	<u>35.4%</u>	<u>38.1%</u>		<u>86.3%</u>	<u>46.3%</u>	

<sup>(1)</sup> excludes realised gains and losses, foreign exchange gains and losses, equity based compensation relating to warrants issued at IPO and tax

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

<sup>(3)</sup> change in fully converted book value per share adjusted for dividends is the internal rate of return of the change in fully converted book value per share in the period plus dividends accrued

<sup>(4)</sup> change in fully diluted book value per share adjusted for dividends is the internal rate of return of the change in fully diluted book value per share in the period plus dividends accrued

FCBVS = fully converted book value per share

FDBVS = fully diluted book value per share

**Lancashire Holdings Limited**  
summary consolidated income statements

	<u>q4</u> <u>2008</u>	<u>q3</u> <u>2008</u>	<u>q2</u> <u>2008</u>	<u>q1</u> <u>2008</u>	<u>q4</u> <u>2007</u>	<u>full year</u> <u>2008</u>	<u>full year</u> <u>2007</u>
gross premiums written	\$ 130.1	\$ 124.6	\$ 196.7	\$ 186.7	\$ 154.3	\$ 638.1	\$ 753.1
outwards reinsurance premiums	-	(4.3)	(14.3)	(44.8)	(4.1)	(63.4)	(86.3)
<b>net premiums written</b>	<b>130.1</b>	<b>120.3</b>	<b>182.4</b>	<b>141.9</b>	<b>150.2</b>	<b>574.7</b>	<b>666.8</b>
change in unearned premiums	28.0	40.0	(29.0)	3.2	36.8	42.2	(56.1)
change in unearned premiums on premium ceded	(16.2)	(12.4)	(4.9)	23.9	(28.4)	(9.6)	0.5
<b>net premiums earned</b>	<b>141.9</b>	<b>147.9</b>	<b>148.5</b>	<b>169.0</b>	<b>158.6</b>	<b>607.3</b>	<b>611.2</b>
net investment income	13.4	15.5	12.9	17.7	22.2	59.5	78.4
net other investment gains (losses)	(0.1)	(0.1)	0.8	(0.5)	(1.0)	0.1	(3.3)
net realised gains (losses) and impairments	(4.0)	(13.1)	(1.4)	7.5	2.4	(11.0)	9.1
net fair value gains (losses) on investments	0.5	(0.1)	(0.3)	(0.7)	0.6	(0.6)	0.4
share of profit (loss) of associate	-	-	(0.1)	(0.1)	2.3	(0.2)	6.2
net foreign exchange gains (losses)	(4.3)	(4.5)	-	0.3	(1.2)	(8.5)	2.3
<b>total net revenue</b>	<b>147.4</b>	<b>145.6</b>	<b>160.4</b>	<b>193.2</b>	<b>183.9</b>	<b>646.6</b>	<b>704.3</b>
insurance losses	18.4	260.4	73.1	66.9	27.1	418.8	150.0
insurance losses recoverable	(2.1)	(34.8)	(5.2)	(1.2)	(2.2)	(43.3)	(3.7)
net insurance acquisition expenses	25.2	23.9	24.5	26.0	14.1	99.6	76.5
equity based compensation	8.9	0.4	2.8	(1.5)	3.6	10.6	14.4
other operating expenses	8.6	14.0	15.0	11.7	21.4	49.3	60.5
<b>total expenses</b>	<b>59.0</b>	<b>263.9</b>	<b>110.2</b>	<b>101.9</b>	<b>64.0</b>	<b>535.0</b>	<b>297.7</b>
<b>profit (loss) before tax and finance costs</b>	<b>88.4</b>	<b>(118.3)</b>	<b>50.2</b>	<b>91.3</b>	<b>119.9</b>	<b>111.6</b>	<b>406.6</b>
finance costs	5.3	3.4	0.4	4.9	4.2	14.0	14.7
<b>profit (loss) before tax</b>	<b>83.1</b>	<b>(121.7)</b>	<b>49.8</b>	<b>86.4</b>	<b>115.7</b>	<b>97.6</b>	<b>391.9</b>
tax	(2.0)	2.3	1.4	(1.8)	(0.4)	(0.1)	(1.0)
<b>profit (loss) after tax</b>	<b>\$ 81.1</b>	<b>\$ (119.4)</b>	<b>\$ 51.2</b>	<b>\$ 84.6</b>	<b>\$ 115.3</b>	<b>\$ 97.5</b>	<b>\$ 390.9</b>
change in net unrealised gains (losses) on investments	28.1	(9.6)	(9.1)	(2.5)	6.4	6.9	12.0
<b>comprehensive income (loss)</b>	<b>\$ 109.2</b>	<b>\$ (129.0)</b>	<b>\$ 42.1</b>	<b>\$ 82.1</b>	<b>\$ 121.7</b>	<b>\$ 104.4</b>	<b>\$ 402.9</b>
net loss ratio	11.5%	152.5%	45.7%	38.9%	15.7%	61.8%	23.9%
net acquisition cost ratio	17.8%	16.2%	16.5%	15.4%	8.9%	16.4%	12.5%
administrative expense ratio	6.1%	9.5%	10.1%	6.9%	13.5%	8.1%	9.9%
combined ratio	35.4%	178.2%	72.3%	61.2%	38.1%	86.3%	46.3%
basic earnings per share	\$ 0.47	\$ (0.69)	\$ 0.28	\$ 0.46	\$ 0.61	\$ 0.55	\$ 2.01
diluted earnings per share	\$ 0.45	\$ (0.69)	\$ 0.27	\$ 0.45	\$ 0.57	\$ 0.53	\$ 1.91

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

	<u>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>	<u>q4 2007</u>	<u>full year 2008</u>	<u>full year 2007</u>
<b>gross premiums written</b>							
property direct and facultative	\$ 16.5	\$ 14.2	\$ 40.4	\$ 22.7	\$ 29.6	\$ 93.8	\$ 122.8
property retrocession	9.0	13.3	10.8	43.3	8.2	76.4	88.5
terrorism	21.0	16.1	22.1	16.3	17.0	75.5	56.6
property political risk	8.3	4.1	5.8	9.9	2.0	28.1	16.9
property cat excess of loss	3.1	5.3	5.4	9.6	2.8	23.4	19.3
other property	1.1	1.1	2.7	0.6	1.8	5.5	5.2
<b>total property</b>	<u>59.0</u>	<u>54.1</u>	<u>87.2</u>	<u>102.4</u>	<u>61.4</u>	<u>302.7</u>	<u>309.3</u>
worldwide offshore energy	11.5	15.8	29.9	19.1	(0.2)	76.3	72.7
gulf of mexico offshore energy	(1.1)	17.5	42.0	15.9	13.1	74.3	157.5
construction energy	3.0	7.7	5.4	5.4	13.0	21.5	24.5
onshore energy	2.5	1.4	3.0	3.1	6.6	10.0	25.3
other energy	0.2	2.2	0.3	0.4	0.2	3.1	2.7
<b>total energy</b>	<u>16.1</u>	<u>44.6</u>	<u>80.6</u>	<u>43.9</u>	<u>32.7</u>	<u>185.2</u>	<u>282.7</u>
marine hull and total loss	6.0	6.6	7.7	10.3	9.7	30.6	29.4
marine builders risk	4.9	7.7	4.5	9.2	2.8	26.3	22.3
marine hull war	1.9	2.5	1.5	5.4	3.1	11.3	11.4
marine P&I clubs	-	0.7	0.2	8.3	0.7	9.2	9.4
marine excess of loss	-	-	-	-	-	-	4.4
other marine	0.2	0.1	0.7	0.2	0.2	1.2	-
<b>total marine</b>	<u>13.0</u>	<u>17.6</u>	<u>14.6</u>	<u>33.4</u>	<u>16.5</u>	<u>78.6</u>	<u>76.9</u>
AV 52	33.2	5.5	9.4	3.1	35.6	51.2	63.1
other aviation	8.8	2.8	4.9	3.9	8.1	20.4	21.1
<b>total aviation</b>	<u>42.0</u>	<u>8.3</u>	<u>14.3</u>	<u>7.0</u>	<u>43.7</u>	<u>71.6</u>	<u>84.2</u>
<b>total gross premiums written</b>	<u>\$ 130.1</u>	<u>\$ 124.6</u>	<u>\$ 196.7</u>	<u>\$ 186.7</u>	<u>\$ 154.3</u>	<u>\$ 638.1</u>	<u>\$ 753.1</u>

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

**twelve months ending december 31, 2008**

	<b>property</b>	<b>energy</b>	<b>marine</b>	<b>aviation</b>	<b>consolidated</b>
gross premiums written	\$ 302.7	\$ 185.2	\$ 78.6	\$ 71.6	\$ 638.1
net premiums written	279.6	159.6	71.0	64.5	574.7
net premiums earned	272.2	191.2	70.6	73.3	607.3
net insurance losses	100.9	228.5	38.1	8.0	375.5
net insurance acquisition expenses	34.1	31.3	19.4	14.8	99.6
other operating expenses	-	-	-	-	49.3
	<u>\$ 137.2</u>	<u>\$ (68.6)</u>	<u>\$ 13.1</u>	<u>\$ 50.5</u>	<u>\$ 82.9</u>
net loss ratio	37.1%	119.5%	54.0%	10.9%	61.8%
net acquisition cost ratio	12.5%	16.4%	27.5%	20.2%	16.4%
administrative expense ratio	-	-	-	-	8.1%
combined ratio	<u>49.6%</u>	<u>135.9%</u>	<u>81.5%</u>	<u>31.1%</u>	<u>86.3%</u>

**twelve months ending december 31, 2007**

	<b>property</b>	<b>energy</b>	<b>marine</b>	<b>aviation</b>	<b>consolidated</b>
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>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>	<u>q4 2007</u>	<u>full year 2008</u>	<u>full year 2007</u>
<b>underwriting income</b>							
gross premiums written	\$ 59.0	\$ 54.1	\$ 87.2	\$ 102.4	\$ 61.4	\$ 302.7	\$ 309.3
outwards reinsurance premiums	1.9	0.3	(2.9)	(22.4)	(1.6)	(23.1)	(23.0)
<b>net premiums written</b>	<u>60.9</u>	<u>54.4</u>	<u>84.3</u>	<u>80.0</u>	<u>59.8</u>	<u>279.6</u>	<u>286.3</u>
change in unearned premiums	11.9	27.1	(15.0)	(26.3)	15.9	(2.3)	(23.8)
change in unearned premiums on premium ceded	(6.1)	(6.4)	(5.3)	12.7	(4.9)	(5.1)	(0.1)
	<u>5.8</u>	<u>20.7</u>	<u>(20.3)</u>	<u>(13.6)</u>	<u>11.0</u>	<u>(7.4)</u>	<u>(23.9)</u>
<b>net premiums earned</b>	<u>\$ 66.7</u>	<u>\$ 75.1</u>	<u>\$ 64.0</u>	<u>\$ 66.4</u>	<u>\$ 70.8</u>	<u>\$ 272.2</u>	<u>\$ 262.4</u>
<b>underwriting expenses</b>							
net insurance losses	(3.1)	58.5	9.8	35.7	(2.2)	100.9	36.8
net insurance acquisition expenses	9.1	8.7	8.1	8.2	8.9	34.1	31.3
<b>total underwriting expenses</b>	<u>6.0</u>	<u>67.2</u>	<u>17.9</u>	<u>43.9</u>	<u>6.7</u>	<u>135.0</u>	<u>68.1</u>
<b>net underwriting income (loss)</b>	<u>\$ 60.7</u>	<u>\$ 7.9</u>	<u>\$ 46.1</u>	<u>\$ 22.5</u>	<u>\$ 64.1</u>	<u>\$ 137.2</u>	<u>\$ 194.3</u>
net loss ratio (% of net premiums earned)	(4.6%)	77.9%	15.3%	53.8%	(3.1%)	37.1%	14.0%
net acquisition cost ratio (% of net premiums earned)	13.6%	11.6%	12.7%	12.3%	12.6%	12.5%	11.9%
	<u>9.0%</u>	<u>89.5%</u>	<u>28.0%</u>	<u>66.1%</u>	<u>9.5%</u>	<u>49.6%</u>	<u>25.9%</u>

**Lancashire Holdings Limited**  
**energy segment - underwriting statement**

	<u>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>	<u>q4 2007</u>	<u>full year 2008</u>	<u>full year 2007</u>
<b>underwriting income</b>							
gross premiums written	\$ 16.1	\$ 44.6	\$ 80.6	\$ 43.9	\$ 32.7	\$ 185.2	\$ 282.7
outwards reinsurance premiums	0.6	(4.4)	(10.0)	(11.8)	(2.5)	(25.6)	(63.3)
<b>net premiums written</b>	<u>16.7</u>	<u>40.2</u>	<u>70.6</u>	<u>32.1</u>	<u>30.2</u>	<u>159.6</u>	<u>219.4</u>
change in unearned premiums	29.6	4.3	(22.4)	25.4	42.3	36.9	(16.4)
change in unearned premiums on premium ceded	(7.0)	(3.1)	1.7	3.1	(23.6)	(5.3)	0.6
	<u>22.6</u>	<u>1.2</u>	<u>(20.7)</u>	<u>28.5</u>	<u>18.7</u>	<u>31.6</u>	<u>(15.8)</u>
<b>net premiums earned</b>	<u>\$ 39.3</u>	<u>\$ 41.4</u>	<u>\$ 49.9</u>	<u>\$ 60.6</u>	<u>\$ 48.9</u>	<u>\$ 191.2</u>	<u>\$ 203.6</u>
<b>underwriting expenses</b>							
net insurance losses	7.5	158.8	45.7	16.5	12.0	228.5	67.6
net insurance acquisition expenses	7.5	7.9	7.3	8.6	(2.3)	31.3	19.3
<b>total underwriting expenses</b>	<u>15.0</u>	<u>166.7</u>	<u>53.0</u>	<u>25.1</u>	<u>9.7</u>	<u>259.8</u>	<u>86.9</u>
<b>net underwriting income (loss)</b>	<u>\$ 24.3</u>	<u>\$ (125.3)</u>	<u>\$ (3.1)</u>	<u>\$ 35.5</u>	<u>\$ 39.2</u>	<u>\$ (68.6)</u>	<u>\$ 116.7</u>
net loss ratio (% of net premiums earned)	19.1%	383.6%	91.6%	27.2%	24.5%	119.5%	33.2%
net acquisition cost ratio (% of net premiums earned)	19.1%	19.1%	14.6%	14.2%	(4.7%)	16.4%	9.5%
	<u>38.2%</u>	<u>402.7%</u>	<u>106.2%</u>	<u>41.4%</u>	<u>19.8%</u>	<u>135.9%</u>	<u>42.7%</u>

**Lancashire Holdings Limited**  
**marine segment - underwriting statement**

	<u>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>	<u>q4 2007</u>	<u>full year 2008</u>	<u>full year 2007</u>
<b>underwriting income</b>							
gross premiums written	\$ 13.0	\$ 17.6	\$ 14.6	\$ 33.4	\$ 16.5	\$ 78.6	\$ 76.9
outwards reinsurance premiums	(0.2)	0.4	1.6	(9.4)	-	(7.6)	-
<b>net premiums written</b>	<u>12.8</u>	<u>18.0</u>	<u>16.2</u>	<u>24.0</u>	<u>16.5</u>	<u>71.0</u>	<u>76.9</u>
change in unearned premiums	6.2	(0.6)	4.9	(11.0)	1.3	(0.5)	(7.9)
change in unearned premiums on premium ceded	(1.8)	(2.0)	(3.2)	7.1	-	0.1	-
	<u>4.4</u>	<u>(2.6)</u>	<u>1.7</u>	<u>(3.9)</u>	<u>1.3</u>	<u>(0.4)</u>	<u>(7.9)</u>
<b>net premiums earned</b>	<u>\$ 17.2</u>	<u>\$ 15.4</u>	<u>\$ 17.9</u>	<u>\$ 20.1</u>	<u>\$ 17.8</u>	<u>\$ 70.6</u>	<u>\$ 69.0</u>
<b>underwriting expenses</b>							
net insurance losses	8.8	6.8	10.9	11.6	13.5	38.1	38.0
net insurance acquisition expenses	4.8	4.4	5.0	5.2	4.1	19.4	14.9
<b>total underwriting expenses</b>	<u>13.6</u>	<u>11.2</u>	<u>15.9</u>	<u>16.8</u>	<u>17.6</u>	<u>57.5</u>	<u>52.9</u>
<b>net underwriting income (loss)</b>	<u>\$ 3.6</u>	<u>\$ 4.2</u>	<u>\$ 2.0</u>	<u>\$ 3.3</u>	<u>\$ 0.2</u>	<u>\$ 13.1</u>	<u>\$ 16.1</u>
net loss ratio (% of net premiums earned)	51.2%	44.2%	60.9%	57.7%	75.8%	54.0%	55.1%
net acquisition cost ratio (% of net premiums earned)	27.9%	28.6%	27.9%	25.9%	23.0%	27.5%	21.6%
	<u>79.1%</u>	<u>72.8%</u>	<u>88.8%</u>	<u>83.6%</u>	<u>98.8%</u>	<u>81.5%</u>	<u>76.7%</u>

**Lancashire Holdings Limited**  
**aviation segment - underwriting statement**

	<u>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>	<u>q4 2007</u>	<u>full year 2008</u>	<u>full year 2007</u>
<b>underwriting income</b>							
gross premiums written	\$ 42.0	\$ 8.3	\$ 14.3	\$ 7.0	\$ 43.7	\$ 71.6	\$ 84.2
outwards reinsurance premiums	(2.3)	(0.6)	(3.0)	(1.2)	-	(7.1)	-
<b>net premiums written</b>	<u>39.7</u>	<u>7.7</u>	<u>11.3</u>	<u>5.8</u>	<u>43.7</u>	<u>64.5</u>	<u>84.2</u>
change in unearned premiums	(19.7)	9.2	3.5	15.1	(22.6)	8.1	(8.0)
change in unearned premiums on premium ceded	(1.3)	(0.9)	1.9	1.0	-	0.7	-
	<u>(21.0)</u>	<u>8.3</u>	<u>5.4</u>	<u>16.1</u>	<u>(22.6)</u>	<u>8.8</u>	<u>(8.0)</u>
<b>net premiums earned</b>	<u>\$ 18.7</u>	<u>\$ 16.0</u>	<u>\$ 16.7</u>	<u>\$ 21.9</u>	<u>\$ 21.1</u>	<u>\$ 73.3</u>	<u>\$ 76.2</u>
<b>underwriting expenses</b>							
net insurance losses	3.1	1.5	1.5	1.9	1.6	8.0	3.9
net insurance acquisition expenses	3.8	2.9	4.1	4.0	3.4	14.8	11.0
<b>total underwriting expenses</b>	<u>6.9</u>	<u>4.4</u>	<u>5.6</u>	<u>5.9</u>	<u>5.0</u>	<u>22.8</u>	<u>14.9</u>
<b>net underwriting income (loss)</b>	<u>\$ 11.8</u>	<u>\$ 11.6</u>	<u>\$ 11.1</u>	<u>\$ 16.0</u>	<u>\$ 16.1</u>	<u>\$ 50.5</u>	<u>\$ 61.3</u>
net loss ratio (% of net premiums earned)	16.6%	9.4%	9.0%	8.7%	7.6%	10.9%	5.1%
net acquisition cost ratio (% of net premiums earned)	20.3%	18.1%	24.6%	18.3%	16.1%	20.2%	14.4%
	<u>36.9%</u>	<u>27.5%</u>	<u>33.6%</u>	<u>27.0%</u>	<u>23.7%</u>	<u>31.1%</u>	<u>19.5%</u>

**Lancashire Holdings Limited**  
summary consolidated balance sheets

	<u>december 31, 2008</u>	<u>september 30, 2008</u>	<u>june 30, 2008</u>	<u>march 31, 2008</u>	<u>december 31, 2007</u>
<b>assets</b>					
cash and cash equivalents	\$ 413.6	\$ 567.5	\$ 764.7	\$ 610.0	\$ 737.3
accrued interest receivable	10.1	9.3	7.8	6.8	9.8
investments					
- fixed income securities					
- available for sale	1,595.4	1,292.5	1,022.5	1,109.6	1,069.7
- at fair value through income	4.0	18.0	20.9	23.9	23.5
- equity securities, available for sale	5.8	71.5	83.0	75.8	71.6
- other investments	-	3.5	4.0	3.5	4.4
reinsurance assets					
- unearned premium on premium ceded	10.0	26.2	38.6	43.5	19.6
- reinsurance recoveries	42.1	43.8	10.1	4.9	3.6
- other receivables	3.2	-	-	-	8.2
deferred acquisition costs	60.9	65.1	68.8	59.3	57.8
inwards premium receivable from insureds and cedants	187.3	154.8	226.0	207.5	198.2
investment in associate	-	-	-	3.6	22.9
other assets	156.6	47.5	29.7	21.3	8.1
<b>total assets</b>	<u>\$ 2,489.0</u>	<u>\$ 2,299.7</u>	<u>\$ 2,276.1</u>	<u>\$ 2,169.7</u>	<u>\$ 2,234.7</u>
<b>liabilities</b>					
insurance contracts					
- loss and loss adjustment expenses	\$ 528.8	\$ 545.5	\$ 304.6	\$ 236.0	\$ 179.6
- unearned premiums	339.6	367.6	407.6	378.6	381.8
- other payables	17.6	9.8	15.9	10.0	16.5
amounts payable to reinsurers	2.0	11.5	32.8	33.3	5.7
deferred acquisition costs ceded	1.9	3.7	4.3	3.8	3.1
other payables	195.6	75.2	70.3	76.8	300.1
long-term debt	130.8	131.7	134.9	134.9	132.3
<b>total liabilities</b>	<u>1,216.3</u>	<u>1,145.0</u>	<u>970.4</u>	<u>873.4</u>	<u>1,019.1</u>
<b>shareholders' equity</b>					
share capital	91.1	91.1	91.1	91.1	91.1
treasury shares	(58.0)	(58.0)	(35.5)	-	-
share premium	60.1	51.3	50.8	48.0	49.5
contributed surplus	754.8	754.8	754.8	754.8	754.8
fair value and other reserves	27.6	(0.5)	9.1	18.2	20.7
dividends	0.1	0.1	0.1	0.1	(239.1)
retained earnings	397.0	315.9	435.3	384.1	538.6
<b>total shareholders' equity</b>	<u>\$ 1,272.7</u>	<u>\$ 1,154.7</u>	<u>\$ 1,305.7</u>	<u>\$ 1,296.3</u>	<u>\$ 1,215.6</u>
<b>total liabilities and shareholders' equity</b>	<u>\$ 2,489.0</u>	<u>\$ 2,299.7</u>	<u>\$ 2,276.1</u>	<u>\$ 2,169.7</u>	<u>\$ 2,234.7</u>
basic book value per share	\$ 7.36	\$ 6.68	\$ 7.39	\$ 7.11	\$ 6.67
fully converted book value per share	\$ 6.86	\$ 6.33	\$ 6.91	\$ 6.70	\$ 6.38
fully diluted book value per share	\$ 6.78	\$ 6.27	\$ 6.83	\$ 6.63	\$ 6.34
debt to total capital ratio	9.3%	10.2%	9.4%	9.4%	9.8%

Lancashire Holdings Limited  
composition of investment portfolio



	december 31, 2008	%	september 30, 2008	%	june 30, 2008	%	march 31, 2008	%	december 31, 2007	%
<b>type of investment</b>										
short term investments	\$ 163.6	8.2%	\$ 145.5	7.7%	\$ 61.3	3.3%	\$ 197.9	11.1%	\$ 0.7	-
U.S. treasuries	191.7	9.6%	418.5	22.1%	402.9	21.6%	452.7	25.3%	254.4	13.7%
other government bonds	54.1	2.7%	51.4	2.7%	15.6	0.8%	-	-	-	-
U.S. government agency debt	114.5	5.8%	45.4	2.4%	-	-	3.8	0.2%	209.3	11.2%
asset backed securities	-	-	-	-	-	-	-	-	-	-
U.S. government agency mortgage backed securities	614.4	30.9%	315.3	16.7%	261.2	14.0%	207.6	11.6%	241.1	12.9%
non-agency mortgage backed securities	-	-	-	-	-	-	-	-	7.0	0.4%
corporate bonds	303.5	15.2%	308.4	16.3%	269.9	14.5%	234.3	13.1%	343.3	18.4%
corporate bonds - FDIC guaranteed	153.4	7.7%	-	-	-	-	-	-	-	-
convertible debt securities	0.2	-	8.0	0.4%	11.6	0.6%	13.3	0.8%	13.9	0.8%
<b>total fixed income securities, available for sale</b>	<b>1,595.4</b>	<b>80.1%</b>	<b>1,292.5</b>	<b>68.3%</b>	<b>1,022.5</b>	<b>54.8%</b>	<b>1,109.6</b>	<b>62.1%</b>	<b>1,069.7</b>	<b>57.4%</b>
equity securities - available for sale	5.8	0.3%	71.5	3.8%	83.0	4.5%	75.8	4.2%	71.6	3.8%
fixed income securities - at fair value through income	4.0	0.2%	18.0	1.0%	20.9	1.1%	23.9	1.3%	23.5	1.3%
other investments	-	-	3.5	0.2%	4.0	0.2%	3.5	0.2%	4.4	0.2%
managed cash	387.1	19.4%	504.1	26.7%	734.7	39.4%	575.2	32.2%	695.1	37.3%
<b>total investments</b>	<b>\$ 1,992.3</b>	<b>100.0%</b>	<b>\$ 1,889.6</b>	<b>100.0%</b>	<b>\$ 1,865.1</b>	<b>100.0%</b>	<b>\$ 1,788.0</b>	<b>100.0%</b>	<b>\$ 1,864.3</b>	<b>100.0%</b>
<b>credit quality of fixed income securities</b>										
AAA	\$ 1,318.0	82.6%	\$ 1,022.5	79.1%	\$ 797.4	78.0%	\$ 891.6	80.4%	\$ 741.5	69.3%
AA+, AA, AA-	51.0	3.2%	69.7	5.4%	51.9	5.1%	51.4	4.6%	116.6	10.9%
A+, A, A-	187.7	11.8%	151.4	11.7%	118.1	11.5%	112.8	10.2%	150.8	14.1%
BBB+, BBB, BBB-	38.7	2.4%	44.4	3.4%	48.1	4.7%	46.9	4.2%	50.6	4.7%
other	-	-	4.5	0.4%	7.0	0.7%	6.9	0.6%	10.2	1.0%
<b>total</b>	<b>\$ 1,595.4</b>	<b>100.0%</b>	<b>\$ 1,292.5</b>	<b>100.0%</b>	<b>\$ 1,022.5</b>	<b>100.0%</b>	<b>\$ 1,109.6</b>	<b>100.0%</b>	<b>\$ 1,069.7</b>	<b>100.0%</b>
<b>corporate bonds and convertible debt by sector</b>										
industrial	\$ 172.7	37.5%	\$ 162.8	48.7%	\$ 124.2	41.1%	\$ 121.0	44.6%	\$ 123.3	32.4%
financial	101.2	21.9%	115.3	34.5%	113.8	37.6%	112.5	41.4%	234.3	61.5%
utility	15.7	3.4%	18.8	5.6%	16.8	5.6%	16.9	6.2%	19.5	5.1%
other	18.1	3.9%	37.5	11.2%	47.6	15.7%	21.1	7.8%	3.6	1.0%
corporate bonds - FDIC guaranteed	153.4	33.3%	-	-	-	-	-	-	-	-
<b>total</b>	<b>\$ 461.1</b>	<b>100.0%</b>	<b>\$ 334.4</b>	<b>100.0%</b>	<b>\$ 302.4</b>	<b>100.0%</b>	<b>\$ 271.5</b>	<b>100.0%</b>	<b>\$ 380.7</b>	<b>100.0%</b>
<b>credit quality of corporate bonds and convertible debt</b>										
AAA	\$ 188.3	40.8%	\$ 54.8	16.4%	\$ 56.5	18.7%	\$ 29.7	10.9%	\$ 29.8	7.8%
AA+, AA, AA-	43.4	9.4%	63.2	18.9%	54.1	17.9%	54.1	19.9%	119.2	31.3%
A+, A, A-	187.7	40.7%	159.6	47.7%	128.7	42.5%	122.5	45.1%	161.2	42.3%
BBB+, BBB, BBB-	38.9	8.4%	46.0	13.8%	50.4	16.7%	52.8	19.5%	56.2	14.8%
other	2.8	0.7%	10.8	3.2%	12.7	4.2%	12.4	4.6%	14.3	3.8%
<b>total</b>	<b>\$ 461.1</b>	<b>100.0%</b>	<b>\$ 334.4</b>	<b>100.0%</b>	<b>\$ 302.4</b>	<b>100.0%</b>	<b>\$ 271.5</b>	<b>100.0%</b>	<b>\$ 380.7</b>	<b>100.0%</b>
quarterly net return on total investments		2.1%		(0.4%)		0.1%		1.2%		1.7%
rolling 12 months net return on total investments		3.1%		2.6%		4.9%		5.7%		6.2%
average market yield of fixed income and managed cash		2.7%		3.3%		3.3%		2.7%		4.7%
average duration of fixed income and managed cash		1.8 years		1.6 years		1.3 years		1.3 years		1.4 years
average credit quality of fixed income and managed cash		AA+		AA+		AA+		AA+		AA+

Lancashire Holdings Limited  
net losses and loss ratios



<b>total</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>q2 2008</b>	<b>q1 2008</b>	<b>q4 2007</b>	<b>full year 2008</b>	<b>full year 2007</b>
net reserves: start	\$ 501.7	\$ 294.5	\$ 231.1	\$ 176.0	\$ 157.2	\$ 176.0	\$ 39.1
paid losses	32.9	15.5	3.5	12.4	5.8	64.3	9.9
change in prior AY <sup>(1)</sup>	(12.5)	(9.6)	(3.3)	(3.2)	(5.0)	(28.6)	(4.4)
current year incurred losses	28.8	235.2	71.2	68.9	29.9	404.1	150.7
foreign exchange	1.6	(2.9)	(1.0)	1.8	(0.3)	(0.5)	0.5
net reserves: end	\$ 486.7	\$ 501.7	\$ 294.5	\$ 231.1	\$ 176.0	\$ 486.7	\$ 176.0
net premiums earned	141.9	147.9	148.5	169.0	158.6	607.3	611.2
net loss ratio	11.5%	152.5%	45.7%	38.9%	15.7%	61.8%	23.9%
IBNR as % of net reserves	32.6%	30.5%	49.4%	56.4%	60.1%	32.6%	60.1%

<b>property</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>q2 2008</b>	<b>q1 2008</b>	<b>q4 2007</b>	<b>full year 2008</b>	<b>full year 2007</b>	<b>energy</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>q2 2008</b>	<b>q1 2008</b>	<b>q4 2007</b>	<b>full year 2008</b>	<b>full year 2007</b>
net reserves: start	\$ 143.3	\$ 88.3	\$ 79.1	\$ 49.9	\$ 52.4	\$ 49.9	\$ 13.2	net reserves: start	\$ 285.3	\$ 137.9	\$ 93.0	\$ 79.2	\$ 70.7	\$ 79.2	\$ 17.2
paid losses	12.3	2.0	0.2	7.2	0.2	21.7	0.4	paid losses	17.7	11.0	0.6	3.0	3.5	32.3	5.8
change in prior AY <sup>(1)</sup>	(2.8)	(5.7)	(10.0)	(3.8)	(0.4)	(22.3)	1.8	change in prior AY <sup>(1)</sup>	(8.3)	(2.4)	6.1	(0.9)	(4.2)	(5.5)	(5.0)
current year incurred losses	(0.3)	64.2	19.8	39.5	(1.8)	123.2	35.0	current year incurred losses	15.8	161.2	39.6	17.4	16.2	234.0	72.6
foreign exchange	0.3	(1.5)	(0.4)	0.7	(0.1)	(0.9)	0.3	foreign exchange	0.2	(0.4)	(0.2)	0.3	-	(0.1)	0.2
net reserves: end	\$ 128.2	\$ 143.3	\$ 88.3	\$ 79.1	\$ 49.9	\$ 128.2	\$ 49.9	net reserves: end	\$ 275.3	\$ 285.3	\$ 137.9	\$ 93.0	\$ 79.2	\$ 275.3	\$ 79.2
net premiums earned	\$ 66.7	\$ 75.1	\$ 64.0	\$ 66.4	\$ 70.8	\$ 272.2	\$ 262.4	net premiums earned	\$ 39.3	\$ 41.4	\$ 49.9	\$ 60.6	\$ 48.9	\$ 191.2	203.6
net loss ratio	(4.6%)	77.9%	15.3%	53.8%	(3.1%)	37.1%	14.0%	net loss ratio	19.1%	383.6%	91.6%	27.2%	24.5%	119.5%	33.2%

<b>marine</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>q2 2008</b>	<b>q1 2008</b>	<b>q4 2007</b>	<b>full year 2008</b>	<b>full year 2007</b>	<b>aviation</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>q2 2008</b>	<b>q1 2008</b>	<b>q4 2007</b>	<b>full year 2008</b>	<b>full year 2007</b>
net reserves: start	\$ 64.5	\$ 61.1	\$ 53.2	\$ 43.1	\$ 31.8	\$ 43.1	\$ 8.7	net reserves: start	\$ 8.6	\$ 7.2	\$ 5.8	\$ 3.8	\$ 2.3	\$ 3.8	\$ -
paid losses	2.9	2.5	2.6	2.2	2.1	10.2	3.7	paid losses	-	-	0.1	-	-	0.1	-
change in prior AY <sup>(1)</sup>	(1.3)	(1.5)	1.3	1.5	(0.4)	-	(1.3)	change in prior AY <sup>(1)</sup>	(0.1)	-	(0.7)	-	-	(0.8)	0.1
current year incurred losses	10.1	8.3	9.6	10.1	13.9	38.1	39.3	current year incurred losses	3.2	1.5	2.2	1.9	1.6	8.8	3.8
foreign exchange	1.0	(0.9)	(0.4)	0.7	(0.1)	0.4	0.1	foreign exchange	0.1	(0.1)	-	0.1	(0.1)	0.1	(0.1)
net reserves: end	\$ 71.4	\$ 64.5	\$ 61.1	\$ 53.2	\$ 43.1	\$ 71.4	\$ 43.1	net reserves: end	\$ 11.8	\$ 8.6	\$ 7.2	\$ 5.8	\$ 3.8	\$ 11.8	\$ 3.8
net premiums earned	\$ 17.2	\$ 15.4	\$ 17.9	\$ 20.1	\$ 17.8	\$ 70.6	\$ 69.0	net premiums earned	\$ 18.7	\$ 16.0	\$ 16.7	\$ 21.9	\$ 21.1	\$ 73.3	76.2
net loss ratio	51.2%	44.2%	60.9%	57.7%	75.8%	54.0%	55.1%	net loss ratio	16.6%	9.4%	9.0%	8.7%	7.6%	10.9%	5.1%

<sup>(1)</sup> AY = accident year

**Lancashire Holdings Limited**  
**earnings per share**

	<u>q4 2008</u>	<u>q4 2007</u>	<u>full year 2008</u>	<u>full year 2007</u>
<b>basic earnings per share:</b>				
profit after tax for the period attributable to equity shareholders	\$ 81.1	\$ 115.3	\$ 97.5	\$ 390.9
weighted average shares outstanding - basic	172,849,927	189,506,019	177,468,281	194,200,524
basic earnings per share	<u>\$ 0.47</u>	<u>\$ 0.61</u>	<u>\$ 0.55</u>	<u>\$ 2.01</u>
<b>diluted earnings per share:</b>				
profit after tax for the period attributable to equity shareholders	\$ 81.1	\$ 115.3	\$ 97.5	\$ 390.9
weighted average shares outstanding - basic	172,849,927	189,506,019	177,468,281	194,200,524
dilutive effect of warrants	6,451,836	12,411,320	6,656,931	10,785,528
dilutive effect of stock options	837,703	506,787	858,450	173,534
dilutive effect of restricted stock	166,904	-	166,904	-
weighted average & equivalent shares outstanding - diluted	<u>180,306,370</u>	<u>202,424,126</u>	<u>185,150,566</u>	<u>205,159,586</u>
diluted earnings per share	<u>\$ 0.45</u>	<u>\$ 0.57</u>	<u>\$ 0.53</u>	<u>\$ 1.91</u>
<b>diluted operating earnings per share:</b>				
net operating income	\$ 98.3	\$ 116.5	\$ 119.4	\$ 390.1
weighted average shares outstanding - basic	172,849,927	189,506,019	177,468,281	194,200,524
dilutive effect of warrants	6,451,836	12,411,320	6,656,931	10,785,528
dilutive effect of stock options	837,703	506,787	858,450	173,534
dilutive effect of restricted stock	166,904	-	166,904	-
weighted average & equivalent shares outstanding - diluted	<u>180,306,370</u>	<u>202,424,126</u>	<u>185,150,566</u>	<u>205,159,586</u>
diluted operating earnings per share	<u>\$ 0.55</u>	<u>\$ 0.58</u>	<u>\$ 0.64</u>	<u>\$ 1.90</u>



**Lancashire Holdings Limited**  
**basic and fully converted book value per share**

	<u>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>	<u>q4 2007</u>
numerator (\$ in millions):					
shareholders' equity	\$ 1,272.7	\$ 1,154.7	\$ 1,305.7	\$ 1,296.3	\$ 1,215.6
proceeds from assumed exercise of outstanding warrants	187.5	187.1	187.1	187.1	190.5
proceeds from assumed exercise of outstanding options	36.2	38.6	40.3	40.3	14.0
book value numerator	<u>\$ 1,496.4</u>	<u>\$ 1,380.4</u>	<u>\$ 1,533.1</u>	<u>\$ 1,523.7</u>	<u>\$ 1,420.1</u>
denominator (in shares):					
common voting shares outstanding	172,849,927	172,849,927	176,600,457	182,283,095	182,283,095
shares issueable upon exercise of outstanding warrants <sup>(1)</sup>	38,225,519	38,107,634	38,107,633	38,107,633	38,107,633
shares outstanding upon exercise of outstanding options <sup>(1)</sup>	6,906,008	6,906,008	6,992,047	6,992,047	2,147,769
shares outstanding upon exercise of restricted stock	166,904	166,904	166,904	166,904	-
book value denominator	<u>218,148,358</u>	<u>218,030,473</u>	<u>221,867,041</u>	<u>227,549,679</u>	<u>222,538,497</u>
basic book value per share	<u>\$ 7.36</u>	<u>\$ 6.68</u>	<u>\$ 7.39</u>	<u>\$ 7.11</u>	<u>\$ 6.67</u>
fully converted book value per share	<u>\$ 6.86</u>	<u>\$ 6.33</u>	<u>\$ 6.91</u>	<u>\$ 6.70</u>	<u>\$ 6.38</u>
dividend per common share	\$ -	\$ -	\$ -	\$ -	\$ 1.10
change in FCBVS adj for dividends <sup>(2)</sup> - quarter	8.4%	(8.4%)	3.1%	5.0%	7.9%
change in FCBVS adj for dividends <sup>(2)</sup> - rolling 12 months	7.5%	8.2%	26.9%	29.3%	31.7%
compound annual change in FCBVS adj for dividends <sup>(2)</sup>	17.7%	16.2%	21.4%	22.2%	22.3%
compound annual change in FCBVS adj for dividends <sup>(2)</sup> - above 3 month treasury	14.2%	12.4%	17.3%	17.9%	17.7%
change in FCBVS adj for dividends <sup>(2)</sup> - since inception	63.1%	51.2%	62.4%	57.1%	49.6%

<sup>(1)</sup> where book value is less than strike price, or performance conditions are not yet met, those warrants and options are not treated as dilutive

<sup>(2)</sup> change in fully converted book value per share adjusted for dividends is the internal rate of return of the change in fully converted book value per share in the period plus dividends accrued

<sup>(3)</sup> FCBVS = fully converted book value per share

**Lancashire Holdings Limited**  
**basic and fully diluted book value per share**

	<u>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>	<u>q4 2007</u>
shareholders' equity	\$ 1,272.7	\$ 1,154.7	\$ 1,305.7	\$ 1,296.3	\$ 1,215.6
weighted average exercise price per share (warrants) <sup>(1)</sup>	\$ 4.91	\$ 4.91	\$ 4.91	\$ 4.91	\$ 5.00
weighted average exercise price per share (options) <sup>(1)</sup>	\$ 5.25	\$ 5.60	\$ 5.77	\$ 5.77	\$ 6.50
denominator (in shares):					
common voting shares outstanding	172,849,927	172,849,927	176,600,457	182,283,095	182,283,095
unvested restricted shares and restricted share units	166,904	166,904	166,904	166,904	-
dilutive warrants outstanding	38,225,519	38,107,634	38,107,633	38,107,633	38,107,633
warrants bought back	(25,468,820)	(28,003,834)	(25,302,447)	(26,306,846)	(28,572,423)
dilutive options outstanding	6,906,008	6,906,008	6,992,047	6,992,047	2,147,769
options bought back	(4,919,431)	(5,781,134)	(5,454,600)	(5,670,848)	(2,092,731)
dilutive shares outstanding	<u>187,760,107</u>	<u>184,245,505</u>	<u>191,109,994</u>	<u>195,571,985</u>	<u>191,873,343</u>
basic book value per common share	<u>\$ 7.36</u>	<u>\$ 6.68</u>	<u>\$ 7.39</u>	<u>\$ 7.11</u>	<u>\$ 6.67</u>
diluted book value per common share	<u>\$ 6.78</u>	<u>\$ 6.27</u>	<u>\$ 6.83</u>	<u>\$ 6.63</u>	<u>\$ 6.34</u>
dividend per common share	\$ -	\$ -	\$ -	\$ -	\$ 1.10
change in FDBVS adj for dividends <sup>(2)</sup> - quarter	8.1%	(8.2%)	3.0%	4.6%	8.3%
change in FDBVS adj for dividends <sup>(2)</sup> - rolling 12 months	6.9%	8.3%	26.4%	28.7%	31.5%
compound annual change in FDBVS adj for dividends <sup>(2)</sup>	17.3%	15.9%	20.9%	21.8%	22.0%
compound annual change in FDBVS adj for dividends <sup>(2)</sup> - above 3 month treasury	13.8%	12.0%	16.8%	17.4%	17.3%
change in FDBVS adj for dividends <sup>(2)</sup> - since inception	61.4%	50.0%	60.8%	55.7%	48.8%

<sup>(1)</sup> weighted average exercise price for those warrants and stock options which have exercise price lower than book value per share

<sup>(2)</sup> change in fully diluted book value per share adjusted for dividends is the internal rate of return of the change in fully diluted book value per share in the period plus dividends accrued

<sup>(3)</sup> FDBVS = fully diluted book value per share