



## financial supplement

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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 WORDS 'BELIEVES', 'ANTICIPATES', 'PLANS', 'PROJECTS', 'FORECASTS', 'GUIDANCE', 'INTENDS', 'EXPECTS', 'ESTIMATES', 'PREDICTS', 'MAY', 'CAN', '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, CAPITAL MANAGEMENT PLANS, 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; 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; THE IMPACT OF A DETERIORATING CREDIT ENVIRONMENT CREATED BY THE FINANCIAL MARKETS AND CREDIT CRISIS; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITIES IN OUR INVESTMENT PORTFOLIO; 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. ANY ESTIMATES RELATING TO LOSS EVENTS INVOLVE THE EXERCISE OF CONSIDERABLE JUDGEMENT AND REFLECT A COMBINATION OF GROUND-UP EVALUATIONS, INFORMATION AVAILABLE TO DATE FROM BROKERS AND INSURED, MARKET INTELLIGENCE, INITIAL TENTATIVE LOSS REPORTS AND OTHER SOURCES. JUDGEMENTS IN RELATION TO FLOOD LOSSES INVOLVE COMPLEX FACTORS POTENTIALLY CONTRIBUTING TO THIS TYPE OF LOSS, AND WE CAUTION AS TO THE PRELIMINARY NATURE OF THE INFORMATION USED TO PREPARE ANY SUCH ESTIMATES.

THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE HOLDINGS LIMITED EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS (INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE)) 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. summary consolidated cash flows
5. premiums by line of business
6. summary consolidated underwriting segment results
7. property segment - underwriting statement
8. energy segment - underwriting statement
9. marine segment - underwriting statement
10. aviation segment - underwriting statement
11. summary consolidated balance sheets
12. composition of investment portfolio
13. investment portfolio - weighted average yields
14. corporate bonds - issuer exposure
15. net losses and loss ratios
16. losses by accident year
17. earnings per share
18. basic and fully converted book value per share
19. 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:

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 RATE

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**

	q1 2009	q1 2008	% change q1-09 vs. q1-08
<b>highlights</b>			
gross premiums written	\$ 142.8	\$ 186.7	(24%)
net premiums written	99.2	141.9	(30%)
net premiums earned	139.2	169.0	(18%)
net insurance losses	74.6	65.7	14%
net investment income	13.5	17.7	(24%)
net realised gains and impairments	8.0	7.5	7%
profit after tax before change in unrealised gains	40.7	84.6	(52%)
change in net unrealised gains (losses) on investments	1.7	(2.5)	168%
comprehensive income	42.4	82.1	(48%)
net operating income <sup>(1)</sup>	\$ 35.8	\$ 73.2	(51%)
total investments and cash	\$ 2,195.9	\$ 1,822.8	20%
total shareholders' equity	\$ 1,317.1	\$ 1,296.3	2%
<b>per share data</b>			
net operating income per share - diluted <sup>(2)</sup>	\$ 0.19	\$ 0.39	
profit after tax per share - diluted <sup>(2)</sup>	\$ 0.22	\$ 0.45	
fully converted book value per share	\$ 7.07	\$ 6.70	
change in FCBVS adj for dividends <sup>(3)</sup>	3.1%	5.0%	
fully diluted book value per share	\$ 6.98	\$ 6.63	
change in FDBVS adj for dividends <sup>(4)</sup>	2.9%	4.6%	
<b>financial ratios</b>			
net loss ratio	53.6%	38.9%	
net acquisition cost ratio	18.7%	15.4%	
administrative expense ratio	8.9%	6.9%	
combined ratio	<u>81.2%</u>	<u>61.2%</u>	
net return on total investments	1.1%	1.2%	

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

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

(3) change in fully converted book value per share ("FCBVS") 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

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

**Lancashire Holdings Limited**  
**summary consolidated income statements**

	q1 2009	q4 2008	q3 2008	q2 2008	q1 2008	full year 2008
gross premiums written	\$ 142.8	\$ 130.1	\$ 124.6	\$ 196.7	\$ 186.7	\$ 638.1
outwards reinsurance premiums	(43.6)	-	(4.3)	(14.3)	(44.8)	(63.4)
<b>net premiums written</b>	99.2	130.1	120.3	182.4	141.9	574.7
change in unearned premiums	13.4	28.0	40.0	(29.0)	3.2	42.2
change in unearned premiums on premium ceded	26.6	(16.2)	(12.4)	(4.9)	23.9	(9.6)
<b>net premiums earned</b>	139.2	141.9	147.9	148.5	169.0	607.3
net investment income	13.5	13.4	15.5	12.9	17.7	59.5
net other investment gains (losses)	-	(0.1)	(0.1)	0.8	(0.5)	0.1
net realised gains (losses) and impairments	8.0	(4.0)	(13.1)	(1.4)	7.5	(11.0)
net fair value gains (losses) on investments	0.3	0.5	(0.1)	(0.3)	(0.7)	(0.6)
share of profit (loss) of associate	-	-	-	(0.1)	(0.1)	(0.2)
net foreign exchange gains (losses)	(1.6)	(4.3)	(4.5)	-	0.3	(8.5)
<b>total net revenue</b>	159.4	147.4	145.6	160.4	193.2	646.6
insurance losses	89.1	18.4	260.4	73.1	66.9	418.8
insurance losses recoverable	(14.5)	(2.1)	(34.8)	(5.2)	(1.2)	(43.3)
net insurance acquisition expenses	26.0	25.2	23.9	24.5	26.0	99.6
equity based compensation	3.0	8.9	0.4	2.8	(1.5)	10.6
other operating expenses	12.4	8.6	14.0	15.0	11.7	49.3
<b>total expenses</b>	116.0	59.0	263.9	110.2	101.9	535.0
<b>profit (loss) before tax and finance costs</b>	43.4	88.4	(118.3)	50.2	91.3	111.6
finance costs	2.4	5.3	3.4	0.4	4.9	14.0
<b>profit (loss) before tax</b>	41.0	83.1	(121.7)	49.8	86.4	97.6
tax	(0.3)	(2.0)	2.3	1.4	(1.8)	(0.1)
<b>profit (loss) after tax</b>	\$ 40.7	\$ 81.1	\$ (119.4)	\$ 51.2	\$ 84.6	\$ 97.5
change in net unrealised gains (losses) on investments	1.7	28.1	(9.6)	(9.1)	(2.5)	6.9
<b>comprehensive income (loss)</b>	\$ 42.4	\$ 109.2	\$ (129.0)	\$ 42.1	\$ 82.1	\$ 104.4
net loss ratio	53.6%	11.5%	152.5%	45.7%	38.9%	61.8%
net acquisition cost ratio	18.7%	17.8%	16.2%	16.5%	15.4%	16.4%
administrative expense ratio	8.9%	6.1%	9.5%	10.1%	6.9%	8.1%
combined ratio	81.2%	35.4%	178.2%	72.3%	61.2%	86.3%
net return on total investments	1.1%	2.1%	(0.4%)	0.1%	1.2%	3.1%
basic earnings (loss) per share	\$ 0.24	\$ 0.47	\$ (0.69)	\$ 0.28	\$ 0.46	\$ 0.55
diluted earnings (loss) per share	\$ 0.22	\$ 0.45	\$ (0.69)	\$ 0.27	\$ 0.45	\$ 0.53

**Lancashire Holdings Limited**  
**summary consolidated cash flows**

<b>cash flows</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>q2 2008</b>	<b>q1 2008</b>	<b>full year 2008</b>
net cash flows from operating activities	157.5	33.6	100.6	102.8	123.7	360.7
net cash flows from (used in) investing activities	166.0	(181.8)	(263.8)	87.6	(0.6)	(358.6)
net cash flows used in financing activities	<u>(3.0)</u>	<u>(2.3)</u>	<u>(27.1)</u>	<u>(35.5)</u>	<u>(251.6)</u>	<u>(316.5)</u>
<b>net increase (decrease) in cash and cash equivalents</b>	<u>320.5</u>	<u>(150.5)</u>	<u>(190.3)</u>	<u>154.9</u>	<u>(128.5)</u>	<u>(314.4)</u>
cash and cash equivalents, opening	413.6	567.5	764.7	610.0	737.3	737.3
effect of exchange rate fluctuations	<u>(3.0)</u>	<u>(3.4)</u>	<u>(6.9)</u>	<u>(0.2)</u>	<u>1.2</u>	<u>(9.3)</u>
<b>cash and cash equivalents, closing</b>	<u>731.1</u>	<u>413.6</u>	<u>567.5</u>	<u>764.7</u>	<u>610.0</u>	<u>413.6</u>

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

	<u>q1 2009</u>	<u>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>	<u>full year 2008</u>
<b>gross premiums written</b>						
property direct and facultative	\$ 15.6	\$ 16.5	\$ 14.2	\$ 40.4	\$ 22.7	\$ 93.8
property retrocession	32.0	9.0	13.3	10.8	43.3	76.4
terrorism	16.8	21.0	16.1	22.1	16.3	75.5
property political risk	4.1	8.3	4.1	5.8	9.9	28.1
property cat excess of loss	5.1	3.1	5.3	5.4	9.6	23.4
other property	2.4	1.1	1.1	2.7	0.6	5.5
total property	<u>76.0</u>	<u>59.0</u>	<u>54.1</u>	<u>87.2</u>	<u>102.4</u>	<u>302.7</u>
worldwide offshore energy	24.9	11.5	15.8	29.9	19.1	76.3
gulf of mexico offshore energy	0.1	(1.1)	17.5	42.0	15.9	74.3
construction energy	1.4	3.0	7.7	5.4	5.4	21.5
onshore energy	1.1	2.5	1.4	3.0	3.1	10.0
other energy	0.7	0.2	2.2	0.3	0.4	3.1
total energy	<u>28.2</u>	<u>16.1</u>	<u>44.6</u>	<u>80.6</u>	<u>43.9</u>	<u>185.2</u>
marine hull and total loss	9.1	6.0	6.6	7.7	10.3	30.6
marine builders risk	6.3	4.9	7.7	4.5	9.2	26.3
marine hull war	5.8	1.9	2.5	1.5	5.4	11.3
marine P&I clubs	8.7	-	0.7	0.2	8.3	9.2
other marine	0.3	0.2	0.1	0.7	0.2	1.2
total marine	<u>30.2</u>	<u>13.0</u>	<u>17.6</u>	<u>14.6</u>	<u>33.4</u>	<u>78.6</u>
AV 52	7.0	33.2	5.5	9.4	3.1	51.2
other aviation	1.4	8.8	2.8	4.9	3.9	20.4
total aviation	<u>8.4</u>	<u>42.0</u>	<u>8.3</u>	<u>14.3</u>	<u>7.0</u>	<u>71.6</u>
<b>total gross premiums written</b>	<u><b>\$ 142.8</b></u>	<u><b>\$ 130.1</b></u>	<u><b>\$ 124.6</b></u>	<u><b>\$ 196.7</b></u>	<u><b>\$ 186.7</b></u>	<u><b>\$ 638.1</b></u>



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

**three months ending march 31, 2009**

	<b>property</b>	<b>energy</b>	<b>marine</b>	<b>aviation</b>	<b>consolidated</b>
gross premiums written	\$ 76.0	\$ 28.2	\$ 30.2	\$ 8.4	\$ 142.8
net premiums written	54.9	19.3	20.4	4.6	99.2
net premiums earned	58.6	39.3	21.4	19.9	139.2
net insurance losses	(2.4)	65.3	9.7	2.0	74.6
net insurance acquisition expenses	7.3	7.8	6.5	4.4	26.0
other operating expenses	-	-	-	-	12.4
	<u>\$ 53.7</u>	<u>\$ (33.8)</u>	<u>\$ 5.2</u>	<u>\$ 13.5</u>	<u>\$ 26.2</u>
net loss ratio	(4.1%)	166.2%	45.3%	10.1%	53.6%
net acquisition cost ratio	12.5%	19.8%	30.4%	22.1%	18.7%
administrative expense ratio	-	-	-	-	8.9%
combined ratio	<u>8.4%</u>	<u>186.0%</u>	<u>75.7%</u>	<u>32.2%</u>	<u>81.2%</u>

**three months ending march 31, 2008**

	<b>property</b>	<b>energy</b>	<b>marine</b>	<b>aviation</b>	<b>consolidated</b>
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>

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

	<u>q1 2009</u>	<u>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>	<u>full year 2008</u>
<b>underwriting income</b>						
gross premiums written	\$ 76.0	\$ 59.0	\$ 54.1	\$ 87.2	\$ 102.4	\$ 302.7
outwards reinsurance premiums	(21.1)	1.9	0.3	(2.9)	(22.4)	(23.1)
<b>net premiums written</b>	<u>54.9</u>	<u>60.9</u>	<u>54.4</u>	<u>84.3</u>	<u>80.0</u>	<u>279.6</u>
change in unearned premiums	(11.2)	11.9	27.1	(15.0)	(26.3)	(2.3)
change in unearned premiums on premium ceded	14.9	(6.1)	(6.4)	(5.3)	12.7	(5.1)
	<u>3.7</u>	<u>5.8</u>	<u>20.7</u>	<u>(20.3)</u>	<u>(13.6)</u>	<u>(7.4)</u>
<b>net premiums earned</b>	<u>\$ 58.6</u>	<u>\$ 66.7</u>	<u>\$ 75.1</u>	<u>\$ 64.0</u>	<u>\$ 66.4</u>	<u>\$ 272.2</u>
<b>underwriting expenses</b>						
net insurance losses	(2.4)	(3.1)	58.5	9.8	35.7	100.9
net insurance acquisition expenses	7.3	9.1	8.7	8.1	8.2	34.1
<b>total underwriting expenses</b>	<u>4.9</u>	<u>6.0</u>	<u>67.2</u>	<u>17.9</u>	<u>43.9</u>	<u>135.0</u>
<b>net underwriting income</b>	<u>\$ 53.7</u>	<u>\$ 60.7</u>	<u>\$ 7.9</u>	<u>\$ 46.1</u>	<u>\$ 22.5</u>	<u>\$ 137.2</u>
net loss ratio (% of net premiums earned)	(4.1%)	(4.6%)	77.9%	15.3%	53.8%	37.1%
net acquisition cost ratio (% of net premiums earned)	12.5%	13.6%	11.6%	12.7%	12.3%	12.5%
	<u>8.4%</u>	<u>9.0%</u>	<u>89.5%</u>	<u>28.0%</u>	<u>66.1%</u>	<u>49.6%</u>

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

	<u>q1 2009</u>	<u>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>	<u>full year 2008</u>
<b>underwriting income</b>						
gross premiums written	\$ 28.2	\$ 16.1	\$ 44.6	\$ 80.6	\$ 43.9	\$ 185.2
outwards reinsurance premiums	(8.9)	0.6	(4.4)	(10.0)	(11.8)	(25.6)
<b>net premiums written</b>	<u>19.3</u>	<u>16.7</u>	<u>40.2</u>	<u>70.6</u>	<u>32.1</u>	<u>159.6</u>
change in unearned premiums	17.5	29.6	4.3	(22.4)	25.4	36.9
change in unearned premiums on premium ceded	2.5	(7.0)	(3.1)	1.7	3.1	(5.3)
	<u>20.0</u>	<u>22.6</u>	<u>1.2</u>	<u>(20.7)</u>	<u>28.5</u>	<u>31.6</u>
<b>net premiums earned</b>	<u>\$ 39.3</u>	<u>\$ 39.3</u>	<u>\$ 41.4</u>	<u>\$ 49.9</u>	<u>\$ 60.6</u>	<u>\$ 191.2</u>
<b>underwriting expenses</b>						
net insurance losses	65.3	7.5	158.8	45.7	16.5	228.5
net insurance acquisition expenses	7.8	7.5	7.9	7.3	8.6	31.3
<b>total underwriting expenses</b>	<u>73.1</u>	<u>15.0</u>	<u>166.7</u>	<u>53.0</u>	<u>25.1</u>	<u>259.8</u>
<b>net underwriting income (loss)</b>	<u>\$ (33.8)</u>	<u>\$ 24.3</u>	<u>\$ (125.3)</u>	<u>\$ (3.1)</u>	<u>\$ 35.5</u>	<u>\$ (68.6)</u>
net loss ratio (% of net premiums earned)	166.2%	19.1%	383.6%	91.6%	27.2%	119.5%
net acquisition cost ratio (% of net premiums earned)	<u>19.8%</u>	<u>19.1%</u>	<u>19.1%</u>	<u>14.6%</u>	<u>14.2%</u>	<u>16.4%</u>
	<u>186.0%</u>	<u>38.2%</u>	<u>402.7%</u>	<u>106.2%</u>	<u>41.4%</u>	<u>135.9%</u>

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

	<u>q1 2009</u>	<u>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>	<u>full year 2008</u>
<b>underwriting income</b>						
gross premiums written	\$ 30.2	\$ 13.0	\$ 17.6	\$ 14.6	\$ 33.4	\$ 78.6
outwards reinsurance premiums	(9.8)	(0.2)	0.4	1.6	(9.4)	(7.6)
<b>net premiums written</b>	<u>20.4</u>	<u>12.8</u>	<u>18.0</u>	<u>16.2</u>	<u>24.0</u>	<u>71.0</u>
change in unearned premiums	(6.2)	6.2	(0.6)	4.9	(11.0)	(0.5)
change in unearned premiums on premium ceded	7.2	(1.8)	(2.0)	(3.2)	7.1	0.1
	<u>1.0</u>	<u>4.4</u>	<u>(2.6)</u>	<u>1.7</u>	<u>(3.9)</u>	<u>(0.4)</u>
<b>net premiums earned</b>	<u>\$ 21.4</u>	<u>\$ 17.2</u>	<u>\$ 15.4</u>	<u>\$ 17.9</u>	<u>\$ 20.1</u>	<u>\$ 70.6</u>
<b>underwriting expenses</b>						
net insurance losses	9.7	8.8	6.8	10.9	11.6	38.1
net insurance acquisition expenses	6.5	4.8	4.4	5.0	5.2	19.4
<b>total underwriting expenses</b>	<u>16.2</u>	<u>13.6</u>	<u>11.2</u>	<u>15.9</u>	<u>16.8</u>	<u>57.5</u>
<b>net underwriting income</b>	<u>\$ 5.2</u>	<u>\$ 3.6</u>	<u>\$ 4.2</u>	<u>\$ 2.0</u>	<u>\$ 3.3</u>	<u>\$ 13.1</u>
net loss ratio (% of net premiums earned)	45.3%	51.2%	44.2%	60.9%	57.7%	54.0%
net acquisition cost ratio (% of net premiums earned)	30.4%	27.9%	28.6%	27.9%	25.9%	27.5%
	<u>75.7%</u>	<u>79.1%</u>	<u>72.8%</u>	<u>88.8%</u>	<u>83.6%</u>	<u>81.5%</u>

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

	<u>q1 2009</u>	<u>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>	<u>full year 2008</u>
<b>underwriting income</b>						
gross premiums written	\$ 8.4	\$ 42.0	\$ 8.3	\$ 14.3	\$ 7.0	\$ 71.6
outwards reinsurance premiums	(3.8)	(2.3)	(0.6)	(3.0)	(1.2)	(7.1)
<b>net premiums written</b>	<u>4.6</u>	<u>39.7</u>	<u>7.7</u>	<u>11.3</u>	<u>5.8</u>	<u>64.5</u>
change in unearned premiums	13.3	(19.7)	9.2	3.5	15.1	8.1
change in unearned premiums on premium ceded	2.0	(1.3)	(0.9)	1.9	1.0	0.7
	<u>15.3</u>	<u>(21.0)</u>	<u>8.3</u>	<u>5.4</u>	<u>16.1</u>	<u>8.8</u>
<b>net premiums earned</b>	<u>\$ 19.9</u>	<u>\$ 18.7</u>	<u>\$ 16.0</u>	<u>\$ 16.7</u>	<u>\$ 21.9</u>	<u>\$ 73.3</u>
<b>underwriting expenses</b>						
net insurance losses	2.0	3.1	1.5	1.5	1.9	8.0
net insurance acquisition expenses	4.4	3.8	2.9	4.1	4.0	14.8
<b>total underwriting expenses</b>	<u>6.4</u>	<u>6.9</u>	<u>4.4</u>	<u>5.6</u>	<u>5.9</u>	<u>22.8</u>
<b>net underwriting income</b>	<u>\$ 13.5</u>	<u>\$ 11.8</u>	<u>\$ 11.6</u>	<u>\$ 11.1</u>	<u>\$ 16.0</u>	<u>\$ 50.5</u>
net loss ratio (% of net premiums earned)	10.1%	16.6%	9.4%	9.0%	8.7%	10.9%
net acquisition cost ratio (% of net premiums earned)	22.1%	20.3%	18.1%	24.6%	18.3%	20.2%
	<u>32.2%</u>	<u>36.9%</u>	<u>27.5%</u>	<u>33.6%</u>	<u>27.0%</u>	<u>31.1%</u>

**Lancashire Holdings Limited**  
summary consolidated balance sheets

	<u>march 31, 2009</u>	<u>december 31, 2008</u>	<u>september 30, 2008</u>	<u>june 30, 2008</u>	<u>march 31, 2008</u>
<b>assets</b>					
cash and cash equivalents	\$ 731.1	\$ 413.6	\$ 567.5	\$ 764.7	\$ 610.0
accrued interest receivable	9.3	10.1	9.3	7.8	6.8
investments					
- fixed income securities					
- available for sale	1,464.8	1,595.4	1,292.5	1,022.5	1,109.6
- at fair value through income	-	4.0	18.0	20.9	23.9
- equity securities, available for sale	-	5.8	71.5	83.0	75.8
- other investments	-	-	3.5	4.0	3.5
reinsurance assets					
- unearned premium on premium ceded	36.6	10.0	26.2	38.6	43.5
- reinsurance recoveries	53.4	42.1	43.8	10.1	4.9
- other receivables	3.2	3.2	-	-	-
deferred acquisition costs	57.0	60.9	65.1	68.8	59.3
inwards premium receivable from insureds and cedants	176.3	187.3	154.8	226.0	207.5
investment in associate	-	-	-	-	3.6
other assets	72.1	156.6	47.5	29.7	21.3
<b>total assets</b>	<b>\$ 2,603.8</b>	<b>\$ 2,489.0</b>	<b>\$ 2,299.7</b>	<b>\$ 2,276.1</b>	<b>\$ 2,169.7</b>
<b>liabilities</b>					
insurance contracts					
- loss and loss adjustment expenses	\$ 564.7	\$ 528.8	\$ 545.5	\$ 304.6	\$ 236.0
- unearned premiums	326.2	339.6	367.6	407.6	378.6
- other payables	16.2	17.6	9.8	15.9	10.0
amounts payable to reinsurers	21.9	2.0	11.5	32.8	33.3
deferred acquisition costs ceded	2.6	1.9	3.7	4.3	3.8
other payables	226.4	195.6	75.2	70.3	76.8
long-term debt	128.7	130.8	131.7	134.9	134.9
<b>total liabilities</b>	<b>1,286.7</b>	<b>1,216.3</b>	<b>1,145.0</b>	<b>970.4</b>	<b>873.4</b>
<b>shareholders' equity</b>					
share capital	91.2	91.1	91.1	91.1	91.1
treasury shares	(59.0)	(58.0)	(58.0)	(35.5)	-
share premium	65.2	60.1	51.3	50.8	48.0
contributed surplus	752.6	754.8	754.8	754.8	754.8
fair value and other reserves	29.3	27.6	(0.5)	9.1	18.2
dividends	-	0.1	0.1	0.1	0.1
retained earnings	437.8	397.0	315.9	435.3	384.1
<b>total shareholders' equity</b>	<b>\$ 1,317.1</b>	<b>\$ 1,272.7</b>	<b>\$ 1,154.7</b>	<b>\$ 1,305.7</b>	<b>\$ 1,296.3</b>
<b>total liabilities and shareholders' equity</b>	<b>\$ 2,603.8</b>	<b>\$ 2,489.0</b>	<b>\$ 2,299.7</b>	<b>\$ 2,276.1</b>	<b>\$ 2,169.7</b>
basic book value per share	\$ 7.62	\$ 7.36	\$ 6.68	\$ 7.39	\$ 7.11
fully converted book value per share	\$ 7.07	\$ 6.86	\$ 6.33	\$ 6.91	\$ 6.70
fully diluted book value per share	\$ 6.98	\$ 6.78	\$ 6.27	\$ 6.83	\$ 6.63
debt to total capital ratio	8.9%	9.3%	10.2%	9.4%	9.4%

Lancashire Holdings Limited  
composition of investment portfolio



	march 31, 2009	%	december 31, 2008	%	september 30, 2008	%	june 30, 2008	%	march 31, 2008	%
<b>type of investment</b>										
short term investments	\$ 57.5	2.7%	\$ 163.6	8.2%	\$ 145.5	7.7%	\$ 61.3	3.3%	\$ 197.9	11.1%
U.S. treasuries	133.4	6.2%	191.7	9.6%	418.5	22.1%	402.9	21.6%	452.7	25.3%
other government bonds	54.0	2.4%	54.1	2.7%	51.4	2.7%	15.6	0.8%	-	-
U.S. government agency debt	164.2	7.6%	114.5	5.8%	45.4	2.4%	-	-	3.8	0.2%
U.S. government agency mortgage backed securities	690.3	32.0%	614.4	30.9%	315.3	16.7%	261.2	14.0%	207.6	11.6%
corporate bonds	186.7	8.6%	303.5	15.2%	308.4	16.3%	269.9	14.5%	234.3	13.1%
corporate bonds - FDIC guaranteed	178.7	8.3%	153.4	7.7%	-	-	-	-	-	-
convertible debt securities	-	-	0.2	-	8.0	0.4%	11.6	0.6%	13.3	0.8%
<b>total fixed income securities, available for sale</b>	<b>1,464.8</b>	<b>67.8%</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>
equity securities - available for sale	-	-	5.8	0.3%	71.5	3.8%	83.0	4.5%	75.8	4.2%
fixed income securities - at fair value through income	-	-	4.0	0.2%	18.0	1.0%	20.9	1.1%	23.9	1.3%
other investments	-	-	-	-	3.5	0.2%	4.0	0.2%	3.5	0.2%
managed cash	695.0	32.2%	387.1	19.4%	504.1	26.7%	734.7	39.4%	575.2	32.2%
<b>total investments</b>	<b>\$ 2,159.8</b>	<b>100.0%</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>credit quality of fixed income securities</b>										
AAA	\$ 1,299.2	88.7%	\$ 1,318.0	82.6%	\$ 1,022.5	79.1%	\$ 797.4	78.0%	\$ 891.6	80.4%
AA+, AA, AA-	43.4	3.0%	51.0	3.2%	69.7	5.4%	51.9	5.1%	51.4	4.6%
A+, A, A-	95.9	6.5%	187.7	11.8%	151.4	11.7%	118.1	11.5%	112.8	10.2%
BBB+, BBB, BBB-	26.1	1.8%	38.7	2.4%	44.4	3.4%	48.1	4.7%	46.9	4.2%
other	0.2	-	-	-	4.5	0.4%	7.0	0.7%	6.9	0.6%
	<b>\$ 1,464.8</b>	<b>100.0%</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>corporate bonds and convertible debt by sector</b>										
industrial	\$ 102.3	28.0%	\$ 172.7	37.5%	\$ 162.8	48.7%	\$ 124.2	41.1%	\$ 121.0	44.6%
financial	42.6	11.7%	101.2	21.9%	115.3	34.5%	113.8	37.6%	112.5	41.4%
utility	12.1	3.3%	15.7	3.4%	18.8	5.6%	16.8	5.6%	16.9	6.2%
other	29.7	8.1%	18.1	3.9%	37.5	11.2%	47.6	15.7%	21.1	7.8%
corporate bonds - FDIC guaranteed	178.7	48.9%	153.4	33.3%	-	-	-	-	-	-
	<b>\$ 365.4</b>	<b>100.0%</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>
quarterly net return on total investments		1.1%		2.1%		(0.4%)		0.1%		1.2%
rolling 12 months net return on total investments		3.0%		3.1%		2.6%		4.9%		5.7%
average market yield of fixed income and managed cash		1.9%		2.7%		3.3%		3.3%		2.7%
average duration of fixed income and managed cash		1.4 years		1.8 years		1.6 years		1.3 years		1.3 years
average credit quality of fixed income and managed cash		AA+		AA+		AA+		AA+		AA+

**Lancashire Holdings Limited**  
investment portfolio - weighted average yields

	march 31, 2009			december 31, 2008		
	estimated fair value	weighted average book yield	weighted average market yield	estimated fair value	weighted average book yield	weighted average market yield
<b>type of investment</b>						
short term investments	\$ 57.5	0.4%	0.2%	\$ 163.6	1.1%	0.1%
U.S. treasuries	133.4	3.1%	1.1%	191.7	2.7%	1.1%
other government bonds	54.0	3.3%	1.9%	54.1	3.3%	2.1%
U.S. government agency debt	164.2	3.1%	2.2%	114.5	3.5%	2.0%
U.S. government agency mortgage backed securities	690.3	4.9%	3.0%	614.4	4.8%	3.9%
corporate bonds	186.7	4.7%	4.1%	303.5	5.1%	5.6%
corporate bonds - FDIC guaranteed	178.7	2.6%	1.8%	153.4	3.0%	1.7%
convertible debt securities	-	-	-	4.2	3.6%	20.9%
<b>total fixed income securities</b>	1,464.8	4.0%	2.6%	1,599.4	3.9%	3.1%
managed cash	695.0	0.4% *	0.4%	387.1	1.4% *	1.2%
<b>total fixed income securities and managed cash</b>	2,159.8	2.8%	1.9%	1,986.5	3.4%	2.7%

\* Managed cash includes money market funds, treasury bills, and agency discount notes. Where book yields are not available, book yield is assumed to be equal to market yield.



Lancashire Holdings Limited  
corporate bonds - issuer exposure

march 31, 2009

	<u>par value</u>		<u>estimated fair value</u>		<u>accrued interest</u>		<u>unrealised gain (loss)</u>		<u>credit quality</u>
<b>top twenty holdings by issuer</b>									
Verizon Communications Inc	17.3	\$	18.0	\$	0.4	\$	0.7		A
AT&T Inc	17.0		17.2		0.1		0.2		A
Comcast Corporation	9.7		9.9		0.1		(0.1)		BBB+
JPMorgan Chase & Company	7.3		7.3		0.1		(0.1)		A+
Philip Morris International Inc.	5.9		6.0		0.1		0.1		A
Deutsche Telekom	5.0		5.1		0.1		-		BBB+
International Business Machines Corporation	4.8		4.9		0.1		0.2		A+
Wells Fargo & Company	4.7		4.6		0.1		(0.1)		AA
Unilever Capital Corp	4.1		4.1		-		-		A+
Coca-Cola Company	3.9		4.0		-		0.1		A+
Roche Holdings Inc	3.8		3.9		-		0.2		AA-
HSBC Holdings PLC	3.8		3.8		-		-		A
Morgan Stanley	3.8		3.2		-		-		A
Pepsico Inc	3.2		3.2		-		-		A+
Coca-Cola Enterprises Inc	3.1		3.1		-		0.1		A
PG&E Corporation	3.0		3.0		-		-		BBB+
Unitedhealth Group Inc	2.9		2.9		0.1		-		A-
Novartis Capital Corp	2.7		2.7		-		0.1		AA-
US Bancorp	2.6		2.7		-		-		AA
The Southern Company	2.4		2.5		-		0.1		A

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

<b>total</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>q2 2008</b>	<b>q1 2008</b>
net reserves: start	\$ 486.7	\$ 501.7	\$ 294.5	\$ 231.1	\$ 176.0
paid losses	48.9	32.9	15.5	3.5	12.4
change in prior year AY <sup>(1)</sup>	34.4	(12.5)	(9.6)	(3.3)	(3.2)
current year incurred losses	40.2	28.8	235.2	71.2	68.9
foreign exchange	(1.1)	1.6	(2.9)	(1.0)	1.8
net reserves: end	<u>\$ 511.3</u>	<u>\$ 486.7</u>	<u>\$ 501.7</u>	<u>\$ 294.5</u>	<u>\$ 231.1</u>
net premiums earned	\$ 139.2	\$ 141.9	\$ 147.9	\$ 148.5	\$ 169.0
net loss ratio	53.6%	11.5%	152.5%	45.7%	38.9%
IBNR as % of net reserves	39.3%	32.6%	30.5%	49.4%	56.4%

<b>property</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>q2 2008</b>	<b>q1 2008</b>
net reserves: start	\$ 128.2	\$ 143.3	\$ 88.3	\$ 79.1	\$ 49.9
paid losses	19.9	12.3	2.0	0.2	7.2
change in prior year AY <sup>(1)</sup>	(15.4)	(2.8)	(5.7)	(10.0)	(3.8)
current year incurred losses	13.0	(0.3)	64.2	19.8	39.5
foreign exchange	(0.2)	0.3	(1.5)	(0.4)	0.7
net reserves: end	<u>\$ 105.7</u>	<u>\$ 128.2</u>	<u>\$ 143.3</u>	<u>\$ 88.3</u>	<u>\$ 79.1</u>
net premiums earned	\$ 58.6	\$ 66.7	\$ 75.1	\$ 64.0	\$ 66.4
net loss ratio	(4.1%)	(4.6%)	77.9%	15.3%	53.8%

<b>energy</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>q2 2008</b>	<b>q1 2008</b>
net reserves: start	\$ 275.3	\$ 285.3	\$ 137.9	\$ 93.0	\$ 79.2
paid losses	24.5	17.7	11.0	0.6	3.0
change in prior year AY <sup>(1)</sup>	51.1	(8.3)	(2.4)	6.1	(0.9)
current year incurred losses	14.2	15.8	161.2	39.6	17.4
foreign exchange	(0.2)	0.2	(0.4)	(0.2)	0.3
net reserves: end	<u>\$ 315.9</u>	<u>\$ 275.3</u>	<u>\$ 285.3</u>	<u>\$ 137.9</u>	<u>\$ 93.0</u>
net premiums earned	\$ 39.3	\$ 39.3	\$ 41.4	\$ 49.9	\$ 60.6
net loss ratio	166.2%	19.1%	383.6%	91.6%	27.2%

<b>marine</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>q2 2008</b>	<b>q1 2008</b>
net reserves: start	\$ 71.4	\$ 64.5	\$ 61.1	\$ 53.2	\$ 43.1
paid losses	4.5	2.9	2.5	2.6	2.2
change in prior year AY <sup>(1)</sup>	(1.3)	(1.3)	(1.5)	1.3	1.5
current year incurred losses	11.0	10.1	8.3	9.6	10.1
foreign exchange	(0.7)	1.0	(0.9)	(0.4)	0.7
net reserves: end	<u>\$ 75.9</u>	<u>\$ 71.4</u>	<u>\$ 64.5</u>	<u>\$ 61.1</u>	<u>\$ 53.2</u>
net premiums earned	\$ 21.4	\$ 17.2	\$ 15.4	\$ 17.9	\$ 20.1
net loss ratio	45.3%	51.2%	44.2%	60.9%	57.7%

<b>aviation</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>q2 2008</b>	<b>q1 2008</b>
net reserves: start	\$ 11.8	\$ 8.6	\$ 7.2	\$ 5.8	\$ 3.8
paid losses	-	-	-	0.1	-
change in prior year AY <sup>(1)</sup>	-	(0.1)	-	(0.7)	-
current year incurred losses	2.0	3.2	1.5	2.2	1.9
foreign exchange	-	0.1	(0.1)	-	0.1
net reserves: end	<u>\$ 13.8</u>	<u>\$ 11.8</u>	<u>\$ 8.6</u>	<u>\$ 7.2</u>	<u>\$ 5.8</u>
net premiums earned	\$ 19.9	\$ 18.7	\$ 16.0	\$ 16.7	\$ 21.9
net loss ratio	10.1%	16.6%	9.4%	9.0%	8.7%

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

**Lancashire Holdings Limited**  
**losses by accident year**

**gross losses**

<u>accident year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
estimate of ultimate liability:				
at end of accident year	39.1	154.8	444.6	-
one year later	34.7	131.2	-	-
two years later	32.0	-	-	-
as at december 31, 2008	<u>\$ 32.0</u>	<u>\$ 131.2</u>	<u>\$ 444.6</u>	<u>\$ -</u>
as at march 31, 2009	<u>\$ 30.6</u>	<u>\$ 127.6</u>	<u>\$ 496.8</u>	<u>\$ 40.7</u>
payments made	(19.1)	(34.2)	(77.7)	-
total gross liability	<u>\$ 11.5</u>	<u>\$ 93.4</u>	<u>\$ 419.1</u>	<u>\$ 40.7</u>
accident year loss ratio	10.1%	18.3%	73.0%	26.1%

**net losses**

<u>accident year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
estimate of ultimate liability:				
at end of accident year	39.1	151.2	403.9	-
one year later	34.7	125.0	-	-
two years later	32.0	-	-	-
as at december 31, 2008	<u>\$ 32.0</u>	<u>\$ 125.0</u>	<u>\$ 403.9</u>	<u>\$ -</u>
as at march 31, 2009	<u>\$ 30.6</u>	<u>\$ 121.7</u>	<u>\$ 441.8</u>	<u>\$ 40.2</u>
payments made	(19.1)	(33.7)	(70.2)	-
total net liability	<u>\$ 11.5</u>	<u>\$ 88.0</u>	<u>\$ 371.6</u>	<u>\$ 40.2</u>
accident year loss ratio	12.6%	19.9%	72.7%	28.9%
initial accident year loss ratio	16.1%	24.7%	66.5%	n/a
improvement (deterioration) post accident year end	3.5%	4.8%	(6.2%)	n/a

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

	q1 2009	q4 2008	q3 2008	q2 2008	q1 2008	full year 2008
<b>basic earnings (loss) per share:</b>						
profit (loss) after tax attributable to equity shareholders	\$ 40.7	\$ 81.1	\$ (119.4)	\$ 51.2	\$ 84.6	\$ 97.5
weighted average shares outstanding - basic	172,935,031	172,849,927	174,183,921	180,643,023	182,283,095	177,468,281
basic earnings (loss) per share	<u>\$ 0.24</u>	<u>\$ 0.47</u>	<u>\$ (0.69)</u>	<u>\$ 0.28</u>	<u>\$ 0.46</u>	<u>\$ 0.55</u>
<b>diluted earnings (loss) per share:</b>						
profit (loss) after tax attributable to equity shareholders	\$ 40.7	\$ 81.1	\$ (119.4)	\$ 51.2	\$ 84.6	\$ 97.5
weighted average shares outstanding - basic	172,935,031	172,849,927	174,183,921	180,643,023	182,283,095	177,468,281
dilutive effect of warrants	10,123,519	6,451,836	-	7,893,299	6,126,676	6,656,931
dilutive effect of stock options	1,545,007	837,703	-	478,562	201,811	858,450
dilutive effect of restricted stock	166,904	166,904	-	166,904	166,904	166,904
weighted average & equivalent shares outstanding - diluted	<u>184,770,461</u>	<u>180,306,370</u>	<u>174,183,921</u>	<u>189,181,788</u>	<u>188,778,486</u>	<u>185,150,566</u>
diluted earnings (loss) per share	<u>\$ 0.22</u>	<u>\$ 0.45</u>	<u>\$ (0.69)</u>	<u>\$ 0.27</u>	<u>\$ 0.45</u>	<u>\$ 0.53</u>
<b>diluted operating earnings (loss) per share:</b>						
net operating income (loss)	\$ 35.8	\$ 98.3	\$ (105.7)	\$ 53.6	\$ 73.2	\$ 119.4
weighted average shares outstanding - basic	172,935,031	172,849,927	174,183,921	180,643,023	182,283,095	177,468,281
dilutive effect of warrants	10,123,519	6,451,836	-	7,893,299	6,126,676	6,656,931
dilutive effect of stock options	1,545,007	837,703	-	478,562	201,811	858,450
dilutive effect of restricted stock	166,904	166,904	-	166,904	166,904	166,904
weighted average & equivalent shares outstanding - diluted	<u>184,770,461</u>	<u>180,306,370</u>	<u>174,183,921</u>	<u>189,181,788</u>	<u>188,778,486</u>	<u>185,150,566</u>
diluted operating earnings (loss) per share	<u>\$ 0.19</u>	<u>\$ 0.55</u>	<u>\$ (0.61)</u>	<u>\$ 0.28</u>	<u>\$ 0.39</u>	<u>\$ 0.64</u>

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

	<u>q1 2009</u>	<u>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>
numerator (\$ in millions):					
shareholders' equity	\$ 1,317.1	\$ 1,272.7	\$ 1,154.7	\$ 1,305.7	\$ 1,296.3
proceeds from assumed exercise of outstanding warrants	183.4	187.5	187.1	187.1	187.1
proceeds from assumed exercise of outstanding options	36.1	36.2	38.6	40.3	40.3
book value numerator	<u>\$ 1,536.6</u>	<u>\$ 1,496.4</u>	<u>\$ 1,380.4</u>	<u>\$ 1,533.1</u>	<u>\$ 1,523.7</u>
denominator (in shares):					
common voting shares outstanding	172,925,433	172,849,927	172,849,927	176,600,457	182,283,095
shares issueable upon exercise of outstanding warrants <sup>(1)</sup>	37,392,319	38,225,519	38,107,634	38,107,633	38,107,633
shares outstanding upon exercise of outstanding options <sup>(1)</sup>	6,906,008	6,906,008	6,906,008	6,992,047	6,992,047
shares outstanding upon exercise of restricted stock	166,904	166,904	166,904	166,904	166,904
book value denominator	<u>217,390,664</u>	<u>218,148,358</u>	<u>218,030,473</u>	<u>221,867,041</u>	<u>227,549,679</u>
basic book value per share	<u>\$ 7.62</u>	<u>\$ 7.36</u>	<u>\$ 6.68</u>	<u>\$ 7.39</u>	<u>\$ 7.11</u>
fully converted book value per share	<u>\$ 7.07</u>	<u>\$ 6.86</u>	<u>\$ 6.33</u>	<u>\$ 6.91</u>	<u>\$ 6.70</u>
dividend per common share	\$ -	\$ -	\$ -	\$ -	\$ -
change in FCBVS adj for dividends <sup>(2)</sup> - quarter	3.1%	8.4%	(8.4%)	3.1%	5.0%
change in FCBVS adj for dividends <sup>(2)</sup> - rolling 12 months	5.5%	7.5%	8.2%	26.9%	29.3%
compound annual change in FCBVS adj for dividends <sup>(2)</sup>	17.4%	17.7%	16.2%	21.4%	22.2%
compound annual change in FCBVS adj for dividends <sup>(2)</sup> - above 3 month treasury	14.1%	14.2%	12.4%	17.3%	17.9%
change in FCBVS adj for dividends <sup>(2)</sup> - since inception	68.3%	63.1%	51.2%	62.4%	57.1%

<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 ("FCBVS") 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

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

	<u>q1 2009</u>	<u>q4 2008</u>	<u>q3 2008</u>	<u>q2 2008</u>	<u>q1 2008</u>
shareholders' equity	\$ 1,317.1	\$ 1,272.7	\$ 1,154.7	\$ 1,305.7	\$ 1,296.3
weighted average exercise price per share (warrants) <sup>(1)</sup>	\$ 4.90	\$ 4.91	\$ 4.91	\$ 4.91	\$ 4.91
weighted average exercise price per share (options) <sup>(1)</sup>	\$ 5.22	\$ 5.25	\$ 5.60	\$ 5.77	\$ 5.77
denominator (in shares):					
common voting shares outstanding	172,925,433	172,849,927	172,849,927	176,600,457	182,283,095
unvested restricted shares and restricted share units	166,904	166,904	166,904	166,904	166,904
dilutive warrants outstanding	37,392,319	38,255,519	38,107,634	38,107,633	38,107,633
warrants bought back	(23,909,158)	(25,468,820)	(28,003,834)	(25,302,447)	(26,306,846)
dilutive options outstanding	6,906,008	6,906,008	6,906,008	6,992,047	6,992,047
options bought back	(4,700,501)	(4,919,431)	(5,781,134)	(5,454,600)	(5,670,848)
dilutive shares outstanding	<u>188,781,005</u>	<u>187,790,107</u>	<u>184,245,505</u>	<u>191,109,994</u>	<u>195,571,985</u>
basic book value per common share	<u>\$ 7.62</u>	<u>\$ 7.36</u>	<u>\$ 6.68</u>	<u>\$ 7.39</u>	<u>\$ 7.11</u>
diluted book value per common share	<u>\$ 6.98</u>	<u>\$ 6.78</u>	<u>\$ 6.27</u>	<u>\$ 6.83</u>	<u>\$ 6.63</u>
dividend per common share	\$ -	\$ -	\$ -	\$ -	\$ -
change in FDBVS adj for dividends <sup>(2)</sup> - quarter	2.9%	8.1%	(8.2%)	3.0%	4.6%
change in FDBVS adj for dividends <sup>(2)</sup> - rolling 12 months	5.3%	6.9%	8.3%	26.4%	28.7%
compound annual change in FDBVS adj for dividends <sup>(2)</sup>	17.0%	17.3%	15.9%	20.9%	21.8%
compound annual change in FDBVS adj for dividends <sup>(2)</sup> - above 3 month treasury	13.7%	13.8%	12.0%	16.8%	17.4%
change in FDBVS adj for dividends <sup>(2)</sup> - since inception	66.4%	61.4%	50.0%	60.8%	55.7%

<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 ("FDBVS") 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