LANCASHIRE HOLDINGS LIMITED

LANCASHIRE GROWS FULLY CONVERTED BOOK VALUE PER SHARE 7.4% IN Q3 2009, 18.1% YEAR TO DATE COMBINED RATIO OF 39.1% IN Q3 2009, 51.3% YEAR TO DATE SPECIAL DIVIDEND OF $1.25 PER COMMON SHARE

5 November 2009
Hamilton, Bermuda

Lancashire Holdings Limited ("Lancashire" or "the Company") today announces its results for the third quarter of 2009 and the nine month period ended 30 September 2009.

Financial highlights for the third quarter of 2009:

- Fully converted book value per share of $8.09 at 30 September 2009, compared to $7.58 at 30 June 2009. Return on Equity of 7.4%, including the $0.05 interim dividend declared in July 2009;
- Gross written premiums of $139.7 million. Net written premiums of $139.2 million;
- Reported loss ratio of 10.8% and a combined ratio of 39.1%. Accident year loss ratio of 25.7%;
- Annualised total investment return of 6.4%;
- Net operating profit of $103.1 million, or $0.55 diluted operating earnings per share; and
- Net profit after tax of $108.7 million, or $0.58 diluted earnings per share.

Financial highlights for the nine months to 30 September 2009:

- Fully converted book value per share of $8.09 at 30 September 2009, compared to $6.89 at 31 December 2008. Return on Equity of 18.1%, including the $0.05 interim dividend declared in July 2009;
- Compound annual Return on Equity since inception of 19.1%;
- Gross written premiums of $524.4 million. Net written premiums of $477.1 million;
- Reported loss ratio of 22.8% and a combined ratio of 51.3%; Accident year loss ratio of 28.2%;
- Annualised total investment return of 4.5%;
- Net operating profit of $242.3 million, or $1.30 diluted operating earnings per share;
- Net profit after tax of $255.8 million, or $1.37 diluted earnings per share;
- Special dividend of $263 million, or $1.25 per common share payable in GBP on 6 January 2010 to shareholders of record on 20 November 2009; and

- Further $150 million share repurchase facility authorised (subject to shareholder approval).

Richard Brindle, Group Chief Executive Officer, commented:

"I am pleased to report another very good performance by the Lancashire Group. Return on Equity, defined as growth in fully converted book value per share plus dividends, was 7.4% in the third quarter and 18.1% for the nine months to 30 September 2009.

Our underwriting result was excellent with a combined ratio for the third quarter of 39.1% and our conservative investment portfolio returned 6.4% on an annualised basis. Since our inception, Lancashire has had a positive Return on Equity, in fourteen quarters out of fifteen, generating a compound annual return of 19.1%. Lancashire has also achieved a combined ratio well under 100% and achieved a positive total investment return in fourteen quarters out of fifteen.

We have made excellent progress in further building our property catastrophe book with exposures in the United States and there are plenty of new opportunities in both this and the international arena. This is helping us to achieve our stated goal of becoming a significant market participant in property catastrophe generally. Lancashire saw good overall premium growth in the quarter compared to the previous year, largely driven by the expansion of our property catastrophe portfolio.

We have been encouraged by the underwriting discipline demonstrated by the market compared to previous cycles, particularly in the reinsurance sector. This is borne out by the fact that we are still achieving positive renewal price increases in the majority of our classes. We also continue to work with clients and brokers on their Gulf of Mexico insurance needs to find innovative solutions to the issues that affected both markets and clients this year.

We are excited by the prospects available to us from our recently announced joint venture with GCube in the alternative energy space. We have also identified other new business opportunities and are working closely with our distribution base to take full advantage of these prospects."

Neil McConachie, President and Group Chief Financial Officer, commented:

"A cornerstone of Lancashire's strategy is to manage our capital prudently and actively. We believe this is a vital component in delivering a superior Return on Equity to our shareholders over the long-term.

In the past, we have managed capital by repurchasing shares at attractive prices, and also through the mechanisms of ordinary dividends and special dividends. Following an extended period of consistent growth in book value, Lancashire has generated capital well in excess of our targeted level. If the price is right, we are aiming to increase our share repurchase activity over the coming months. We also anticipate declaring a final dividend in early 2010 in line with our stated dividend policy, subject to Board approval at that time.

However, we have concluded that it is appropriate we return a meaningful portion of our excess capital to shareholders more quickly than we can achieve with the aforementioned methods. We have therefore decided to declare a special dividend of $1.25 per share. This equates to a payout of approximately $263 million."

Lancashire Renewal Price Index for Major Classes

Lancashire's Renewal Price Index ("RPI") is an internal tool that its management uses to track trends in premium rates on a portfolio of insurance and reinsurance contracts. The RPI is calculated on a per contract basis and reflects Lancashire's assessment of relative change in price, terms, conditions and limits and is weighted by premium volume. See "Note Regarding RPI Tool" at the end of this announcement.

The following RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in 2008:

Class	**Q1 2009**	**Q2 2009**	**Q3 2009**
Aviation (AV52)	100%	99%	100%
Gulf of Mexico Energy	250%	216%	172%
Energy Offshore Worldwide	113%	113%	110%
Marine	105%	99%	100%
Direct & Facultative	108%	110%	108%
Property Reinsurance	146%	118%	129%
Terrorism	93%	93%	95%
Combined	**113%***	**113%***	**107%****

The overall RPI for the year to date is 112% **

Notes

* Q1 and Q2 combined RPI have been updated for adjustments to the bound premium.
**Q3 and overall RPI are taken at the end of the third quarter.

Underwriting results

Gross written premiums increased by 12.1% in the third quarter of 2009 and by 3.2% for the nine months ended 30 September 2009 compared with the same periods in 2008.

The Company's four principal classes, and a discussion of the key market factors impacting them, are as follows:

	Q3				**Nine months to 30 September**			
	2009	**2008**	**Change**	**Change**	**2009**	**2008**	**Change**	**Change**
	$m	$m	$m	%	$m	$m	$m	%
Property	80.8	54.1	26.7	49.4	270.1	243.7	26.4	10.8
Energy	44.4	44.6	(0.2)	(0.4)	160.8	169.1	(8.3)	(4.9)
Marine	5.4	17.6	(12.2)	(69.3)	61.0	65.6	(4.6)	(7.0)
Aviation	9.1	8.3	0.8	9.6	32.5	29.6	2.9	9.8
Total	**139.7**	**124.6**	**15.1**	**12.1**	**524.4**	**508.0**	**16.4**	**3.2**

Property gross written premiums increased by 49.4% for the third quarter compared to the same period in 2008, and by 10.8% in the nine months to 30 September 2009 compared to the nine months to 30 September 2008. In the third quarter and for the year to 30 September 2009, Lancashire has written significantly more property catastrophe reinsurance risks than in 2008.

Energy gross written premiums decreased by 0.4% for the third quarter compared to the same period in 2008 and by 4.9% in the nine months to 30 September 2009 compared to the nine months to 30 September 2008. Gulf of Mexico volumes were lower in the first half of the year compared to 2008. This reduction in volume was partially offset by increased volume in the worldwide offshore line.

Marine gross written premiums decreased by 69.3% for the third quarter compared to the same period in 2008 and by 7.0% in the nine months to 30 September 2009 compared to the nine months to 30 September 2008. The decline is largely due to reductions in shipbuilding projects as a result of the economic recession and the timing of certain multi-year contract renewals.

Aviation gross written premiums increased by 9.6% for the third quarter compared to the same period in 2008 and by 9.8% in the nine months to 30 September 2009 compared to the nine months to 30 September 2008. The non-renewal of a satellite risk programme in the first quarter was offset by modestly increased volume in the AV52 subclass. The increased AV52 premium as compared to the prior year is primarily due to the risk attaching nature of this class, and the resulting deferral in the recognition of premiums

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Ceded premiums reduced by 88.4% in the third quarter compared to the same period in 2008. For the nine month period to 30 September 2009, ceded premiums reduced by 25.4% compared to the same period in 2008. The main reason for the change is a reduction in the level of reinsurance purchased in respect of Gulf of Mexico energy catastrophe risks. This is directly related to the lower than expected volumes of premium written in this class.

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Net earned premiums as a proportion of net written premiums were 111.9% in the third quarter of 2009 compared to 122.9% in the same period in 2008 and 92.0% in the nine months to 30 September 2009 compared to 104.7% in the same period in 2008. With 2008 premium volumes lower than 2007, the deferral of earnings into the following year is reduced. Further, with the Group reducing premiums written in the first quarter of 2009, premium earnings are modestly deferred over the remainder of the year and into 2010.

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The net loss ratio of 10.8% for the third quarter reflects both an unusually low number of losses during the period and favourable development of prior year reserves. The table below provides further detail of movements by class. The net loss ratio for the nine months to 30 September 2009 was 22.8%. Net prior year reserve releases were $23.1 million for the third quarter and $24.0 million for the nine months to 30 September 2009. The accident year loss ratio for the third quarter was 25.7% compared to 159.0% for the same period in 2008. For the nine months to 30 September 2009, the accident year loss ratio was 28.2% compared to 80.6% for the nine months to 30 September 2008.

The ratio of IBNR to total reserves was 42.6% at 30 September 2009, an increase of 1.4% since 30 June 2009.

	Q3		**Nine months to 30 September**	
	2009	**2008**	**2009**	**2008**
	$m	$m	$m	$m
Property	7.9	5.7	36.9	19.5
Energy	13.6	2.4	(20.3)	(2.8)
Marine	1.4	1.5	3.9	(1.3)
Aviation	0.2	-	3.5	0.7
Total	**23.1**	**9.6**	**24.0**	**16.1**

Note: positive numbers denote favourable development and negative numbers denote adverse development.

Investments

Net investment income was $14.5 million for the third quarter, a decrease of 6.5% on the third quarter of 2008 due to lower reinvestment yields. Net investment income was $42.0 million for the nine months to 30 September 2009, a decrease of 8.9% on the same period in 2008 which is largely due to the reduction in the overall portfolio yield.

Total investment return, including net investment income, net realised gains and losses, impairments and net change in unrealised gains and losses, was $35.4 million for the third quarter compared to a loss of $7.4 million for the same period in 2008, and was $71.8 million for the nine months to 30 September 2009 versus $17.0 million for the same period in 2008. At 30 September 2009, the fixed income portfolio plus managed cash had a duration of 2.0 years, a credit quality of AA+ and a market yield of 1.8%. This compares to 1.6 years, AA+ and 3.3%, respectively, at 30 September 2008. At 30 June 2009, duration was 1.9 years, credit quality was AA+ and market yield was 2.2%.

The Group continues to hold a conservative investment portfolio, consistent with its long-held philosophy, with an emphasis on preserving capital. In the third quarter of 2009, the corporate bond allocation increased by 3.3%, bringing the total holding to 16.3% of invested assets. At 30 September 2009, the portfolio comprised 82.7% fixed income assets and 17.3% cash as compared with 69.5% fixed income assets, 3.8% equities and 26.7% cash at 30 September 2008. The Group is not currently invested in equities, hedge funds or other alternative investments.

Other operating expenses

Other operating expenses, excluding the cost of warrants and options, are broadly consistent compared to the same period in 2008, reflecting the Group's stable operating platform. Employee compensation costs were 56.8% of other operating expenses in the nine months to 30 September 2009 compared to 55.3% in the nine months to 30 September 2008.

Equity based compensation was $3.7 million in the third quarter of 2009 compared to $0.4 million in the same period last year. For the nine months to 30 September 2009 and 2008 the charge was $9.3 million and $1.7 million, respectively. This expense includes mark-to-market adjustments on certain performance warrants.

Capital

At 30 September 2009, total capital was $1.669 billion, comprising shareholders' equity of $1.537 billion and $132.0 million of long-term debt. Leverage was 7.9%. Total capital at 31 December 2008 was $1.404 billion.

Repurchase Program

The Company also announces that on 4 November 2009, its Board of Directors approved a share repurchase program (the "Repurchase Program"), which authorises the Company to repurchase its own shares by way of on market purchases and/or off market trades up to an aggregate purchase price of $150 million, to expire 12 months following the approval by the shareholders at a Special General Meeting ("SGM"). This new authorisation is in addition to the approximately $42 million remaining to be repurchased under the facility approved in 2008.

The Board will be calling a SGM shortly to seek shareholders' approval to authorise the Repurchase Program.

Dividends

The Company also announces that its Board has declared a special dividend of $1.25 per common share (approximately £0.76 per common share at the current exchange rate), which results in an aggregate payment of approximately $216.3 million. The dividend will be paid in GBP on 6 January 2010 (the "Dividend Payment Date") to shareholders of record on 20 November 2009 using the GBP£/US$ spot market exchange rate at the close of business in London on the record date.

In addition to the dividend payment to shareholders, $46.7 million in aggregate will be paid on the Dividend Payment Date to holders of warrants issued by the Company pursuant to the terms of the warrants.

Lancashire will continue to review the appropriate level and composition of capital for the Company with the intention of managing capital to enhance risk-adjusted returns on equity.

Outlook

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

Further detail of our 2009 third quarter results can be obtained from our Financial Supplement. This can be accessed via our website www.lancashiregroup.com.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 1:00pm UK time / 8:00 am EST on Thursday, 5 November 2009. The call will be hosted by Richard Brindle, Chief Executive Officer, Simon Burton, Deputy Chief Executive Officer and Neil McConachie, President and Chief Financial Officer.

The call can be accessed by dialing +44 (0)20 7806 1955 / +1 718 354 1389 with the passcode 7994286. The call can also be accessed via webcast, please go to our website (www.lancashiregroup.com) to access.

A replay facility will be available for two weeks until Thursday, 19 November 2009. The dial in number for the replay facility is +44 (0)20 7111 1244/ +1 347 366 9565 and the passcode is 7994286#. The replay facility can also be accessed at www.lancashiregroup.com

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

consolidated balance sheet

	unaudited 30 September 2009	audited 31 December 2008
	$m	$m
assets		
cash and cash equivalents	424.8	413.6
accrued interest receivable	11.8	10.1
investments		
- fixed income securities		
- available for sale	1,923.0	1,595.4
- at fair value through profit and loss	-	4.0
- equity securities		
- available for sale	-	5.8
reinsurance assets		
- unearned premium ceded	14.5	10.0
- reinsurance recoveries	45.3	42.1
- other receivables	2.2	3.2
deferred acquisition costs	61.1	60.9
inwards premium receivable from insureds and cedants	199.4	187.3
other assets	11.2	156.6
total assets	2,693.3	2,489.0
liabilities		
insurance contracts		
- losses and loss adjustment expenses	533.9	528.8
- unearned premiums	382.1	339.6
- other payables	21.3	17.6
amounts payable to reinsurers	2.0	2.0
deferred acquisition costs ceded	3.1	1.9
other payables	81.8	195.6
long-term debt	132.0	130.8
total liabilities	1,156.2	1,216.3
shareholders' equity		
share capital	91.2	91.1
own shares	(59.0)	(58.0)
share premium	2.4	2.4
contributed surplus	757.4	758.2
accumulated other comprehensive income	42.2	27.6
other reserves	60.5	54.3
dividends	(10.5)	-
retained earnings	652.9	397.1
total shareholders' equity	1,537.1	1,272.7
total liabilities and shareholders' equity	2,693.3	2,489.0
basic book value per share	$8.89	$7.36
fully converted book value per share	$8.09	$6.89

consolidated income statement
(unaudited)

	quarter 3 2009 $m	quarter 3 2008 $m	ytd 2009 $m	ytd 2008 $m
gross premiums written	139.7	124.6	524.4	508.0
outwards reinsurance premiums	(0.5)	(4.3)	(47.3)	(63.4)
net premiums written	139.2	120.3	477.1	444.6
change in unearned premiums	28.0	40.0	(42.5)	14.2
change in unearned premiums ceded	(11.4)	(12.4)	4.5	6.6
net premiums earned	155.8	147.9	439.1	465.4
net investment income	14.5	15.5	42.0	46.1
net other investment income	-	(0.1)	-	0.2
net realised gains (losses) and impairments	4.6	(13.1)	14.9	(7.0)
net fair value gains (losses) on investments at fair value through profit and loss	-	(0.1)	0.3	(1.1)
share of loss of associate	-	-	-	(0.2)
net foreign exchange gains (losses)	1.5	(4.5)	2.2	(4.2)
total net revenue	176.4	145.6	498.5	499.2
insurance losses and loss adjustment expenses	14.9	260.4	110.5	400.4
insurance losses and loss adjustment expenses recoverable	2.0	(34.8)	(10.6)	(41.2)
net insurance acquisition expenses	28.7	23.9	82.3	74.4
equity based compensation	3.7	0.4	9.3	1.7
other operating expenses	15.5	14.0	42.9	40.7
total expenses	64.8	263.9	234.4	476.0
results of operating activities	111.6	(118.3)	264.1	23.2
financing costs	2.2	3.4	6.5	8.7
profit before tax	109.4	(121.7)	257.6	14.5
tax (charge) credit	(0.7)	2.3	(1.8)	1.9
profit for the period attributable to equity shareholders	108.7	(119.4)	255.8	16.4
net change in unrealised (losses) gains on investments	16.0	(9.4)	14.4	(20.8)
tax on net change in unrealised (losses) gains on investments	0.3	(0.2)	0.2	(0.4)
other comprehensive (loss) income	16.3	(9.6)	14.6	(21.2)
total comprehensive income attributable to equity shareholders	125.0	(129.0)	270.4	(4.8)
net loss ratio	10.8%	152.5%	22.8%	77.2%
net acquisition cost ratio	18.4%	16.2%	18.7%	16.0%
administrative expense ratio	9.9%	9.5%	9.8%	8.7%
combined ratio	39.1%	178.2%	51.3%	101.9%
basic earnings per share	$0.63	($0.69)	$1.48	$0.09
diluted earnings per share	$0.58	($0.69)	$1.37	$0.09
change in fully converted book value per share	7.4%	(8.5%)	18.1%	(0.5%)

consolidated cash flow statement

	unaudited nine months 2009 $m	unaudited nine months 2008 $m	audited twelve months 2008 $m
cash flows from operating activities			
profit before tax	257.6	14.5	97.6
adjustments for :			
tax paid	(0.9)	(0.8)	(0.9)
depreciation	0.7	0.8	1.1
interest expense	5.0	7.6	9.8
interest and dividend income	(48.0)	(45.3)	(59.6)
accretion (amortisation) of fixed income securities	3.6	(0.7)	-
equity based compensation	9.3	1.7	10.6
foreign exchange	(2.4)	6.4	9.4
share of loss of associate	-	0.2	0.2
net other investment income	-	(0.2)	(0.1)
net realised (gains) losses and impairments	(14.8)	7.0	11.0
net fair value (gains) losses on investments at fair value through profit and loss	(0.3)	1.1	0.6
unrealised (gains) losses on interest rate swaps	(0.7)	-	2.7
changes in operational assets and liabilities:			
insurance and reinsurance contracts	35.5	348.2	285.9
other assets and liabilities	20.8	(13.4)	(7.6)
net cash flows from operating activities	**265.4**	**327.1**	**360.7**
cash flows used in investing activities			
interest and dividends received	46.3	45.8	59.4
purchase of property, plant and equipment	-	(0.2)	(0.2)
dividends received from associate	-	22.7	22.7
purchase of fixed income securities	(2,072.1)	(2,601.8)	(3,882.4)
purchase of equity securities	-	(31.7)	(31.9)
proceeds on maturity and disposal of fixed income securities	1,776.1	2,373.5	3,402.6
proceeds on disposal of equity securities	4.8	13.5	66.7
net (payments) proceeds on other investments	(0.4)	1.4	4.5
net cash flows used in investing activities	**(245.3)**	**(176.8)**	**(358.6)**
cash flows used in financing activities			
interest paid	(5.1)	(7.7)	(10.0)
dividend paid	-	(238.2)	(238.2)
shares repurchased	(4.9)	(68.3)	(68.3)
net cash flows used in financing activities	**(10.0)**	**(314.2)**	**(316.5)**
net increase (decrease) in cash and cash equivalents	**10.1**	**(163.9)**	**(314.4)**
cash and cash equivalents at beginning of period	413.6	737.3	737.3
effect of exchange rate fluctuations on cash and cash equivalents	1.1	(5.9)	(9.3)
cash and cash equivalents at end of period	**424.8**	**567.5**	**413.6**

About Lancashire

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

NOTE REGARDING RPI TOOL

LANCASHIRE'S RENEWAL PRICE INDEX ("RPI") IS AN INTERNAL TOOL THAT ITS MANAGEMENT USES TO TRACK TRENDS IN PREMIUM RATES OF A PORTFOLIO OF INSURANCE AND REINSURANCE CONTRACTS. THE RPI IS CALCULATED ON A PER CONTRACT BASIS AND REFLECTS LANCASHIRE'S ASSESSMENT OF RELATIVE CHANGES IN PRICE, TERMS, CONDITIONS AND LIMITS AND IS WEIGHTED BY PREMIUM VOLUME. THE CALCULATION INVOLVES A DEGREE OF JUDGMENT IN RELATION TO COMPARABILITY OF CONTRACTS AND THE ASSESSMENT NOTED ABOVE. TO ENHANCE THE RPI TOOL, MANAGEMENT OF LANCASHIRE MAY REVISE THE METHODOLOGY AND ASSUMPTIONS UNDERLYING THE RPI, SO THE TRENDS IN PREMIUM RATES REFLECTED IN THE RPI MAY NOT BE COMPARABLE OVER TIME. CONSIDERATION IS ONLY GIVEN TO RENEWALS OF A COMPARABLE NATURE SO IT DOES NOT REFLECT EVERY CONTRACT IN LANCASHIRE'S PORTFOLIO. THE FUTURE PROFITABILITY OF THE PORTFOLIO OF CONTRACTS WITHIN THE RPI IS DEPENDENT UPON MANY FACTORS BESIDES THE TRENDS IN PREMIUM RATES.

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', '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 LOW FREQUENCY OF LARGE EVENTS; UNUSUAL LOSS

FREQUENCY; 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 AND/OR OTHER RATING AGENCIES; 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 INSUREDS, MARKET INTELLIGENCE, INITIAL AND/OR TENTATIVE LOSS REPORTS AND OTHER SOURCES. JUDGEMENTS IN RELATION TO NATURAL CATASTROPHE AND MAN MADE EVENTS INVOLVE COMPLEX FACTORS POTENTIALLY CONTRIBUTING TO THESE TYPES 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.