



## financial supplement

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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**

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



LANCASHIRE HOLDINGS LIMITED ("LANCASHIRE" OR "THE GROUP") 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 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, DILUTIVE WARRANTS, DILUTIVE PERFORMANCE WARRANTS AND DILUTIVE RESTRICTED STOCK UNITS AS CALCULATED UNDER THE TREASURY METHOD; DIVIDED BY: THE SUM OF ALL SHARES, DILUTIVE OPTIONS, DILUTIVE WARRANTS, DILUTIVE PERFORMANCE WARRANTS AND DILUTIVE RESTRICTED STOCK UNITS, ASSUMING ALL ARE EXERCISED.

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 THE 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 OUTSTANDING AFTER THE EXERCISE OF ALL DILUTIVE OPTIONS, DILUTIVE WARRANTS, DILUTIVE PERFORMANCE WARRANTS AND DILUTIVE RESTRICTED STOCK UNITS, AS CALCULATED UNDER THE TREASURY METHOD, ASSUMING ALL ARE EXERCISED.

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

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 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 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 GROUP'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND INTERIM RESULTS ANNOUNCEMENT.

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

	q3 2009	q3 2008	% change q3-09 vs. q3-08	ytd 2009	ytd 2008	% change ytd-09 vs. ytd-08
<b>highlights</b>						
gross premiums written	\$ 139.7	\$ 124.6	12%	\$ 524.4	\$ 508.0	3%
net premiums written	139.2	120.3	16%	477.1	444.6	7%
net premiums earned	155.8	147.9	5%	439.1	465.4	(6%)
net insurance losses	16.9	225.6	(93%)	99.9	359.2	(72%)
net investment income	14.5	15.5	(6%)	42.0	46.1	(9%)
net realised gains (losses) and impairments	4.6	(13.1)	135%	14.9	(7.0)	313%
profit (loss) after tax before change in unrealised gains	108.7	(119.4)	191%	255.8	16.4	1460%
change in net unrealised gains (losses) on investments	16.3	(9.6)	270%	14.6	(21.2)	169%
comprehensive income (loss)	125.0	(129.0)	197%	270.4	(4.8)	5733%
net operating income (loss) <sup>(1)</sup>	\$ 103.1	\$ (105.7)	198%	\$ 242.3	\$ 21.1	1048%
total investments and cash	\$ 2,347.8	\$ 1,953.0	20%			
total shareholders' equity	\$ 1,537.1	\$ 1,154.7	33%			
<b>per share data</b>						
net operating income (loss) per share - diluted <sup>(2)</sup>	\$ 0.55	\$ (0.61)		\$ 1.30	\$ 0.11	
profit (loss) after tax per share - diluted <sup>(2)</sup>	\$ 0.58	\$ (0.69)		\$ 1.37	\$ 0.09	
fully converted book value per share	\$ 8.09	\$ 6.36		\$ 8.09	\$ 6.36	
change in FCBVS adj for dividends <sup>(3)</sup>	7.4%	(8.5%)		18.1%	(0.5%)	
fully diluted book value per share	\$ 8.00	\$ 6.31		\$ 8.00	\$ 6.31	
change in FDBVS adj for dividends <sup>(4)</sup>	7.3%	(8.6%)		18.0%	(0.6%)	
<b>financial ratios</b>						
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	<u>39.1%</u>	<u>178.2%</u>		<u>51.3%</u>	<u>101.9%</u>	
net return on total investments	1.6%	(0.4%)		3.3%	1.2%	

<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 ("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

<sup>(4)</sup> 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**

	q3 2009	q2 2009	q1 2009	q4 2008	q3 2008	ytd 2009	ytd 2008	full year 2008
gross premiums written	\$ 139.7	\$ 241.9	\$ 142.8	\$ 130.1	\$ 124.6	\$ 524.4	\$ 508.0	\$ 638.1
outwards reinsurance premiums	(0.5)	(3.2)	(43.6)	-	(4.3)	(47.3)	(63.4)	(63.4)
<b>net premiums written</b>	139.2	238.7	99.2	130.1	120.3	477.1	444.6	574.7
change in unearned premiums	28.0	(83.9)	13.4	28.0	40.0	(42.5)	14.2	42.2
change in unearned premiums on premium ceded	(11.4)	(10.7)	26.6	(16.2)	(12.4)	4.5	6.6	(9.6)
<b>net premiums earned</b>	155.8	144.1	139.2	141.9	147.9	439.1	465.4	607.3
net investment income	14.5	14.0	13.5	13.4	15.5	42.0	46.1	59.5
net other investment gains (losses)	-	-	-	(0.1)	(0.1)	-	0.2	0.1
net realised gains (losses) and impairments	4.6	2.3	8.0	(4.0)	(13.1)	14.9	(7.0)	(11.0)
net fair value gains (losses) on investments	-	-	0.3	0.5	(0.1)	0.3	(1.1)	(0.6)
share of loss of associate	-	-	-	-	-	-	(0.2)	(0.2)
net foreign exchange gains (losses)	1.5	2.3	(1.6)	(4.3)	(4.5)	2.2	(4.2)	(8.5)
<b>total net revenue</b>	176.4	162.7	159.4	147.4	145.6	498.5	499.2	646.6
insurance losses	14.9	6.5	89.1	18.4	260.4	110.5	400.4	418.8
insurance losses recoverable	2.0	1.9	(14.5)	(2.1)	(34.8)	(10.6)	(41.2)	(43.3)
net insurance acquisition expenses	28.7	27.6	26.0	25.2	23.9	82.3	74.4	99.6
equity based compensation	3.7	2.6	3.0	8.9	0.4	9.3	1.7	10.6
other operating expenses	15.5	15.0	12.4	8.6	14.0	42.9	40.7	49.3
<b>total expenses</b>	64.8	53.6	116.0	59.0	263.9	234.4	476.0	535.0
<b>profit (loss) before tax and finance costs</b>	111.6	109.1	43.4	88.4	(118.3)	264.1	23.2	111.6
finance costs	2.2	1.9	2.4	5.3	3.4	6.5	8.7	14.0
<b>profit (loss) before tax</b>	109.4	107.2	41.0	83.1	(121.7)	257.6	14.5	97.6
tax (charge) credit	(0.7)	(0.8)	(0.3)	(2.0)	2.3	(1.8)	1.9	(0.1)
<b>profit (loss) after tax</b>	\$ 108.7	\$ 106.4	\$ 40.7	\$ 81.1	\$ (119.4)	\$ 255.8	\$ 16.4	\$ 97.5
change in net unrealised gains (losses) on investments	16.3	(3.4)	1.7	28.1	(9.6)	14.6	(21.2)	6.9
<b>comprehensive income (loss)</b>	\$ 125.0	\$ 103.0	\$ 42.4	\$ 109.2	\$ (129.0)	\$ 270.4	\$ (4.8)	\$ 104.4
net loss ratio	10.8%	5.8%	53.6%	11.5%	152.5%	22.8%	77.2%	61.8%
net acquisition cost ratio	18.4%	19.2%	18.7%	17.8%	16.2%	18.7%	16.0%	16.4%
administrative expense ratio	9.9%	10.4%	8.9%	6.1%	9.5%	9.8%	8.7%	8.1%
combined ratio	39.1%	35.4%	81.2%	35.4%	178.2%	51.3%	101.9%	86.3%
net return on total investments	1.6%	0.6%	1.1%	2.1%	(0.4%)	3.3%	1.2%	3.1%
basic earnings (loss) per share	\$ 0.63	\$ 0.62	\$ 0.24	\$ 0.47	\$ (0.69)	\$ 1.48	\$ 0.09	\$ 0.55
diluted earnings (loss) per share	\$ 0.58	\$ 0.57	\$ 0.22	\$ 0.46	\$ (0.69)	\$ 1.37	\$ 0.09	\$ 0.53

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

	<b>q3 2009</b>	<b>q2 2009</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>ytd 2009</b>	<b>ytd 2008</b>	<b>full year 2008</b>
<b>gross premiums written</b>								
property direct and facultative	\$ 21.0	\$ 35.6	\$ 15.6	\$ 16.5	\$ 14.2	\$ 72.2	\$ 77.3	\$ 93.8
property cat excess of loss	41.3	23.8	5.1	3.1	5.3	70.2	20.3	23.4
property retrocession	1.8	23.5	32.0	9.0	13.3	57.3	67.4	76.4
terrorism	11.8	21.8	16.8	21.0	16.1	50.4	54.5	75.5
property political risk	4.6	5.1	4.1	8.3	4.1	13.8	19.8	28.1
other property	0.3	3.5	2.4	1.1	1.1	6.2	4.4	5.5
<b>total property</b>	<b>80.8</b>	<b>113.3</b>	<b>76.0</b>	<b>59.0</b>	<b>54.1</b>	<b>270.1</b>	<b>243.7</b>	<b>302.7</b>
worldwide offshore energy	21.7	44.1	24.9	11.5	15.8	90.7	64.8	76.3
gulf of mexico offshore energy	14.8	38.1	0.1	(1.1)	17.5	53.0	75.4	74.3
construction energy	3.6	2.7	1.4	3.0	7.7	7.7	18.5	21.5
onshore energy	1.9	3.7	1.1	2.5	1.4	6.7	7.5	10.0
other energy	2.4	(0.4)	0.7	0.2	2.2	2.7	2.9	3.1
<b>total energy</b>	<b>44.4</b>	<b>88.2</b>	<b>28.2</b>	<b>16.1</b>	<b>44.6</b>	<b>160.8</b>	<b>169.1</b>	<b>185.2</b>
marine hull and total loss	0.9	11.6	9.1	6.0	6.6	21.6	24.6	30.6
marine hull war	4.3	5.8	5.8	1.9	2.5	15.9	9.4	11.3
marine builders risk	(0.6)	7.2	6.3	4.9	7.7	12.9	21.4	26.3
marine P&I clubs	0.7	0.4	8.7	-	0.7	9.8	9.2	9.2
other marine	0.1	0.4	0.3	0.2	0.1	0.8	1.0	1.2
<b>total marine</b>	<b>5.4</b>	<b>25.4</b>	<b>30.2</b>	<b>13.0</b>	<b>17.6</b>	<b>61.0</b>	<b>65.6</b>	<b>78.6</b>
AV 52	7.4	13.3	7.0	33.2	5.5	27.7	18.0	51.2
other aviation	1.7	1.7	1.4	8.8	2.8	4.8	11.6	20.4
<b>total aviation</b>	<b>9.1</b>	<b>15.0</b>	<b>8.4</b>	<b>42.0</b>	<b>8.3</b>	<b>32.5</b>	<b>29.6</b>	<b>71.6</b>
<b>total gross premiums written</b>	<b>\$ 139.7</b>	<b>\$ 241.9</b>	<b>\$ 142.8</b>	<b>\$ 130.1</b>	<b>\$ 124.6</b>	<b>\$ 524.4</b>	<b>\$ 508.0</b>	<b>\$ 638.1</b>

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

**nine months ending 30 september 2009**

	<b>property</b>	<b>energy</b>	<b>marine</b>	<b>aviation</b>	<b>consolidated</b>
gross premiums written	\$ 270.1	\$ 160.8	\$ 61.0	\$ 32.5	\$ 524.4
net premiums written	250.8	148.2	53.7	24.4	477.1
net premiums earned	200.0	128.0	59.0	52.1	439.1
net insurance losses	(4.1)	77.6	26.0	0.4	99.9
net insurance acquisition expenses	26.1	27.3	17.8	11.1	82.3
other operating expenses <sup>(1)</sup>					42.9
	\$ 178.0	\$ 23.1	\$ 15.2	\$ 40.6	\$ 214.0
net loss ratio	(2.1%)	60.6%	44.1%	0.8%	22.8%
net acquisition cost ratio	13.1%	21.3%	30.2%	21.3%	18.7%
administrative expense ratio <sup>(1)</sup>					9.8%
combined ratio	11.0%	81.9%	74.3%	22.1%	51.3%

**nine months ending 30 september 2008**

	<b>property</b>	<b>energy</b>	<b>marine</b>	<b>aviation</b>	<b>consolidated</b>
gross premiums written	\$ 243.7	\$ 169.1	\$ 65.6	\$ 29.6	\$ 508.0
net premiums written	218.7	142.9	58.2	24.8	444.6
net premiums earned	205.5	151.9	53.4	54.6	465.4
net insurance losses	104.0	221.0	29.3	4.9	359.2
net insurance acquisition expenses	25.0	23.8	14.6	11.0	74.4
other operating expenses <sup>(1)</sup>					40.7
	\$ 76.5	\$ (92.9)	\$ 9.5	\$ 38.7	\$ (8.9)
net loss ratio	50.6%	145.5%	54.9%	9.0%	77.2%
net acquisition cost ratio	12.2%	15.7%	27.3%	20.1%	16.0%
administrative expense ratio <sup>(1)</sup>					8.7%
combined ratio	62.8%	161.2%	82.2%	29.1%	101.9%

<sup>(1)</sup> administrative expenses are not allocated by segment



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

	<b>q3 2009</b>	<b>q2 2009</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>full year 2008</b>
<b>underwriting income</b>						
gross premiums written	\$ 80.8	\$ 113.3	\$ 76.0	\$ 59.0	\$ 54.1	\$ 302.7
outwards reinsurance premiums	1.2	0.6	(21.1)	1.9	0.3	(23.1)
<b>net premiums written</b>	<b>82.0</b>	<b>113.9</b>	<b>54.9</b>	<b>60.9</b>	<b>54.4</b>	<b>279.6</b>
change in unearned premiums	3.7	(46.9)	(11.2)	11.9	27.1	(2.3)
change in unearned premiums on premium ceded	(5.5)	(5.8)	14.9	(6.1)	(6.4)	(5.1)
<b>net premiums earned</b>	<b>\$ 80.2</b>	<b>\$ 61.2</b>	<b>\$ 58.6</b>	<b>\$ 66.7</b>	<b>\$ 75.1</b>	<b>\$ 272.2</b>
<b>underwriting expenses</b>						
net insurance losses	0.1	(1.8)	(2.4)	(3.1)	58.5	100.9
net insurance acquisition expenses	10.9	7.9	7.3	9.1	8.7	34.1
<b>total underwriting expenses</b>	<b>11.0</b>	<b>6.1</b>	<b>4.9</b>	<b>6.0</b>	<b>67.2</b>	<b>135.0</b>
<b>net underwriting income</b>	<b>\$ 69.2</b>	<b>\$ 55.1</b>	<b>\$ 53.7</b>	<b>\$ 60.7</b>	<b>\$ 7.9</b>	<b>\$ 137.2</b>
net loss ratio (% of net premiums earned)	0.1%	(2.9%)	(4.1%)	(4.6%)	77.9%	37.1%
net acquisition cost ratio (% of net premiums earned)	13.6%	12.9%	12.5%	13.6%	11.6%	12.5%
	13.7%	10.0%	8.4%	9.0%	89.5%	49.6%

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

	<b>q3 2009</b>	<b>q2 2009</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>full year 2008</b>
<b>underwriting income (loss)</b>						
gross premiums written	\$ 44.4	\$ 88.2	\$ 28.2	\$ 16.1	\$ 44.6	\$ 185.2
outwards reinsurance premiums	(1.4)	(2.3)	(8.9)	0.6	(4.4)	(25.6)
<b>net premiums written</b>	<b>43.0</b>	<b>85.9</b>	<b>19.3</b>	<b>16.7</b>	<b>40.2</b>	<b>159.6</b>
change in unearned premiums	5.6	(40.6)	17.5	29.6	4.3	36.9
change in unearned premiums on premium ceded	(2.3)	(2.9)	2.5	(7.0)	(3.1)	(5.3)
<b>net premiums earned</b>	<b>\$ 46.3</b>	<b>\$ 42.4</b>	<b>\$ 39.3</b>	<b>\$ 39.3</b>	<b>\$ 41.4</b>	<b>\$ 191.2</b>
<b>underwriting expenses</b>						
net insurance losses	9.4	2.9	65.3	7.5	158.8	228.5
net insurance acquisition expenses	9.8	9.7	7.8	7.5	7.9	31.3
<b>total underwriting expenses</b>	<b>19.2</b>	<b>12.6</b>	<b>73.1</b>	<b>15.0</b>	<b>166.7</b>	<b>259.8</b>
<b>net underwriting income (loss)</b>	<b>\$ 27.1</b>	<b>\$ 29.8</b>	<b>\$ (33.8)</b>	<b>\$ 24.3</b>	<b>\$ (125.3)</b>	<b>\$ (68.6)</b>
net loss ratio (% of net premiums earned)	20.3%	6.8%	166.2%	19.1%	383.6%	119.5%
net acquisition cost ratio (% of net premiums earned)	21.2%	22.9%	19.8%	19.1%	19.1%	16.4%
	41.5%	29.7%	186.0%	38.2%	402.7%	135.9%

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

	<u>q3</u> <u>2009</u>	<u>q2</u> <u>2009</u>	<u>q1</u> <u>2009</u>	<u>q4</u> <u>2008</u>	<u>q3</u> <u>2008</u>	<u>full year</u> <u>2008</u>
<b>underwriting income</b>						
gross premiums written	\$ 5.4	\$ 25.4	\$ 30.2	\$ 13.0	\$ 17.6	\$ 78.6
outwards reinsurance premiums	0.7	1.8	(9.8)	(0.2)	0.4	(7.6)
<b>net premiums written</b>	<u>6.1</u>	<u>27.2</u>	<u>20.4</u>	<u>12.8</u>	<u>18.0</u>	<u>71.0</u>
change in unearned premiums	11.6	(1.8)	(6.2)	6.2	(0.6)	(0.5)
change in unearned premiums on premium ceded	(2.2)	(3.3)	7.2	(1.8)	(2.0)	0.1
<b>net premiums earned</b>	<u>\$ 15.5</u>	<u>\$ 22.1</u>	<u>\$ 21.4</u>	<u>\$ 17.2</u>	<u>\$ 15.4</u>	<u>\$ 70.6</u>
<b>underwriting expenses</b>						
net insurance losses	7.0	9.3	9.7	8.8	6.8	38.1
net insurance acquisition expenses	4.8	6.5	6.5	4.8	4.4	19.4
<b>total underwriting expenses</b>	<u>11.8</u>	<u>15.8</u>	<u>16.2</u>	<u>13.6</u>	<u>11.2</u>	<u>57.5</u>
<b>net underwriting income</b>	<u>\$ 3.7</u>	<u>\$ 6.3</u>	<u>\$ 5.2</u>	<u>\$ 3.6</u>	<u>\$ 4.2</u>	<u>\$ 13.1</u>
net loss ratio (% of net premiums earned)	45.2%	42.1%	45.3%	51.2%	44.2%	54.0%
net acquisition cost ratio (% of net premiums earned)	31.0%	29.4%	30.4%	27.9%	28.6%	27.5%
	<u>76.2%</u>	<u>71.5%</u>	<u>75.7%</u>	<u>79.1%</u>	<u>72.8%</u>	<u>81.5%</u>

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

	<u>q3</u> <u>2009</u>	<u>q2</u> <u>2009</u>	<u>q1</u> <u>2009</u>	<u>q4</u> <u>2008</u>	<u>q3</u> <u>2008</u>	<u>full year</u> <u>2008</u>
<b>underwriting income</b>						
gross premiums written	\$ 9.1	\$ 15.0	\$ 8.4	\$ 42.0	\$ 8.3	\$ 71.6
outwards reinsurance premiums	(1.0)	(3.3)	(3.8)	(2.3)	(0.6)	(7.1)
<b>net premiums written</b>	<u>8.1</u>	<u>11.7</u>	<u>4.6</u>	<u>39.7</u>	<u>7.7</u>	<u>64.5</u>
change in unearned premiums	7.2	5.4	13.3	(19.7)	9.2	8.1
change in unearned premiums on premium ceded	(1.5)	1.3	2.0	(1.3)	(0.9)	0.7
<b>net premiums earned</b>	<u>\$ 13.8</u>	<u>\$ 18.4</u>	<u>\$ 19.9</u>	<u>\$ 18.7</u>	<u>\$ 16.0</u>	<u>\$ 73.3</u>
<b>underwriting expenses</b>						
net insurance losses	0.4	(2.0)	2.0	3.1	1.5	8.0
net insurance acquisition expenses	3.2	3.5	4.4	3.8	2.9	14.8
<b>total underwriting expenses</b>	<u>3.6</u>	<u>1.5</u>	<u>6.4</u>	<u>6.9</u>	<u>4.4</u>	<u>22.8</u>
<b>net underwriting income</b>	<u>\$ 10.2</u>	<u>\$ 16.9</u>	<u>\$ 13.5</u>	<u>\$ 11.8</u>	<u>\$ 11.6</u>	<u>\$ 50.5</u>
net loss ratio (% of net premiums earned)	2.9%	(10.9%)	10.1%	16.6%	9.4%	10.9%
net acquisition cost ratio (% of net premiums earned)	23.2%	19.0%	22.1%	20.3%	18.1%	20.2%
	<u>26.1%</u>	<u>8.1%</u>	<u>32.2%</u>	<u>36.9%</u>	<u>27.5%</u>	<u>31.1%</u>

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

<b>cash flows</b>	<b>q3 2009</b>	<b>q2 2009</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>	<b>ytd 2009</b>	<b>ytd 2008</b>	<b>full year 2008</b>
net cash flows from (used in) operating activities	\$ 159.2	\$ (51.3)	\$ 157.5	\$ 33.6	\$ 100.6	\$ 265.4	\$ 327.1	\$ 360.7
net cash flows (used in) from investing activities	(151.0)	(260.3)	166.0	(181.8)	(263.8)	(245.3)	(176.8)	(358.6)
net cash flows used in financing activities	<u>(2.5)</u>	<u>(4.5)</u>	<u>(3.0)</u>	<u>(2.3)</u>	<u>(27.1)</u>	<u>(10.0)</u>	<u>(314.2)</u>	<u>(316.5)</u>
<b>net increase (decrease) in cash and cash equivalents</b>	<u>5.7</u>	<u>(316.1)</u>	<u>320.5</u>	<u>(150.5)</u>	<u>(190.3)</u>	<u>10.1</u>	<u>(163.9)</u>	<u>(314.4)</u>
cash and cash equivalents, opening	418.1	731.1	413.6	567.5	764.7	413.6	737.3	737.3
effect of exchange rate fluctuations	<u>1.0</u>	<u>3.1</u>	<u>(3.0)</u>	<u>(3.4)</u>	<u>(6.9)</u>	<u>1.1</u>	<u>(5.9)</u>	<u>(9.3)</u>
<b>cash and cash equivalents, closing</b>	<u>\$ 424.8</u>	<u>\$ 418.1</u>	<u>\$ 731.1</u>	<u>\$ 413.6</u>	<u>\$ 567.5</u>	<u>\$ 424.8</u>	<u>\$ 567.5</u>	<u>\$ 413.6</u>

**Lancashire Holdings Limited**  
**summary consolidated balance sheets**

	30 september 2009	30 june 2009	31 march 2009	31 december 2008	30 september 2008
<b>assets</b>					
cash and cash equivalents	\$ 424.8	\$ 418.1	\$ 731.1	\$ 413.6	\$ 567.5
accrued interest receivable	11.8	9.2	9.3	10.1	9.3
investments					
- fixed income securities					
- available for sale	1,923.0	1,738.1	1,464.8	1,595.4	1,292.5
- at fair value through income	-	-	-	4.0	18.0
- equity securities, available for sale	-	-	-	5.8	71.5
- other investments	-	-	-	-	3.5
reinsurance assets					
- unearned premium on premium ceded	14.5	25.9	36.6	10.0	26.2
- reinsurance recoveries	45.3	49.2	53.4	42.1	43.8
- other receivables	2.2	2.2	3.2	3.2	-
deferred acquisition costs	61.1	68.9	57.0	60.9	65.1
inwards premium receivable from insureds and cedants	199.4	255.4	176.3	187.3	154.8
other assets	11.2	30.2	72.1	156.6	47.5
<b>total assets</b>	<b>\$ 2,693.3</b>	<b>\$ 2,597.2</b>	<b>\$ 2,603.8</b>	<b>\$ 2,489.0</b>	<b>\$ 2,299.7</b>
<b>liabilities</b>					
insurance contracts					
- loss and loss adjustment expenses	\$ 533.9	\$ 543.6	\$ 564.7	\$ 528.8	\$ 545.5
- unearned premiums	382.1	410.1	326.2	339.6	367.6
- other payables	21.3	16.9	16.2	17.6	9.8
amounts payable to reinsurers	2.0	13.3	21.9	2.0	11.5
deferred acquisition costs ceded	3.1	1.5	2.6	1.9	3.7
other payables	81.8	62.3	226.4	195.6	75.2
long-term debt	132.0	130.7	128.7	130.8	131.7
<b>total liabilities</b>	<b>1,156.2</b>	<b>1,178.4</b>	<b>1,286.7</b>	<b>1,216.3</b>	<b>1,145.0</b>
<b>shareholders' equity</b>					
share capital	91.2	91.2	91.2	91.1	91.1
own shares	(59.0)	(59.0)	(59.0)	(58.0)	(58.0)
share premium	2.4	2.4	2.4	2.4	2.4
contributed surplus	757.4	757.3	758.1	758.2	758.2
accumulated other comprehensive income (loss)	42.2	25.9	29.3	27.6	(0.5)
other reserves	60.5	56.8	57.3	54.3	45.5
dividends	(10.5)	-	-	-	-
retained earnings	652.9	544.2	437.8	397.1	316.0
<b>total shareholders' equity</b>	<b>\$ 1,537.1</b>	<b>\$ 1,418.8</b>	<b>\$ 1,317.1</b>	<b>\$ 1,272.7</b>	<b>\$ 1,154.7</b>
<b>total liabilities and shareholders' equity</b>	<b>\$ 2,693.3</b>	<b>\$ 2,597.2</b>	<b>\$ 2,603.8</b>	<b>\$ 2,489.0</b>	<b>\$ 2,299.7</b>
basic book value per share	\$ 8.89	\$ 8.20	\$ 7.62	\$ 7.36	\$ 6.68
fully converted book value per share	\$ 8.09	\$ 7.58	\$ 7.09	\$ 6.89	\$ 6.36
fully diluted book value per share	\$ 8.00	\$ 7.50	\$ 7.01	\$ 6.82	\$ 6.31
debt to total capital ratio	7.9%	8.4%	8.9%	9.3%	10.2%

**Lancashire Holdings Limited**  
composition of investment portfolio



	30 september 2009	%	30 june 2009	%	31 march 2009	%	31 december 2008	%	30 september 2008	%
<b>type of investment</b>										
short term investments	\$ 206.7	8.9%	\$ 261.8	12.3%	\$ 57.5	2.7%	\$ 163.6	8.2%	\$ 145.5	7.7%
U.S. treasuries	316.0	13.6%	162.7	7.7%	133.4	6.2%	191.7	9.6%	418.5	22.1%
other government bonds	75.9	3.3%	49.7	2.3%	54.0	2.4%	54.1	2.7%	51.4	2.7%
U.S. government agency debt	133.2	5.7%	180.1	8.5%	164.2	7.6%	114.5	5.8%	45.4	2.4%
U.S. government agency mortgage backed securities	582.6	25.0%	600.7	28.2%	690.3	32.0%	614.4	30.9%	315.3	16.7%
corporate bonds - non FDIC guaranteed	379.2	16.3%	276.5	13.0%	186.7	8.6%	303.5	15.2%	308.4	16.3%
corporate bonds - FDIC guaranteed	229.4	9.9%	206.6	9.7%	178.7	8.3%	153.4	7.7%	-	-
convertible debt securities	-	-	-	-	-	-	0.2	-	8.0	0.4%
<b>total fixed income securities, available for sale</b>	<b>1,923.0</b>	<b>82.7%</b>	<b>1,738.1</b>	<b>81.7%</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>
equity securities - available for sale	-	-	-	-	-	-	5.8	0.3%	71.5	3.8%
convertible debt securities - at fair value through income	-	-	-	-	-	-	4.0	0.2%	18.0	1.0%
other investments	-	-	-	-	-	-	-	-	3.5	0.2%
managed cash	404.9	17.3%	389.1	18.3%	695.0	32.2%	387.1	19.4%	504.1	26.7%
<b>total investments</b>	<b>\$ 2,327.9</b>	<b>100.0%</b>	<b>\$ 2,127.2</b>	<b>100.0%</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>credit quality of fixed income securities</b>										
AAA	\$ 1,574.5	81.9%	\$ 1,485.0	85.4%	\$ 1,299.2	88.7%	\$ 1,318.0	82.6%	\$ 1,022.5	79.1%
AA+, AA, AA-	85.1	4.4%	61.4	3.5%	43.4	3.0%	51.0	3.2%	69.7	5.4%
A+, A, A-	189.5	9.9%	149.0	8.6%	95.9	6.5%	187.7	11.8%	151.4	11.7%
BBB+, BBB, BBB-	73.8	3.8%	42.6	2.5%	26.1	1.8%	38.7	2.4%	44.4	3.4%
other	0.1	-	0.1	-	0.2	-	-	-	4.5	0.4%
	<b>\$ 1,923.0</b>	<b>100.0%</b>	<b>\$ 1,738.1</b>	<b>100.0%</b>	<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>corporate bonds and convertible debt by sector</b>										
industrial	\$ 203.2	33.4%	\$ 150.5	31.1%	\$ 102.3	28.0%	\$ 172.7	37.5%	\$ 162.8	48.7%
financial - non FDIC guaranteed	111.4	18.3%	78.3	16.2%	42.6	11.7%	101.2	21.9%	115.3	34.5%
utility	41.6	6.8%	23.1	4.8%	12.1	3.3%	15.7	3.4%	18.8	5.6%
other	23.0	3.8%	24.6	5.1%	29.7	8.1%	18.1	3.9%	37.5	11.2%
financial - FDIC guaranteed	229.4	37.7%	206.6	42.8%	178.7	48.9%	153.4	33.3%	-	-
	<b>\$ 608.6</b>	<b>100.0%</b>	<b>\$ 483.1</b>	<b>100.0%</b>	<b>\$ 365.4</b>	<b>100.0%</b>	<b>\$ 461.1</b>	<b>100.0%</b>	<b>\$ 334.4</b>	<b>100.0%</b>
quarterly net return on total investments		1.6%		0.6%		1.1%		2.1%		(0.4%)
rolling 12 months net return on total investments		5.5%		3.4%		3.0%		3.1%		2.6%
average book yield of fixed income and managed cash		2.7%		2.7%		2.8%		3.4%		3.2%
average market yield of fixed income and managed cash		1.8%		2.2%		1.9%		2.7%		3.3%
average duration of fixed income and managed cash		2.0 years		1.9 years		1.4 years		1.8 years		1.6 years
average credit quality of fixed income and managed cash		AA+		AA+		AA+		AA+		AA+

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

	30 september 2009			31 december 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	\$ 206.7	0.3%	0.2%	\$ 163.6	1.1%	0.1%
U.S. treasuries	316.0	2.2%	2.0%	191.7	2.7%	1.1%
other government bonds	75.9	3.2%	1.9%	54.1	3.3%	2.1%
U.S. government agency debt	133.2	2.4%	1.9%	114.5	3.5%	2.0%
U.S. government agency mortgage backed securities	582.6	4.6%	3.1%	614.4	4.8%	3.9%
corporate bonds - non FDIC guaranteed	379.2	4.0%	2.6%	303.5	5.1%	5.6%
corporate bonds - FDIC guaranteed	229.4	2.3%	1.4%	153.4	3.0%	1.7%
convertible debt securities	-	-	-	4.2	3.6%	20.9%
<b>total fixed income securities</b>	<u>1,923.0</u>	<u>3.2%</u>	<u>2.2%</u>	<u>1,599.4</u>	<u>3.9%</u>	<u>3.1%</u>
managed cash <sup>(1)</sup>	404.9	0.4%	0.4%	387.1	1.4%	1.2%
<b>total fixed income securities and managed cash</b>	<u>\$ 2,327.9</u>	<u>2.7%</u>	<u>1.8%</u>	<u>\$ 1,986.5</u>	<u>3.4%</u>	<u>2.7%</u>

<sup>(1)</sup> 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

**30 september 2009**

	par value units		estimated fair value		accrued interest		unrealised gain		credit quality
<b>top twenty holdings by issuer</b>									
Verizon Communications Inc	25.0	\$	27.1	\$	0.4	\$	1.9		A
JPMorgan Chase & Company	16.2		17.7		0.2		0.6		A+
Comcast Corporation	12.2		13.3		0.1		0.5		BBB+
AT&T Inc	11.6		12.4		0.1		0.3		A
France Telecom	11.5		12.1		0.1		0.6		A-
Bank of New York	9.9		10.6		0.2		0.5		AA-
Morgan Stanley	10.0		10.4		0.2		0.7		A
Pfizer Inc	8.8		9.4		-		0.1		AAA
Merck	8.5		8.7		0.1		0.2		AA-
Wells Fargo & Company	7.5		7.8		0.1		0.3		AA-
Bank of America	6.7		7.1		0.1		0.2		A
BP PLC	6.8		7.0		-		0.1		AA
Kraft Foods Inc	6.0		6.5		0.1		-		BBB+
Philip Morris International Inc	5.9		6.3		0.1		0.4		A
General Electric	6.0		6.1		-		0.1		AA+
Abbott Laboratories	5.3		5.8		0.1		0.1		AA
Time Warner Cable Inc	5.0		5.5		0.1		0.1		BBB
Credit Suisse Group	5.0		5.4		0.1		0.1		A+
Deutsche Telekom	5.0		5.3		0.1		0.2		BBB+
Roche Holdings Inc	4.9		5.2		-		0.3		AA-
	<u>177.8</u>	<u>\$</u>	<u>189.7</u>	<u>\$</u>	<u>2.2</u>	<u>\$</u>	<u>7.3</u>	<u>average</u>	<u>A+</u>
<b>top twenty holdings as a % of corporate bonds, excluding FDIC guaranteed</b>			<u>50.0%</u>						

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

<b>total</b>	<b>q3 2009</b>	<b>q2 2009</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>
net reserves: start	\$ 494.4	\$ 511.3	\$ 486.7	\$ 501.7	\$ 294.5
paid losses	22.6	27.4	48.9	32.9	15.5
change in prior accident years	(23.1)	(35.3)	34.4	(12.5)	(9.6)
current accident year losses	40.0	43.7	40.2	28.8	235.2
foreign exchange	(0.1)	2.1	(1.1)	1.6	(2.9)
net reserves: end	\$ 488.6	\$ 494.4	\$ 511.3	\$ 486.7	\$ 501.7
net premiums earned	\$ 155.8	\$ 144.1	\$ 139.2	\$ 141.9	\$ 147.9
net loss ratio	10.8%	5.8%	53.6%	11.5%	152.5%
IBNR as % of net reserves	42.6%	41.2%	39.3%	32.6%	30.5%

<b>property</b>	<b>q3 2009</b>	<b>q2 2009</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>
net reserves: start	\$ 94.9	\$ 105.7	\$ 128.2	\$ 143.3	\$ 88.3
paid losses	(1.5)	10.3	19.9	12.3	2.0
change in prior accident years	(7.9)	(13.6)	(15.4)	(2.8)	(5.7)
current accident year losses	8.0	11.8	13.0	(0.3)	64.2
foreign exchange	0.1	1.3	(0.2)	0.3	(1.5)
net reserves: end	\$ 96.6	\$ 94.9	\$ 105.7	\$ 128.2	\$ 143.3
net premiums earned	\$ 80.2	\$ 61.2	\$ 58.6	\$ 66.7	\$ 75.1
net loss ratio	0.1%	(2.9%)	(4.1%)	(4.6%)	77.9%

<b>marine</b>	<b>q3 2009</b>	<b>q2 2009</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>
net reserves: start	\$ 82.3	\$ 75.9	\$ 71.4	\$ 64.5	\$ 61.1
paid losses	6.0	3.3	4.5	2.9	2.5
change in prior accident years	(1.4)	(1.2)	(1.3)	(1.3)	(1.5)
current accident year losses	8.4	10.5	11.0	10.1	8.3
foreign exchange	-	0.4	(0.7)	1.0	(0.9)
net reserves: end	\$ 83.3	\$ 82.3	\$ 75.9	\$ 71.4	\$ 64.5
net premiums earned	\$ 15.5	\$ 22.1	\$ 21.4	\$ 17.2	\$ 15.4
net loss ratio	45.2%	42.1%	45.3%	51.2%	44.2%

<b>energy</b>	<b>q3 2009</b>	<b>q2 2009</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>
net reserves: start	\$ 305.8	\$ 315.9	\$ 275.3	\$ 285.3	\$ 137.9
paid losses	18.1	13.2	24.5	17.7	11.0
change in prior accident years	(13.6)	(17.2)	51.1	(8.3)	(2.4)
current accident year losses	23.0	20.1	14.2	15.8	161.2
foreign exchange	(0.1)	0.2	(0.2)	0.2	(0.4)
net reserves: end	\$ 297.0	\$ 305.8	\$ 315.9	\$ 275.3	\$ 285.3
net premiums earned	\$ 46.3	\$ 42.4	\$ 39.3	\$ 39.3	\$ 41.4
net loss ratio	20.3%	6.8%	166.2%	19.1%	383.6%

<b>aviation</b>	<b>q3 2009</b>	<b>q2 2009</b>	<b>q1 2009</b>	<b>q4 2008</b>	<b>q3 2008</b>
net reserves: start	\$ 11.4	\$ 13.8	\$ 11.8	\$ 8.6	\$ 7.2
paid losses	-	0.6	-	-	-
change in prior accident years	(0.2)	(3.3)	-	(0.1)	-
current accident year losses	0.6	1.3	2.0	3.2	1.5
foreign exchange	(0.1)	0.2	-	0.1	(0.1)
net reserves: end	\$ 11.7	\$ 11.4	\$ 13.8	\$ 11.8	\$ 8.6
net premiums earned	\$ 13.8	\$ 18.4	\$ 19.9	\$ 18.7	\$ 16.0
net loss ratio	2.9%	(10.9%)	10.1%	16.6%	9.4%

**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 31 december 2008	<u>\$ 32.0</u>	<u>\$ 131.2</u>	<u>\$ 444.6</u>	<u>\$ -</u>
as at 30 september 2009	<u>\$ 28.8</u>	<u>\$ 108.2</u>	<u>\$ 457.2</u>	<u>\$ 125.0</u>
payments made	(20.0)	(44.3)	(119.5)	(1.5)
total gross liability	<u>\$ 8.8</u>	<u>\$ 63.9</u>	<u>\$ 337.7</u>	<u>\$ 123.5</u>
accident year loss ratio <sup>(1)</sup>	9.5%	15.5%	67.2%	25.9%

**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 31 december 2008	<u>\$ 32.0</u>	<u>\$ 125.0</u>	<u>\$ 403.9</u>	<u>\$ -</u>
as at 30 september 2009	<u>\$ 28.8</u>	<u>\$ 104.1</u>	<u>\$ 404.4</u>	<u>\$ 124.3</u>
payments made	(20.0)	(43.6)	(107.9)	(1.5)
total net liability	<u>\$ 8.8</u>	<u>\$ 60.5</u>	<u>\$ 296.5</u>	<u>\$ 122.8</u>
accident year loss ratio <sup>(1)</sup>	11.8%	17.0%	66.6%	28.3%
initial accident year loss ratio	16.1%	24.7%	66.5%	n/a
improvement (deterioration) post accident year end	4.3%	7.7%	(0.1%)	n/a

<sup>(1)</sup> accident year loss ratio is calculated using the ultimate liability revalued at the current balance sheet date

**Lancashire Holdings Limited**  
**estimated exposures to peak zone elemental losses**

zones	perils	100 year return period		250 year return period	
		estimated gross loss	estimated net loss	estimated gross loss	estimated net loss
gulf of mexico <sup>(1)</sup>	hurricane	\$ 283.4	\$ 283.4	\$ 394.5	\$ 394.5
california	earthquake	165.5	165.5	267.9	267.9
japan	earthquake	147.2	147.2	249.4	249.4
pan-european	windstorm	140.5	140.5	245.2	245.2
japan	typhoon	99.0	99.0	189.0	189.0

THE GROUP HAS DEVELOPED THE ESTIMATES OF LOSSES EXPECTED FROM CERTAIN CATASTROPHES FOR ITS PORTFOLIO OF PROPERTY AND ENERGY CONTRACTS USING COMMERCIALY AVAILABLE CATASTROPHE MODELS, WHICH ARE APPLIED AND ADJUSTED BY THE GROUP. THESE ESTIMATES INCLUDE ASSUMPTIONS REGARDING THE LOCATION, SIZE AND MAGNITUDE OF AN EVENT, THE FREQUENCY OF EVENTS, THE CONSTRUCTION TYPE AND DAMAGEABILITY OF PROPERTY IN A ZONE, AND THE COST OF REBUILDING PROPERTY IN A ZONE, AMONG OTHER ASSUMPTIONS. RETURN PERIOD REFERS TO THE FREQUENCY WITH WHICH LOSSES OF A GIVEN AMOUNT OR GREATER ARE EXPECTED TO OCCUR.

GROSS LOSS ESTIMATES ARE BEFORE INCOME TAX AND NET OF REINSTATEMENT PREMIUMS AND FACULTATIVE REINSURANCE. NET LOSS ESTIMATES ARE BEFORE INCOME TAX, NET OF REINSTATEMENT PREMIUMS AND NET OF OUTWARD REINSURANCE.

THE ESTIMATES OF LOSSES ABOVE ARE BASED ON ASSUMPTIONS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES. IN PARTICULAR, MODELED LOSS ESTIMATES DO NOT NECESSARILY ACCURATELY PREDICT ACTUAL LOSSES, AND MAY SIGNIFICANTLY DEVIATE FROM ACTUAL LOSSES. SUCH ESTIMATES, THEREFORE, SHOULD NOT BE CONSIDERED AS A REPRESENTATION OF ACTUAL LOSSES AND INVESTORS SHOULD NOT RELY ON THE ESTIMATED EXPOSURES INFORMATION WHEN CONSIDERING INVESTMENT IN THE GROUP. THE GROUP UNDERTAKES NO DUTY TO UPDATE OR REVISE SUCH INFORMATION TO REFLECT THE OCCURRENCE OF FUTURE EVENTS.

<sup>(1)</sup> landing hurricane from florida to texas

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

	<b>q3 2009</b>	<b>q3 2008</b>	<b>ytd 2009</b>	<b>ytd 2008</b>	<b>full year 2008</b>
<b>basic earnings per share:</b>					
profit after tax	\$ 108.7	\$ (119.4)	\$ 255.8	\$ 16.4	\$ 97.5
weighted average shares outstanding - basic	172,940,361	174,183,921	172,937,932	179,018,969	177,468,281
basic earnings per share	<u>\$ 0.63</u>	<u>\$ (0.69)</u>	<u>\$ 1.48</u>	<u>\$ 0.09</u>	<u>\$ 0.55</u>
<b>dilutive shares</b>					
weighted average shares outstanding - basic	172,940,361	174,183,921	172,937,932	179,018,969	177,468,281
dilutive effect of warrants	13,158,449	-	11,827,555	6,756,252	6,204,742
dilutive effect of stock options	550,399	-	411,245	44,469	431,726
dilutive effect of restricted stock	1,165,695	-	1,014,561	333,184	295,087
weighted average & equivalent shares outstanding - diluted	<u>187,814,904</u>	<u>174,183,921</u>	<u>186,191,293</u>	<u>186,152,874</u>	<u>184,399,836</u>
<b>diluted earnings per share:</b>					
profit after tax	\$ 108.7	\$ (119.4)	\$ 255.8	\$ 16.4	\$ 97.5
weighted average & equivalent shares outstanding - diluted	187,814,904	174,183,921	186,191,293	186,152,874	184,399,836
diluted earnings per share	<u>\$ 0.58</u>	<u>\$ (0.69)</u>	<u>\$ 1.37</u>	<u>\$ 0.09</u>	<u>\$ 0.53</u>
<b>diluted operating earnings per share:</b>					
net operating income	\$ 103.1	\$ (105.7)	\$ 242.3	\$ 21.1	\$ 119.4
weighted average & equivalent shares outstanding - diluted	187,814,904	174,183,921	186,191,293	186,152,874	184,399,836
diluted operating earnings per share	<u>\$ 0.55</u>	<u>\$ (0.61)</u>	<u>\$ 1.30</u>	<u>\$ 0.11</u>	<u>\$ 0.65</u>

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

	q3 2009	q2 2009	q1 2009	q4 2008	q3 2008
numerator (\$ in millions):					
shareholders' equity	\$ 1,537.1	\$ 1,418.8	\$ 1,317.1	\$ 1,272.7	\$ 1,154.7
proceeds from assumed exercise of outstanding dilutive warrants	183.9	183.4	183.4	187.5	186.2
proceeds from assumed exercise of outstanding dilutive options	13.0	6.0	7.1	5.8	-
book value numerator	<u>\$ 1,734.0</u>	<u>\$ 1,608.2</u>	<u>\$ 1,507.6</u>	<u>\$ 1,466.0</u>	<u>\$ 1,340.9</u>
denominator (in shares):					
common voting shares outstanding	172,940,800	172,939,932	172,925,433	172,849,927	172,849,927
shares issuable upon exercise of outstanding dilutive warrants	37,538,689	37,392,321	37,392,321	38,225,521	37,887,777
shares issuable upon exercise of outstanding dilutive options	2,485,645	1,242,761	1,842,258	1,473,774	-
shares relating to dilutive restricted stock	1,377,159	631,847	624,573	340,937	210,246
book value denominator	<u>214,342,293</u>	<u>212,206,861</u>	<u>212,784,585</u>	<u>212,890,159</u>	<u>210,947,950</u>
basic book value per share	<u>\$ 8.89</u>	<u>\$ 8.20</u>	<u>\$ 7.62</u>	<u>\$ 7.36</u>	<u>\$ 6.68</u>
fully converted book value per share	<u>\$ 8.09</u>	<u>\$ 7.58</u>	<u>\$ 7.09</u>	<u>\$ 6.89</u>	<u>\$ 6.36</u>
dividend per common share <sup>(1)</sup>	\$ 0.05	\$ -	\$ -	\$ -	\$ -
change in FCBVS adj for dividends <sup>(2)</sup> - quarter	7.4%	6.9%	2.9%	8.3%	(8.5%)
change in FCBVS adj for dividends <sup>(2)</sup> - rolling 12 months	28.0%	9.1%	5.0%	7.8%	8.5%
compound annual change in FCBVS adj for dividends <sup>(2)</sup>	19.1%	18.3%	17.5%	17.9%	16.4%
compound annual change in FCBVS adj for dividends <sup>(2)</sup> - above 3 month treasury	16.3%	15.2%	14.2%	14.3%	12.6%
change in FCBVS adj for dividends <sup>(2)</sup> - since inception	92.7%	79.9%	68.7%	63.7%	51.9%

<sup>(1)</sup> warrants and restricted stock contain anti-dilution provisions in regards to dividends; the exercise price of options may be adjusted for dividend payments at the discretion of the remuneration committee

<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**

	q3 2009	q2 2009	q1 2009	q4 2008	q3 2008
shareholders' equity	\$ 1,537.1	\$ 1,418.8	\$ 1,317.1	\$ 1,272.7	\$ 1,154.7
weighted average exercise price per share of dilutive warrants	\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.91	\$ 4.91
weighted average exercise price per share of dilutive options	\$ 5.21	\$ 4.82	\$ 3.85	\$ 3.91	\$ -
denominator (in shares):					
common voting shares outstanding	172,940,800	172,939,932	172,925,433	172,849,927	172,849,927
unvested restricted shares and restricted share units	1,377,159	631,847	624,573	340,937	210,246
dilutive warrants outstanding	37,538,689	37,392,321	37,392,321	38,225,521	37,887,777
proforma warrants bought back	(20,690,254)	(22,345,140)	(24,069,511)	(25,464,076)	(27,870,254)
proforma net shares issued	16,848,435	15,047,181	13,322,810	12,761,445	10,017,523
dilutive options outstanding	2,485,645	1,242,761	1,842,258	1,473,774	-
proforma options bought back	(1,456,240)	(729,851)	(932,339)	(783,087)	-
proforma net shares issued	1,029,405	512,910	909,919	690,687	-
proforma dilutive shares outstanding	192,195,799	189,131,870	187,782,735	186,642,996	183,077,696
basic book value per common share	\$ 8.89	\$ 8.20	\$ 7.62	\$ 7.36	\$ 6.68
diluted book value per common share	\$ 8.00	\$ 7.50	\$ 7.01	\$ 6.82	\$ 6.31
dividend per common share <sup>(1)</sup>	\$ 0.05	\$ -	\$ -	\$ -	\$ -
change in FCBVS adj for dividends <sup>(2)</sup> - quarter	7.3%	7.0%	2.8%	8.1%	(8.6%)
change in FCBVS adj for dividends <sup>(2)</sup> - rolling 12 months	27.6%	8.7%	4.6%	7.4%	8.4%
compound annual change in FCBVS adj for dividends <sup>(2)</sup>	18.8%	17.9%	17.1%	17.5%	16.1%
compound annual change in FCBVS adj for dividends <sup>(2)</sup> - above 3 month treasury	15.9%	14.9%	13.8%	14.0%	12.3%
change in FCBVS adj for dividends <sup>(2)</sup> - since inception	90.7%	78.2%	67.0%	62.3%	50.8%

<sup>(1)</sup> warrants and restricted stock contain anti-dilution provisions in regards to dividends; the exercise price of options may be adjusted for dividend payments at the discretion of the remuneration committee

<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