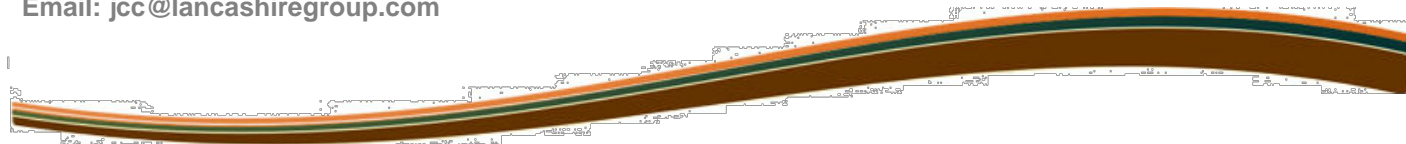




financial supplement

31 december 2009

Contact: Jonathan Creagh-Coen
Telephone: +44 (0) 207 264 4066
Email: jcc@lancashiregroup.com



NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS 'BELIEVES', 'ANTICIPATES', 'PLANS', 'PROJECTS', '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 ACHIEVMENTS 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 INSURED, 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.

Lancashire Holdings Limited

table of contents

1. basis of presentation and non-GAAP financial measures
2. consolidated financial highlights
3. growth in fully converted book value per share plus dividends since inception
4. summary consolidated income statements
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 cash flows
12. summary consolidated balance sheets
13. composition of investment portfolio
14. investment portfolio - sector detail
15. corporate bonds - issuer exposure
16. net losses and loss ratios
17. losses by accident year
18. estimated exposures to peak zone elemental losses
19. earnings per share
20. basic and fully converted book value per share
21. basic and fully diluted book value per share

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



LANCASHIRE HOLDINGS LIMITED'S ("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 AND DILUTIVE RESTRICTED STOCK UNITS AS CALCULATED UNDER THE TREASURY METHOD; DIVIDED BY: THE SUM OF ALL SHARES, DILUTIVE OPTIONS, DILUTIVE 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 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

	q4 2009	q4 2008	% change q4-09 vs. q4-08	full year 2009	full year 2008	% change ytd-09 vs. ytd-08
highlights						
gross premiums written	\$ 103.4	\$ 130.1	(21%)	\$ 627.8	\$ 638.1	(2%)
net premiums written	100.0	130.1	(23%)	577.1	574.7	-
net premiums earned	155.6	141.9	10%	594.7	607.3	(2%)
net insurance losses	(1.2)	16.3	(107%)	98.7	375.5	(74%)
net investment income	14.0	13.4	4%	56.0	59.5	(6%)
net realised gains (losses) and impairments	8.9	(4.0)	323%	23.8	(11.0)	316%
profit after tax	129.6	81.1	60%	385.4	97.5	295%
change in net unrealised gains (losses) on investments	(11.8)	28.1	(142%)	2.8	6.9	(59%)
comprehensive income	117.8	109.2	8%	388.2	104.4	272%
net operating income ⁽¹⁾	\$ 122.4	\$ 98.3	25%	\$ 364.7	\$ 119.4	205%
total investments and cash	\$ 2,332.5	\$ 2,018.8	16%			
total shareholders' equity	\$ 1,378.9	\$ 1,272.7	8%			
per share data						
net operating income per share - diluted ⁽²⁾	\$ 0.65	\$ 0.55		\$ 1.94	\$ 0.65	
profit after tax per share - diluted ⁽²⁾	\$ 0.69	\$ 0.46		\$ 2.05	\$ 0.53	
fully converted book value per share	\$ 7.41	\$ 6.89		\$ 7.41	\$ 6.89	
change in FCBVS adj for dividends ⁽³⁾	7.0%	8.3%		26.5%	7.8%	
fully diluted book value per share	\$ 7.32	\$ 6.82		\$ 7.32	\$ 6.82	
change in FDBVS adj for dividends ⁽⁴⁾	7.1%	8.1%		26.4%	7.4%	
financial ratios						
net loss ratio	(0.8%)	11.5%		16.6%	61.8%	
net acquisition cost ratio	15.2%	17.8%		17.8%	16.4%	
administrative expense ratio	11.3%	6.1%		10.2%	8.1%	
combined ratio	<u>25.7%</u>	<u>35.4%</u>		<u>44.6%</u>	<u>86.3%</u>	
net return on total investments	0.5%	2.1%		3.9%	3.1%	

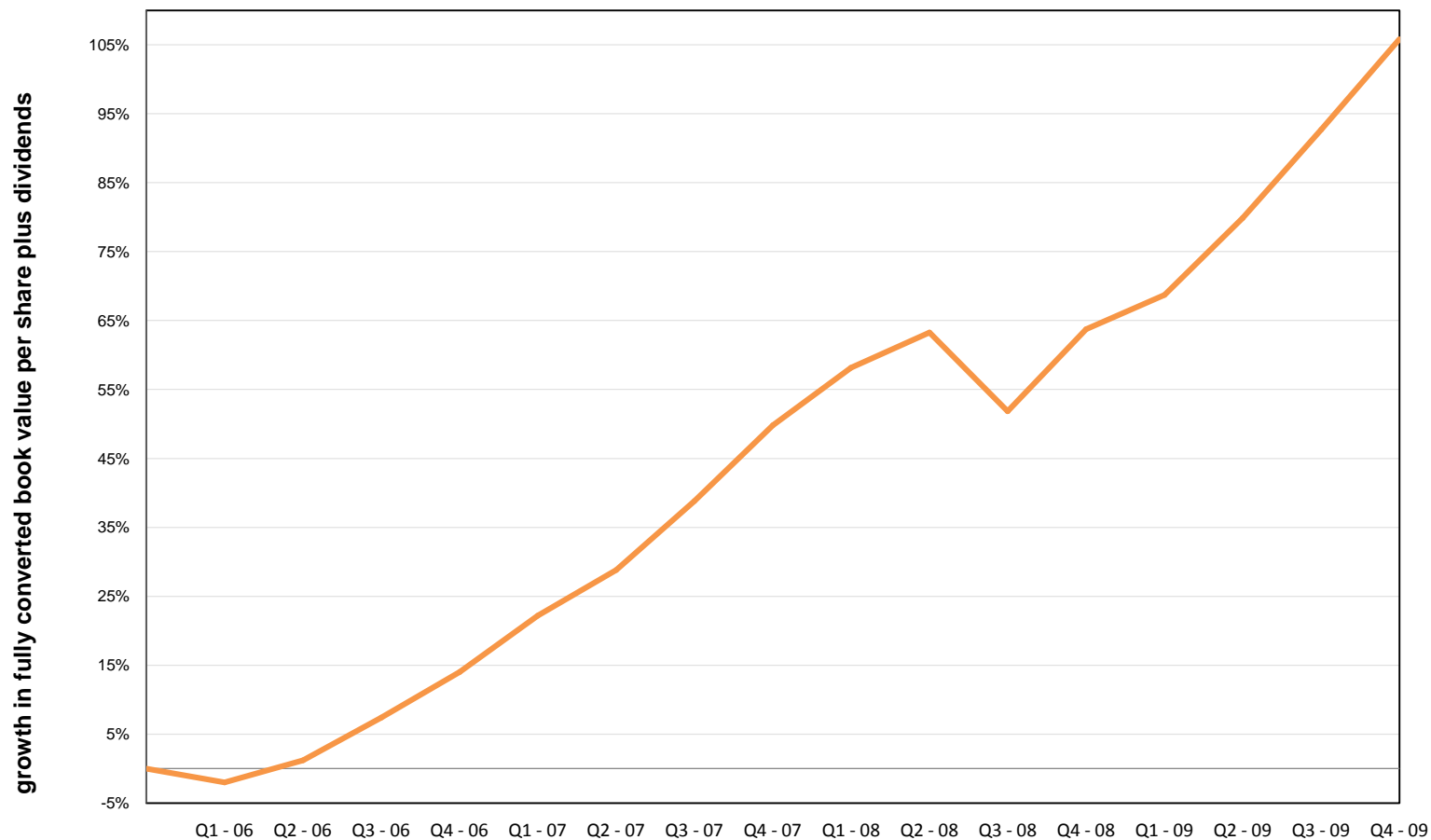
⁽¹⁾ excludes realised gains and losses, foreign exchange gains and losses, equity based compensation relating to warrants issued at IPO and tax

⁽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
growth in fully converted book value per share plus dividends since inception



Lancashire Holdings Limited
summary consolidated income statements

	q4 2009	q3 2009	q2 2009	q1 2009	q4 2008	full year 2009	full year 2008
gross premiums written	\$ 103.4	\$ 139.7	\$ 241.9	\$ 142.8	\$ 130.1	\$ 627.8	\$ 638.1
outwards reinsurance premiums	(3.4)	(0.5)	(3.2)	(43.6)	-	(50.7)	(63.4)
net premiums written	100.0	139.2	238.7	99.2	130.1	577.1	574.7
change in unearned premiums	64.5	28.0	(83.9)	13.4	28.0	22.0	42.2
change in unearned premiums on premium ceded	(8.9)	(11.4)	(10.7)	26.6	(16.2)	(4.4)	(9.6)
net premiums earned	155.6	155.8	144.1	139.2	141.9	594.7	607.3
net investment income	14.0	14.5	14.0	13.5	13.4	56.0	59.5
net other investment gains (losses)	-	-	-	0.3	0.4	0.3	(0.7)
net realised gains (losses) and impairments	8.9	4.6	2.3	8.0	(4.0)	23.8	(11.0)
net foreign exchange gains (losses)	1.2	1.5	2.3	(1.6)	(4.3)	3.4	(8.5)
total net revenue	179.7	176.4	162.7	159.4	147.4	678.2	646.6
insurance losses	(6.1)	14.9	6.5	89.1	18.4	104.4	418.8
insurance losses recoverable	4.9	2.0	1.9	(14.5)	(2.1)	(5.7)	(43.3)
net insurance acquisition expenses	23.7	28.7	27.6	26.0	25.2	106.0	99.6
equity based compensation	7.1	3.7	2.6	3.0	8.9	16.4	10.6
other operating expenses	17.6	15.5	15.0	12.4	8.6	60.5	49.3
total expenses	47.2	64.8	53.6	116.0	59.0	281.6	535.0
profit before tax and finance costs	132.5	111.6	109.1	43.4	88.4	396.6	111.6
finance costs	1.6	2.2	1.9	2.4	5.3	8.1	14.0
profit before tax	130.9	109.4	107.2	41.0	83.1	388.5	97.6
tax	(1.3)	(0.7)	(0.8)	(0.3)	(2.0)	(3.1)	(0.1)
profit after tax	\$ 129.6	\$ 108.7	\$ 106.4	\$ 40.7	\$ 81.1	\$ 385.4	\$ 97.5
change in net unrealised gains (losses) on investments	(11.8)	16.3	(3.4)	1.7	28.1	2.8	6.9
comprehensive income	\$ 117.8	\$ 125.0	\$ 103.0	\$ 42.4	\$ 109.2	\$ 388.2	\$ 104.4
net loss ratio	(0.8%)	10.8%	5.8%	53.6%	11.5%	16.6%	61.8%
net acquisition cost ratio	15.2%	18.4%	19.2%	18.7%	17.8%	17.8%	16.4%
administrative expense ratio	11.3%	9.9%	10.4%	8.9%	6.1%	10.2%	8.1%
combined ratio	25.7%	39.1%	35.4%	81.2%	35.4%	44.6%	86.3%
net return on total investments	0.5%	1.6%	0.6%	1.1%	2.1%	3.9%	3.1%
basic earnings per share	\$ 0.75	\$ 0.63	\$ 0.62	\$ 0.24	\$ 0.47	\$ 2.23	\$ 0.55
diluted earnings per share	\$ 0.69	\$ 0.58	\$ 0.57	\$ 0.22	\$ 0.46	\$ 2.05	\$ 0.53

Lancashire Holdings Limited
premiums by line of business

	q4 2009	q3 2009	q2 2009	q1 2009	q4 2008	full year 2009	full year 2008
gross premiums written							
property direct and facultative	\$ 16.4	\$ 21.0	\$ 35.6	\$ 15.6	\$ 16.5	\$ 88.6	\$ 93.8
property cat excess of loss	6.1	41.3	23.8	5.1	3.1	76.3	23.4
terrorism	18.7	11.8	21.8	16.8	21.0	69.1	75.5
property retrocession	3.9	1.8	23.5	32.0	9.0	61.2	76.4
property political risk	1.7	4.6	5.1	4.1	8.3	15.5	28.1
other property	0.4	0.3	3.5	2.4	1.1	6.6	5.5
total property	47.2	80.8	113.3	76.0	59.0	317.3	302.7
worldwide offshore energy	9.8	21.7	44.1	24.9	11.5	100.5	76.3
gulf of mexico offshore energy	0.8	14.8	38.1	0.1	(1.1)	53.8	74.3
construction energy	3.0	3.6	2.7	1.4	3.0	10.7	21.5
onshore energy	1.1	1.9	3.7	1.1	2.5	7.8	10.0
other energy	-	2.4	(0.4)	0.7	0.2	2.7	3.1
total energy	14.7	44.4	88.2	28.2	16.1	175.5	185.2
marine hull and total loss	4.0	0.9	11.6	9.1	6.0	25.6	30.6
marine hull war	4.1	4.3	5.8	5.8	1.9	20.0	11.3
marine builders risk	3.8	(0.6)	7.2	6.3	4.9	16.7	26.3
marine P&I clubs	0.2	0.7	0.4	8.7	-	10.0	9.2
other marine	0.6	0.1	0.4	0.3	0.2	1.4	1.2
total marine	12.7	5.4	25.4	30.2	13.0	73.7	78.6
AV 52	25.2	7.4	13.3	7.0	33.2	52.9	51.2
other aviation	3.6	1.7	1.7	1.4	8.8	8.4	20.4
total aviation	28.8	9.1	15.0	8.4	42.0	61.3	71.6
total gross premiums written	\$ 103.4	\$ 139.7	\$ 241.9	\$ 142.8	\$ 130.1	\$ 627.8	\$ 638.1

Lancashire Holdings Limited
summary consolidated underwriting segment results

twelve months ending 31 december 2009

	property	energy	marine	aviation	consolidated
gross premiums written	<u>\$ 317.3</u>	<u>\$ 175.5</u>	<u>\$ 73.7</u>	<u>\$ 61.3</u>	<u>\$ 627.8</u>
net premiums written	<u>300.1</u>	<u>162.0</u>	<u>64.4</u>	<u>50.6</u>	<u>577.1</u>
net premiums earned	283.5	172.6	75.9	62.7	594.7
net insurance losses	(8.9)	76.9	29.4	1.3	98.7
net insurance acquisition expenses	35.8	34.9	22.4	12.9	106.0
other operating expenses ⁽¹⁾					60.5
	<u>\$ 256.6</u>	<u>\$ 60.8</u>	<u>\$ 24.1</u>	<u>\$ 48.5</u>	<u>\$ 329.5</u>
net loss ratio	(3.1%)	44.6%	38.7%	2.1%	16.6%
net acquisition cost ratio	12.6%	20.2%	29.5%	20.6%	17.8%
administrative expense ratio ⁽¹⁾					10.2%
combined ratio	<u>9.5%</u>	<u>64.8%</u>	<u>68.2%</u>	<u>22.7%</u>	<u>44.6%</u>

twelve months ending 31 december 2008

	property	energy	marine	aviation	consolidated
gross premiums written	<u>\$ 302.7</u>	<u>\$ 185.2</u>	<u>\$ 78.6</u>	<u>\$ 71.6</u>	<u>\$ 638.1</u>
net premiums written	<u>279.6</u>	<u>159.6</u>	<u>71.0</u>	<u>64.5</u>	<u>574.7</u>
net premiums earned	272.2	191.2	70.6	73.3	607.3
net insurance losses	100.9	228.5	38.1	8.0	375.5
net insurance acquisition expenses	34.1	31.3	19.4	14.8	99.6
other operating expenses ⁽¹⁾					49.3
	<u>\$ 137.2</u>	<u>\$ (68.6)</u>	<u>\$ 13.1</u>	<u>\$ 50.5</u>	<u>\$ 82.9</u>
net loss ratio	37.1%	119.5%	54.0%	10.9%	61.8%
net acquisition cost ratio	12.5%	16.4%	27.5%	20.2%	16.4%
administrative expense ratio ⁽¹⁾					8.1%
combined ratio	<u>49.6%</u>	<u>135.9%</u>	<u>81.5%</u>	<u>31.1%</u>	<u>86.3%</u>

⁽¹⁾ administrative expenses are not allocated by segment

Lancashire Holdings Limited
property segment - underwriting statement

	<u>q4</u> <u>2009</u>	<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>full year</u> <u>2009</u>	<u>full year</u> <u>2008</u>
underwriting income							
gross premiums written	\$ 47.2	\$ 80.8	\$ 113.3	\$ 76.0	\$ 59.0	\$ 317.3	\$ 302.7
outwards reinsurance premiums	2.1	1.2	0.6	(21.1)	1.9	(17.2)	(23.1)
net premiums written	<u>49.3</u>	<u>82.0</u>	<u>113.9</u>	<u>54.9</u>	<u>60.9</u>	<u>300.1</u>	<u>279.6</u>
change in unearned premiums	39.7	3.6	(46.9)	(11.2)	11.9	(14.8)	(2.3)
change in unearned premiums on premium ceded	(5.5)	(5.4)	(5.8)	14.9	(6.1)	(1.8)	(5.1)
net premiums earned	<u>\$ 83.5</u>	<u>\$ 80.2</u>	<u>\$ 61.2</u>	<u>\$ 58.6</u>	<u>\$ 66.7</u>	<u>\$ 283.5</u>	<u>\$ 272.2</u>
underwriting expenses							
net insurance losses	(4.8)	0.1	(1.8)	(2.4)	(3.1)	(8.9)	100.9
net insurance acquisition expenses	9.7	10.9	7.9	7.3	9.1	35.8	34.1
total underwriting expenses	<u>4.9</u>	<u>11.0</u>	<u>6.1</u>	<u>4.9</u>	<u>6.0</u>	<u>26.9</u>	<u>135.0</u>
net underwriting income	<u>\$ 78.6</u>	<u>\$ 69.2</u>	<u>\$ 55.1</u>	<u>\$ 53.7</u>	<u>\$ 60.7</u>	<u>\$ 256.6</u>	<u>\$ 137.2</u>
net loss ratio (% of net premiums earned)	(5.7%)	0.1%	(2.9%)	(4.1%)	(4.6%)	(3.1%)	37.1%
net acquisition cost ratio (% of net premiums earned)	11.6%	13.6%	12.9%	12.5%	13.6%	12.6%	12.5%
	5.9%	13.7%	10.0%	8.4%	9.0%	9.5%	49.6%

Lancashire Holdings Limited
energy segment - underwriting statement

	<u>q4</u> <u>2009</u>	<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>full year</u> <u>2009</u>	<u>full year</u> <u>2008</u>
underwriting income (loss)							
gross premiums written	\$ 14.7	\$ 44.4	\$ 88.2	\$ 28.2	\$ 16.1	\$ 175.5	\$ 185.2
outwards reinsurance premiums	(0.9)	(1.4)	(2.3)	(8.9)	0.6	(13.5)	(25.6)
net premiums written	<u>13.8</u>	<u>43.0</u>	<u>85.9</u>	<u>19.3</u>	<u>16.7</u>	<u>162.0</u>	<u>159.6</u>
change in unearned premiums	32.4	5.6	(40.6)	17.5	29.6	14.9	36.9
change in unearned premiums on premium ceded	(1.6)	(2.3)	(2.9)	2.5	(7.0)	(4.3)	(5.3)
net premiums earned	<u>\$ 44.6</u>	<u>\$ 46.3</u>	<u>\$ 42.4</u>	<u>\$ 39.3</u>	<u>\$ 39.3</u>	<u>\$ 172.6</u>	<u>\$ 191.2</u>
underwriting expenses							
net insurance losses	(0.7)	9.4	2.9	65.3	7.5	76.9	228.5
net insurance acquisition expenses	7.6	9.8	9.7	7.8	7.5	34.9	31.3
total underwriting expenses	<u>6.9</u>	<u>19.2</u>	<u>12.6</u>	<u>73.1</u>	<u>15.0</u>	<u>111.8</u>	<u>259.8</u>
net underwriting income (loss)	<u>\$ 37.7</u>	<u>\$ 27.1</u>	<u>\$ 29.8</u>	<u>\$ (33.8)</u>	<u>\$ 24.3</u>	<u>\$ 60.8</u>	<u>\$ (68.6)</u>
net loss ratio (% of net premiums earned)	(1.6%)	20.3%	6.8%	166.2%	19.1%	44.6%	119.5%
net acquisition cost ratio (% of net premiums earned)	17.0%	21.2%	22.9%	19.8%	19.1%	20.2%	16.4%
	<u>15.4%</u>	<u>41.5%</u>	<u>29.7%</u>	<u>186.0%</u>	<u>38.2%</u>	<u>64.8%</u>	<u>135.9%</u>

Lancashire Holdings Limited
marine segment - underwriting statement

	<u>q4</u> <u>2009</u>	<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>full year</u> <u>2009</u>	<u>full year</u> <u>2008</u>
underwriting income							
gross premiums written	\$ 12.7	\$ 5.4	\$ 25.4	\$ 30.2	\$ 13.0	\$ 73.7	\$ 78.6
outwards reinsurance premiums	(2.0)	0.7	1.8	(9.8)	(0.2)	(9.3)	(7.6)
net premiums written	<u>10.7</u>	<u>6.1</u>	<u>27.2</u>	<u>20.4</u>	<u>12.8</u>	<u>64.4</u>	<u>71.0</u>
change in unearned premiums	6.2	11.6	(1.8)	(6.2)	6.2	9.8	(0.5)
change in unearned premiums on premium ceded	-	(2.2)	(3.3)	7.2	(1.8)	1.7	0.1
net premiums earned	<u>\$ 16.9</u>	<u>\$ 15.5</u>	<u>\$ 22.1</u>	<u>\$ 21.4</u>	<u>\$ 17.2</u>	<u>\$ 75.9</u>	<u>\$ 70.6</u>
underwriting expenses							
net insurance losses	3.4	7.0	9.3	9.7	8.8	29.4	38.1
net insurance acquisition expenses	4.6	4.8	6.5	6.5	4.8	22.4	19.4
total underwriting expenses	<u>8.0</u>	<u>11.8</u>	<u>15.8</u>	<u>16.2</u>	<u>13.6</u>	<u>51.8</u>	<u>57.5</u>
net underwriting income	<u>\$ 8.9</u>	<u>\$ 3.7</u>	<u>\$ 6.3</u>	<u>\$ 5.2</u>	<u>\$ 3.6</u>	<u>\$ 24.1</u>	<u>\$ 13.1</u>
net loss ratio (% of net premiums earned)	20.1%	45.2%	42.1%	45.3%	51.2%	38.7%	54.0%
net acquisition cost ratio (% of net premiums earned)	27.2%	31.0%	29.4%	30.4%	27.9%	29.5%	27.5%
	<u>47.3%</u>	<u>76.2%</u>	<u>71.5%</u>	<u>75.7%</u>	<u>79.1%</u>	<u>68.2%</u>	<u>81.5%</u>

Lancashire Holdings Limited
aviation segment - underwriting statement

	q4 2009	q3 2009	q2 2009	q1 2009	q4 2008	full year 2009	full year 2008
underwriting income							
gross premiums written	\$ 28.8	\$ 9.1	\$ 15.0	\$ 8.4	\$ 42.0	\$ 61.3	\$ 71.6
outwards reinsurance premiums	(2.6)	(1.0)	(3.3)	(3.8)	(2.3)	(10.7)	(7.1)
net premiums written	26.2	8.1	11.7	4.6	39.7	50.6	64.5
change in unearned premiums	(13.8)	7.2	5.4	13.3	(19.7)	12.1	8.1
change in unearned premiums on premium ceded	(1.8)	(1.5)	1.3	2.0	(1.3)	-	0.7
net premiums earned	\$ 10.6	\$ 13.8	\$ 18.4	\$ 19.9	\$ 18.7	\$ 62.7	\$ 73.3
underwriting expenses							
net insurance losses	0.9	0.4	(2.0)	2.0	3.1	1.3	8.0
net insurance acquisition expenses	1.8	3.2	3.5	4.4	3.8	12.9	14.8
total underwriting expenses	2.7	3.6	1.5	6.4	6.9	14.2	22.8
net underwriting income	\$ 7.9	\$ 10.2	\$ 16.9	\$ 13.5	\$ 11.8	\$ 48.5	\$ 50.5
net loss ratio (% of net premiums earned)	8.5%	2.9%	(10.9%)	10.1%	16.6%	2.1%	10.9%
net acquisition cost ratio (% of net premiums earned)	17.0%	23.2%	19.0%	22.1%	20.3%	20.6%	20.2%
	25.5%	26.1%	8.1%	32.2%	36.9%	22.7%	31.1%

Lancashire Holdings Limited
summary consolidated cash flows

cash flows	q4 2009	q3 2009	q2 2009	q1 2009	q4 2008	full year 2009	full year 2008
net cash flows from (used in) operating activities	\$ 13.0	\$ 159.2	\$ (51.3)	\$ 157.5	\$ 33.6	\$ 278.4	\$ 360.7
net cash flows (used in) from investing activities	141.1	(182.5)	(335.3)	166.0	(181.8)	(210.7)	(358.6)
net cash flows used in financing activities	(31.8)	(2.5)	(4.5)	(3.0)	(2.3)	(41.8)	(316.5)
net increase (decrease) in cash and cash equivalents	122.3	(25.8)	(391.1)	320.5	(150.5)	25.9	(314.4)
cash and cash equivalents, opening	318.3	343.1	731.1	413.6	567.5	413.6	737.3
effect of exchange rate fluctuations	(0.6)	1.0	3.1	(3.0)	(3.4)	0.5	(9.3)
cash and cash equivalents, closing	\$ 440.0	\$ 318.3	\$ 343.1	\$ 731.1	\$ 413.6	\$ 440.0	\$ 413.6

Lancashire Holdings Limited
summary consolidated balance sheets

	31 december 2009	30 september 2009	30 june 2009	31 march 2009	31 december 2008
assets					
cash and cash equivalents	\$ 440.0	\$ 318.3	\$ 343.1	\$ 731.1	\$ 413.6
accrued interest receivable	12.0	11.8	9.2	9.3	10.1
investments					
- fixed income securities					
- available for sale	1,892.5	2,029.5	1,813.1	1,464.8	1,595.4
- at fair value through income	-	-	-	-	4.0
- equity securities, available for sale	-	-	-	-	5.8
reinsurance assets					
- unearned premium on premium ceded	5.6	14.5	25.9	36.6	10.0
- reinsurance recoveries	35.8	45.3	49.2	53.4	42.1
- other receivables	4.3	2.2	2.2	3.2	3.2
deferred acquisition costs	52.9	61.1	68.9	57.0	60.9
inwards premium receivable from insureds and cedants	178.2	199.4	255.4	176.3	187.3
other assets	15.8	11.2	30.2	72.1	156.6
total assets	\$ 2,637.1	\$ 2,693.3	\$ 2,597.2	\$ 2,603.8	\$ 2,489.0
liabilities					
insurance contracts					
- loss and loss adjustment expenses	\$ 488.9	\$ 533.9	\$ 543.6	\$ 564.7	\$ 528.8
- unearned premiums	317.6	382.1	410.1	326.2	339.6
- other payables	15.8	21.3	16.9	16.2	17.6
amounts payable to reinsurers	4.2	2.0	13.3	21.9	2.0
deferred acquisition costs ceded	2.7	3.1	1.5	2.6	1.9
other payables	297.6	81.8	62.3	226.4	195.6
long-term debt	131.4	132.0	130.7	128.7	130.8
total liabilities	1,258.2	1,156.2	1,178.4	1,286.7	1,216.3
shareholders' equity					
share capital	91.2	91.2	91.2	91.2	91.1
own shares	(76.4)	(59.0)	(59.0)	(59.0)	(58.0)
share premium	2.4	2.4	2.4	2.4	2.4
contributed surplus	757.0	757.4	757.3	758.1	758.2
accumulated other comprehensive income	30.4	42.2	25.9	29.3	27.6
other reserves	65.3	60.5	56.8	57.3	54.3
dividends	(273.5)	(10.5)	-	-	-
retained earnings	782.5	652.9	544.2	437.8	397.1
total shareholders' equity	\$ 1,378.9	\$ 1,537.1	\$ 1,418.8	\$ 1,317.1	\$ 1,272.7
total liabilities and shareholders' equity	\$ 2,637.1	\$ 2,693.3	\$ 2,597.2	\$ 2,603.8	\$ 2,489.0
basic book value per share	\$ 8.09	\$ 8.89	\$ 8.20	\$ 7.62	\$ 7.36
fully converted book value per share	\$ 7.41	\$ 8.09	\$ 7.58	\$ 7.09	\$ 6.89
fully diluted book value per share	\$ 7.32	\$ 8.00	\$ 7.50	\$ 7.01	\$ 6.82
debt to total capital ratio	8.7%	7.9%	8.4%	8.9%	9.3%

Lancashire Holdings Limited
composition of investment portfolio



	31 december 2009	%	30 september 2009	%	30 june 2009	%	31 march 2009	%	31 december 2008	%
type of investment										
short term investments	\$ 288.8	14.2%	\$ 313.2	13.4%	\$ 336.8	15.8%	\$ 57.5	2.7%	\$ 163.6	8.2%
U.S. treasuries	254.8	12.5%	316.0	13.6%	162.7	7.7%	133.4	6.2%	191.7	9.6%
other government bonds	76.3	3.7%	75.9	3.3%	49.7	2.3%	54.0	2.4%	54.1	2.7%
U.S. government agency debt	115.0	5.6%	133.2	5.7%	180.1	8.5%	164.2	7.6%	114.5	5.8%
U.S. government agency mortgage backed securities	484.4	23.8%	582.6	25.0%	600.7	28.2%	690.3	32.0%	614.4	30.9%
corporate bonds - non FDIC guaranteed	479.8	23.6%	379.2	16.3%	276.5	13.0%	186.7	8.6%	303.5	15.2%
corporate bonds - FDIC guaranteed	193.4	9.5%	229.4	9.9%	206.6	9.7%	178.7	8.3%	153.4	7.7%
convertible debt securities	-	-	-	-	-	-	-	-	0.2	-
total fixed income securities, available for sale	1,892.5	92.9%	2,029.5	87.2%	1,813.1	85.2%	1,464.8	67.8%	1,595.4	80.1%
equity securities - available for sale	-	-	-	-	-	-	-	-	5.8	0.3%
convertible debt securities - at fair value through income	-	-	-	-	-	-	-	-	4.0	0.2%
managed cash	145.2	7.1%	298.4	12.8%	314.1	14.8%	695.0	32.2%	387.1	19.4%
total investments	\$ 2,037.7	100.0%	\$ 2,327.9	100.0%	\$ 2,127.2	100.0%	\$ 2,159.8	100.0%	\$ 1,992.3	100.0%
credit quality of fixed income securities										
AAA	\$ 1,434.1	75.8%	\$ 1,681.0	82.8%	\$ 1,560.0	86.0%	\$ 1,299.2	88.7%	\$ 1,318.0	82.6%
AA+, AA, AA-	110.8	5.9%	85.1	4.2%	61.4	3.4%	43.4	3.0%	51.0	3.2%
A+, A, A-	252.4	13.3%	189.5	9.4%	149.0	8.2%	95.9	6.5%	187.7	11.8%
BBB+, BBB, BBB-	95.0	5.0%	73.8	3.6%	42.6	2.4%	26.1	1.8%	38.7	2.4%
other	0.2	-	0.1	-	0.1	-	0.2	-	-	-
	\$ 1,892.5	100.0%	\$ 2,029.5	100.0%	\$ 1,813.1	100.0%	\$ 1,464.8	100.0%	\$ 1,595.4	100.0%
corporate bonds and convertible debt by sector										
industrial	\$ 262.9	39.1%	\$ 203.2	33.4%	\$ 150.5	31.1%	\$ 102.3	28.0%	\$ 172.7	37.5%
financial - non FDIC guaranteed	150.7	22.4%	111.4	18.3%	78.3	16.2%	42.6	11.7%	101.2	21.9%
utility	52.7	7.8%	41.6	6.8%	23.1	4.8%	12.1	3.3%	15.7	3.4%
other	13.5	2.0%	23.0	3.8%	24.6	5.1%	29.7	8.1%	18.1	3.9%
financial - FDIC guaranteed	193.4	28.7%	229.4	37.7%	206.6	42.8%	178.7	48.9%	153.4	33.3%
	\$ 673.2	100.0%	\$ 608.6	100.0%	\$ 483.1	100.0%	\$ 365.4	100.0%	\$ 461.1	100.0%
quarterly net return on total investments		0.5%		1.6%		0.6%		1.1%		2.1%
rolling 12 months net return on total investments		3.9%		5.5%		3.4%		3.0%		3.1%
average book yield of fixed income and managed cash		2.8%		2.7%		2.7%		2.8%		3.4%
average market yield of fixed income and managed cash		2.2%		1.8%		2.2%		1.9%		2.7%
average duration of fixed income and managed cash		2.3 years		2.0 years		1.9 years		1.4 years		1.8 years
average credit quality of fixed income and managed cash		AA+		AA+		AA+		AA+		AA+

Lancashire Holdings Limited
investment portfolio - sector detail

31 december 2009					
	estimated fair value	weighted average book yield	weighted average market yield	weighted average duration	weighted average rating
type of investment					
short term investments	\$ 288.8	0.6%	0.5%	0.2	AAA
U.S. treasuries	254.8	2.2%	2.3%	4.0	AAA
other government bonds	76.3	3.0%	1.8%	2.6	AAA
U.S. government agency debt	115.0	2.3%	2.0%	2.7	AAA
U.S. government agency mortgage backed securities	484.4	4.4%	3.4%	2.5	AAA
corporate bonds - non FDIC guaranteed	479.8	3.9%	2.8%	3.0	A
corporate bonds - FDIC guaranteed	193.4	2.2%	1.5%	2.2	AAA
total fixed income securities	1,892.5	3.0%	2.3%	2.5	AA+
managed cash ⁽¹⁾	145.2	0.1%	0.2%	-	AA
total fixed income securities and managed cash	\$ 2,037.7	2.8%	2.2%	2.3	AA+

⁽¹⁾ 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

31 december 2009

	par value		estimated		accrued		unrealised		credit
	units		fair value		interest		gain		quality
top twenty holdings by issuer									
Verizon Communications	25.5	\$	27.8	\$	0.3	\$	2.0		A
JP Morgan Chase	18.8		20.6		0.4		0.7		A+
Morgan Stanley	16.3		17.0		0.3		0.8		A
Comcast	12.2		13.2		0.3		0.5		BBB+
AT&T	11.7		12.4		0.2		0.2		A
France Telecom	11.5		12.1		0.3		0.6		A-
International Business Machines	11.6		11.8		0.1		0.2		A+
Bank of America	10.4		11.1		0.2		0.3		A
Oracle	10.3		11.0		0.1		-		A
Phillip Morris International	10.2		10.8		0.1		0.3		A
Pfizer	10.1		10.7		0.1		0.2		AA
Wells Fargo & Company	10.2		10.7		0.1		0.3		AA-
Bank of New York	9.9		10.5		0.1		0.4		AA-
Conoco Phillips	9.5		10.3		0.1		-		A
Merck & Company	8.5		8.7		-		0.2		AA-
Vodafone Group PLC	8.0		8.4		0.1		-		A-
Credit Suisse Group	7.8		8.4		0.1		-		A+
Time Warner Cable	7.1		8.0		0.2		0.1		BBB
The Goldman Sachs Group	7.2		7.7		0.1		0.1		A
BP PLC	6.8		7.0		0.1		0.1		AA
	<u>223.6</u>	<u>\$</u>	<u>238.2</u>	<u>\$</u>	<u>3.3</u>	<u>\$</u>	<u>7.0</u>	<u>average</u>	<u>A</u>

top twenty holdings as a % of corporate bonds, excluding FDIC guaranteed 49.6%

Lancashire Holdings Limited
net losses and loss ratios

<u>total</u>	q4 2009	q3 2009	q2 2009	q1 2009	q4 2008	full year 2009	full year 2008
net reserves: start	\$ 488.6	\$ 494.4	\$ 511.3	\$ 486.7	\$ 501.7	\$ 486.7	\$ 176.0
paid losses	32.9	22.6	27.4	48.9	32.9	131.8	64.3
change in prior AY ⁽¹⁾	(39.5)	(23.1)	(35.3)	34.4	(12.5)	(63.5)	(28.6)
current year incurred losses	38.3	40.0	43.7	40.2	28.8	162.2	404.1
foreign exchange	(1.4)	(0.1)	2.1	(1.1)	1.6	(0.5)	(0.5)
net reserves: end	\$ 453.1	\$ 488.6	\$ 494.4	\$ 511.3	\$ 486.7	\$ 453.1	\$ 486.7
net premiums earned	155.6	155.8	144.1	139.2	141.9	594.7	607.3
net loss ratio	(0.8%)	10.8%	5.8%	53.6%	11.5%	16.6%	61.8%
IBNR as % of net reserves	43.8%	42.6%	41.2%	39.3%	32.6%	43.8%	32.6%

<u>property</u>	q4 2009	q3 2009	q2 2009	q1 2009	q4 2008	full year 2009	full year 2008	<u>energy</u>	q4 2009	q3 2009	q2 2009	q1 2009	q4 2008	full year 2009	full year 2008
net reserves: start	\$ 96.6	\$ 94.9	\$ 105.7	\$ 128.2	\$ 143.3	\$ 128.2	\$ 49.9	net reserves: start	\$ 297.0	\$ 305.8	\$ 315.9	\$ 275.3	\$ 285.3	\$ 275.3	\$ 79.2
paid losses	6.5	(1.5)	10.3	19.9	12.3	35.2	21.7	paid losses	23.5	18.1	13.2	24.5	17.7	79.3	32.3
change in prior AY ⁽¹⁾	(7.5)	(7.9)	(13.6)	(15.4)	(2.8)	(44.4)	(22.3)	change in prior AY ⁽¹⁾	(29.6)	(13.6)	(17.2)	51.1	(8.3)	(9.3)	(5.5)
current year incurred losses	2.7	8.0	11.8	13.0	(0.3)	35.5	123.2	current year incurred losses	28.9	23.0	20.1	14.2	15.8	86.2	234.0
foreign exchange	(0.3)	0.1	1.3	(0.2)	0.3	0.9	(0.9)	foreign exchange	(0.3)	(0.1)	0.2	(0.2)	0.2	(0.4)	(0.1)
net reserves: end	\$ 85.0	\$ 96.6	\$ 94.9	\$ 105.7	\$ 128.2	\$ 85.0	\$ 128.2	net reserves: end	\$ 272.5	\$ 297.0	\$ 305.8	\$ 315.9	\$ 275.3	\$ 272.5	\$ 275.3
net premiums earned	\$ 83.5	\$ 80.2	\$ 61.2	\$ 58.6	\$ 66.7	\$ 283.5	\$ 272.2	net premiums earned	\$ 44.6	\$ 46.3	\$ 42.4	\$ 39.3	\$ 39.3	\$ 172.6	\$ 191.2
net loss ratio	(5.7%)	0.1%	(2.9%)	(4.1%)	(4.6%)	(3.1%)	37.1%	net loss ratio	(1.6%)	20.3%	6.8%	166.2%	19.1%	44.6%	119.5%
<u>marine</u>	q4 2009	q3 2009	q2 2009	q1 2009	q4 2008	full year 2009	full year 2008	<u>aviation</u>	q4 2009	q3 2009	q2 2009	q1 2009	q4 2008	full year 2009	full year 2008
net reserves: start	\$ 83.3	\$ 82.3	\$ 75.9	\$ 71.4	\$ 64.5	\$ 71.4	\$ 43.1	net reserves: start	\$ 11.7	\$ 11.4	\$ 13.8	\$ 11.8	\$ 8.6	\$ 11.8	\$ 3.8
paid losses	2.9	6.0	3.3	4.5	2.9	16.7	10.2	paid losses	-	-	0.6	-	-	0.6	0.1
change in prior AY ⁽¹⁾	(2.2)	(1.4)	(1.2)	(1.3)	(1.3)	(6.1)	-	change in prior AY ⁽¹⁾	(0.2)	(0.2)	(3.3)	-	(0.1)	(3.7)	(0.8)
current year incurred losses	5.6	8.4	10.5	11.0	10.1	35.5	38.1	current year incurred losses	1.1	0.6	1.3	2.0	3.2	5.0	8.8
foreign exchange	(0.8)	-	0.4	(0.7)	1.0	(1.1)	0.4	foreign exchange	-	(0.1)	0.2	-	0.1	0.1	0.1
net reserves: end	\$ 83.0	\$ 83.3	\$ 82.3	\$ 75.9	\$ 71.4	\$ 83.0	\$ 71.4	net reserves: end	\$ 12.6	\$ 11.7	\$ 11.4	\$ 13.8	\$ 11.8	\$ 12.6	\$ 11.8
net premiums earned	\$ 16.9	\$ 15.5	\$ 22.1	\$ 21.4	\$ 17.2	\$ 75.9	\$ 70.6	net premiums earned	\$ 10.6	\$ 13.8	\$ 18.4	\$ 19.9	\$ 18.7	\$ 62.7	\$ 73.3
net loss ratio	20.1%	45.2%	42.1%	45.3%	51.2%	38.7%	54.0%	net loss ratio	8.5%	2.9%	(10.9%)	10.1%	16.6%	2.1%	10.9%

⁽¹⁾ 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	163.3
one year later	34.7	131.2	417.4	-
two years later	32.0	103.5	-	-
three years later	27.6	-	-	-
as at 31 december 2009	<u>\$ 27.6</u>	<u>\$ 103.5</u>	<u>\$ 417.4</u>	<u>\$ 163.3</u>
payments made	(20.5)	(55.1)	(141.2)	(6.1)
total gross liability	<u>\$ 7.1</u>	<u>\$ 48.4</u>	<u>\$ 276.2</u>	<u>\$ 157.2</u>
accident year loss ratio ⁽¹⁾	9.1%	14.8%	61.3%	25.1%

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	161.7
one year later	34.7	125.0	370.3	-
two years later	32.0	99.5	-	-
three years later	27.6	-	-	-
as at 31 december 2009	<u>\$ 27.6</u>	<u>\$ 99.5</u>	<u>\$ 370.3</u>	<u>\$ 161.7</u>
payments made	(20.5)	(52.6)	(126.8)	(6.1)
total net liability	<u>\$ 7.1</u>	<u>\$ 46.9</u>	<u>\$ 243.5</u>	<u>\$ 155.6</u>
accident year loss ratio ⁽¹⁾	11.3%	16.3%	61.0%	27.2%
initial accident year loss ratio	16.1%	24.7%	66.5%	n/a
change in loss ratio post accident year end	4.8%	8.4%	5.5%	n/a

⁽¹⁾ 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	31 december 2009 100 year return period		31 december 2009 250 year return period	
		estimated gross loss	estimated net loss	estimated gross loss	estimated net loss
gulf of mexico ⁽¹⁾	hurricane	\$ 278.5	\$ 278.5	\$ 391.2	\$ 391.2
california	earthquake	190.1	190.1	292.6	292.6
japan	earthquake	138.2	138.2	236.1	236.1
pan-european	windstorm	163.2	163.2	261.7	261.7
japan	typhoon	86.3	86.3	170.8	170.8

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.

⁽¹⁾ landing hurricane from florida to texas

Lancashire Holdings Limited earnings per share

	q4 2009	q4 2008	full year 2009	full year 2008
basic earnings per share:				
profit after tax	\$ 129.6	\$ 81.1	\$ 385.4	\$ 97.5
weighted average shares outstanding - basic	172,153,602	172,849,927	172,740,238	177,468,281
basic earnings per share	\$ 0.75	\$ 0.47	\$ 2.23	\$ 0.55
dilutive shares				
weighted average shares outstanding - basic	172,153,602	172,849,927	172,740,238	177,468,281
dilutive effect of warrants	13,426,359	4,214,070	12,649,142	6,204,742
dilutive effect of stock options	606,972	322,544	494,544	431,726
dilutive effect of restricted stock	1,963,654	246,086	1,903,964	295,087
weighted average & equivalent shares outstanding - diluted	188,150,587	177,632,627	187,787,888	184,399,836
diluted earnings per share:				
profit after tax	\$ 129.6	\$ 81.1	\$ 385.4	\$ 97.5
weighted average & equivalent shares outstanding - diluted	188,150,587	177,632,627	187,787,888	184,399,836
diluted earnings per share	\$ 0.69	\$ 0.46	\$ 2.05	\$ 0.53
diluted operating earnings per share:				
net operating income	\$ 122.4	\$ 98.3	\$ 364.7	\$ 119.4
weighted average & equivalent shares outstanding - diluted	188,150,587	177,632,627	187,787,888	184,399,836
diluted operating earnings per share	\$ 0.65	\$ 0.55	\$ 1.94	\$ 0.65

Lancashire Holdings Limited
basic and fully converted book value per share

	q4 2009	q3 2009	q2 2009	q1 2009	q4 2008
numerator (\$ in millions):					
shareholders' equity	\$ 1,378.9	\$ 1,537.1	\$ 1,418.8	\$ 1,317.1	\$ 1,272.7
proceeds from assumed exercise of outstanding dilutive warrants	185.6	183.9	183.4	183.4	187.5
proceeds from assumed exercise of outstanding dilutive options	4.0	13.0	6.0	7.1	5.8
book value numerator	<u>\$ 1,568.5</u>	<u>\$ 1,734.0</u>	<u>\$ 1,608.2</u>	<u>\$ 1,507.6</u>	<u>\$ 1,466.0</u>
denominator (in shares):					
common voting shares outstanding	170,470,393	172,940,800	172,939,932	172,925,433	172,849,927
shares issuable upon exercise of outstanding dilutive warrants	38,312,564	37,538,689	37,392,321	37,392,321	38,225,521
shares issuable upon exercise of outstanding dilutive options	1,029,798	2,485,645	1,242,761	1,842,258	1,473,774
shares relating to dilutive restricted stock	<u>1,894,048</u>	<u>1,377,159</u>	<u>631,847</u>	<u>624,573</u>	<u>340,937</u>
fully converted book value denominator	<u>211,706,803</u>	<u>214,342,293</u>	<u>212,206,861</u>	<u>212,784,585</u>	<u>212,890,159</u>
basic book value per share	<u>\$ 8.09</u>	<u>\$ 8.89</u>	<u>\$ 8.20</u>	<u>\$ 7.62</u>	<u>\$ 7.36</u>
fully converted book value per share	<u>\$ 7.41</u>	<u>\$ 8.09</u>	<u>\$ 7.58</u>	<u>\$ 7.09</u>	<u>\$ 6.89</u>
dividend per common share ⁽¹⁾	\$ 1.25	\$ 0.05	\$ -	\$ -	\$ -
change in FCBVS adj for dividends ⁽²⁾ - quarter	7.0%	7.4%	6.9%	2.9%	8.3%
change in FCBVS adj for dividends ⁽²⁾ - rolling 12 months	26.5%	28.0%	9.1%	5.0%	7.8%
compound annual change in FCBVS adj for dividends ⁽²⁾	19.8%	19.1%	18.3%	17.5%	17.9%
compound annual change in FCBVS adj for dividends ⁽²⁾ - above 3 month treasury	17.1%	16.3%	15.2%	14.2%	14.3%
change in FCBVS adj for dividends ⁽²⁾ - since inception	105.8%	92.7%	79.9%	68.7%	63.7%

⁽¹⁾ 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

⁽²⁾ 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

	q4 2009	q3 2009	q2 2009	q1 2009	q4 2008
shareholders' equity	\$ 1,378.9	\$ 1,537.1	\$ 1,418.8	\$ 1,317.1	\$ 1,272.7
weighted average exercise price per share of dilutive warrants	\$ 4.85	\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.91
weighted average exercise price per share of dilutive options	\$ 3.87	\$ 5.21	\$ 4.82	\$ 3.85	\$ 3.91
denominator (in shares):					
common voting shares outstanding	170,470,393	172,940,800	172,939,932	172,925,433	172,849,927
unvested restricted shares and restricted share units	1,894,048	1,377,159	631,847	624,573	340,937
dilutive warrants outstanding	38,312,564	37,538,689	37,392,321	37,392,321	38,225,521
proforma warrants bought back	(22,950,049)	(20,690,254)	(22,345,140)	(24,069,511)	(25,464,076)
proforma net shares issued	15,362,515	16,848,435	15,047,181	13,322,810	12,761,445
dilutive options outstanding	1,029,798	2,485,645	1,242,761	1,842,258	1,473,774
proforma options bought back	(492,288)	(1,456,240)	(729,851)	(932,339)	(783,087)
proforma net shares issued	537,510	1,029,405	512,910	909,919	690,687
proforma dilutive shares outstanding	188,264,466	192,195,799	189,131,870	187,782,735	186,642,996
basic book value per common share	\$ 8.09	\$ 8.89	\$ 8.20	\$ 7.62	\$ 7.36
diluted book value per common share	\$ 7.32	\$ 8.00	\$ 7.50	\$ 7.01	\$ 6.82
dividend per common share ⁽¹⁾	\$ 1.25	\$ 0.05	\$ -	\$ -	\$ -
change in FDBVS adj for dividends ⁽²⁾ - quarter	7.1%	7.3%	7.0%	2.8%	8.1%
change in FDBVS adj for dividends ⁽²⁾ - rolling 12 months	26.4%	27.6%	8.7%	4.6%	7.4%
compound annual change in FDBVS adj for dividends ⁽²⁾	19.5%	18.8%	17.9%	17.1%	17.5%
compound annual change in FDBVS adj for dividends ⁽²⁾ - above 3 month treasury	16.8%	15.9%	14.9%	13.8%	14.0%
change in FDBVS adj for dividends ⁽²⁾ - since inception	103.9%	90.7%	78.2%	67.0%	62.3%

⁽¹⁾ 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

⁽²⁾ 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