



financial supplement

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CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING WITHOUT LIMITATION, STATEMENTS CONTAINING 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 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

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



LANCASHIRE HOLDINGS LIMITED ("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 LANCASHIRE GROUP.

THE FOLLOWING INFORMATION INCLUDED IN THIS DOCUMENT HAS NOT BEEN PREPARED IN ACCORDANCE WITH THE ACCOUNTING PRINCIPLES USED BY LANCASHIRE FOR ITS AUDITED AND / OR INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND INCLUDES NON IFRS/US GAAP MEASURES:

NET OPERATING INCOME (LOSS) - NET OPERATING INCOME (LOSS) EXCLUDES REALISED GAINS AND LOSSES; WARRANTS ISSUED AT IPO; FOREIGN EXCHANGE AND TAX

NET LOSS RATIO - THE NET LOSS RATIO IS THE NET INSURANCE LOSSES AND LOSS ADJUSTMENT EXPENSES DIVIDED BY NET PREMIUMS EARNED

NET ACQUISITION COST RATIO - THE NET ACQUISITION COST RATIO IS THE NET ACQUISITION EXPENSES DIVIDED BY NET PREMIUMS EARNED

ADMINISTRATIVE EXPENSE RATIO - THE ADMINISTRATIVE EXPENSE RATIO IS THE GENERAL AND ADMINISTRATIVE EXPENSES ("OTHER OPERATING EXPENSES"), BUT EXCLUDING WARRANTS, OPTIONS AND RESTRICTED STOCK EXPENSES, DIVIDED BY NET PREMIUMS EARNED

COMBINED RATIO - THE COMBINED RATIO IS THE SUM OF THE LOSS RATIO, THE ACQUISITION COST RATIO AND THE ADMINISTRATIVE EXPENSE RATIO

FULLY CONVERTED BOOK VALUE PER SHARE ("FCBVS") - THE CALCULATION IS BASED ON THE FOLLOWING: THE VALUE OF TOTAL SHAREHOLDERS' EQUITY PLUS THE PROCEEDS THAT WOULD BE RECEIVED FROM THE EXERCISE OF ALL DILUTIVE OUTSTANDING OPTIONS, DILUTIVE WARRANTS, DILUTIVE PERFORMANCE WARRANTS AND DILUTIVE RESTRICTED STOCK UNITS; 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, 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

	q2 2009	q2 2008	% change q2-09 vs. q2-08	ytd 2009	ytd 2008	% change ytd-09 vs. ytd-08
highlights						
gross premiums written	\$ 241.9	\$ 196.7	23%	\$ 384.7	\$ 383.4	0%
net premiums written	238.7	182.4	31%	337.9	324.3	4%
net premiums earned	144.1	148.5	(3%)	283.3	317.5	(11%)
net insurance losses	8.4	67.9	(88%)	83.0	133.6	(38%)
net investment income	14.0	12.9	9%	27.5	30.6	(10%)
net realised gains (losses) and impairments	2.3	(1.4)	264%	10.3	6.1	69%
profit after tax before change in unrealised gains	106.4	51.2	108%	147.1	135.8	8%
change in net unrealised losses on investments	(3.4)	(9.1)	63%	(1.7)	(11.6)	85%
comprehensive income	103.0	42.1	145%	145.4	124.2	17%
net operating income ⁽¹⁾	\$ 103.3	\$ 53.6	93%	\$ 139.2	\$ 126.8	10%
total investments and cash	\$ 2,156.2	\$ 1,895.1	14%			
total shareholders' equity	\$ 1,418.8	\$ 1,305.7	9%			
per share data						
net operating income per share - diluted ⁽²⁾	\$ 0.55	\$ 0.28		\$ 0.75	\$ 0.67	
profit after tax per share - diluted ⁽²⁾	\$ 0.57	\$ 0.27		\$ 0.79	\$ 0.72	
fully converted book value per share	\$ 7.57	\$ 6.94		\$ 7.57	\$ 6.94	
change in FCBVS adj for dividends ⁽³⁾	6.9%	3.0%		9.9%	8.8%	
fully diluted book value per share	\$ 7.50	\$ 6.88		\$ 7.50	\$ 6.88	
change in FDBVS adj for dividends ⁽⁴⁾	7.1%	2.8%		10.0%	8.7%	
financial ratios						
net loss ratio	5.8%	45.7%		29.3%	42.1%	
net acquisition cost ratio	19.2%	16.5%		18.9%	15.9%	
administrative expense ratio	10.4%	10.1%		9.7%	8.4%	
combined ratio	35.4%	72.3%		57.9%	66.4%	
net return on total investments	0.6%	0.1%		1.7%	1.3%	

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

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

⁽³⁾ change in fully converted book value per share ("FCBVS") adjusted for dividends is the internal rate of return of the change in fully converted book value per share in the period plus dividends accrued

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

Lancashire Holdings Limited
summary consolidated income statements

	q2 2009	q1 2009	q4 2008	q3 2008	q2 2008	ytd 2009	ytd 2008	full year 2008
gross premiums written	\$ 241.9	\$ 142.8	\$ 130.1	\$ 124.6	\$ 196.7	\$ 384.7	\$ 383.4	\$ 638.1
outwards reinsurance premiums	(3.2)	(43.6)	-	(4.3)	(14.3)	(46.8)	(59.1)	(63.4)
net premiums written	238.7	99.2	130.1	120.3	182.4	337.9	324.3	574.7
change in unearned premiums	(83.9)	13.4	28.0	40.0	(29.0)	(70.5)	(25.8)	42.2
change in unearned premiums on premium ceded	(10.7)	26.6	(16.2)	(12.4)	(4.9)	15.9	19.0	(9.6)
net premiums earned	144.1	139.2	141.9	147.9	148.5	283.3	317.5	607.3
net investment income	14.0	13.5	13.4	15.5	12.9	27.5	30.6	59.5
net other investment gains (losses)	-	-	(0.1)	(0.1)	0.8	-	0.3	0.1
net realised gains (losses) and impairments	2.3	8.0	(4.0)	(13.1)	(1.4)	10.3	6.1	(11.0)
net fair value gains (losses) on investments	-	0.3	0.5	(0.1)	(0.3)	0.3	(1.0)	(0.6)
share of loss of associate	-	-	-	-	(0.1)	-	(0.2)	(0.2)
net foreign exchange gains (losses)	2.3	(1.6)	(4.3)	(4.5)	-	0.7	0.3	(8.5)
total net revenue	162.7	159.4	147.4	145.6	160.4	322.1	353.6	646.6
insurance losses	6.5	89.1	18.4	260.4	73.1	95.6	140.0	418.8
insurance losses recoverable	1.9	(14.5)	(2.1)	(34.8)	(5.2)	(12.6)	(6.4)	(43.3)
net insurance acquisition expenses	27.6	26.0	25.2	23.9	24.5	53.6	50.5	99.6
equity based compensation	2.6	3.0	8.9	0.4	2.8	5.6	1.3	10.6
other operating expenses	15.0	12.4	8.6	14.0	15.0	27.4	26.7	49.3
total expenses	53.6	116.0	59.0	263.9	110.2	169.6	212.1	535.0
profit (loss) before tax and finance costs	109.1	43.4	88.4	(118.3)	50.2	152.5	141.5	111.6
finance costs	1.9	2.4	5.3	3.4	0.4	4.3	5.3	14.0
profit (loss) before tax	107.2	41.0	83.1	(121.7)	49.8	148.2	136.2	97.6
tax (charge) credit	(0.8)	(0.3)	(2.0)	2.3	1.4	(1.1)	(0.4)	(0.1)
profit (loss) after tax	\$ 106.4	\$ 40.7	\$ 81.1	\$ (119.4)	\$ 51.2	\$ 147.1	\$ 135.8	\$ 97.5
change in net unrealised gains (losses) on investments	(3.4)	1.7	28.1	(9.6)	(9.1)	(1.7)	(11.6)	6.9
comprehensive income (loss)	\$ 103.0	\$ 42.4	\$ 109.2	\$ (129.0)	\$ 42.1	\$ 145.4	\$ 124.2	\$ 104.4
net loss ratio	5.8%	53.6%	11.5%	152.5%	45.7%	29.3%	42.1%	61.8%
net acquisition cost ratio	19.2%	18.7%	17.8%	16.2%	16.5%	18.9%	15.9%	16.4%
administrative expense ratio	10.4%	8.9%	6.1%	9.5%	10.1%	9.7%	8.4%	8.1%
combined ratio	35.4%	81.2%	35.4%	178.2%	72.3%	57.9%	66.4%	86.3%
net return on total investments	0.6%	1.1%	2.1%	(0.4%)	0.1%	1.7%	1.3%	3.1%
basic earnings (loss) per share	\$ 0.62	\$ 0.24	\$ 0.47	\$ (0.69)	\$ 0.28	\$ 0.85	\$ 0.75	\$ 0.55
diluted earnings (loss) per share	\$ 0.57	\$ 0.22	\$ 0.45	\$ (0.69)	\$ 0.27	\$ 0.79	\$ 0.72	\$ 0.53

Lancashire Holdings Limited
summary consolidated cash flows

cash flows	q2 2009	q1 2009	q4 2008	q3 2008	q2 2008	ytd 2009	ytd 2008	full year 2008
net cash flows (used in) from operating activities	(51.3)	157.5	33.6	100.6	102.8	106.2	226.5	360.7
net cash flows (used in) from investing activities	(260.3)	166.0	(181.8)	(263.8)	87.6	(94.3)	87.0	(358.6)
net cash flows used in financing activities	(4.5)	(3.0)	(2.3)	(27.1)	(35.5)	(7.5)	(287.1)	(316.5)
net (decrease) increase in cash and cash equivalents	(316.1)	320.5	(150.5)	(190.3)	154.9	4.4	26.4	(314.4)
cash and cash equivalents, opening	731.1	413.6	567.5	764.7	610.0	413.6	737.3	737.3
effect of exchange rate fluctuations	3.1	(3.0)	(3.4)	(6.9)	(0.2)	0.1	1.0	(9.3)
cash and cash equivalents, closing	418.1	731.1	413.6	567.5	764.7	418.1	764.7	413.6

Lancashire Holdings Limited
premiums by line of business

	q2 2009	q1 2009	q4 2008	q3 2008	q2 2008	ytd 2009	ytd 2008	full year 2008
gross premiums written								
property retrocession	\$ 23.5	\$ 32.0	\$ 9.0	\$ 13.3	\$ 10.8	\$ 55.5	\$ 54.1	\$ 76.4
property direct and facultative	35.6	15.6	16.5	14.2	40.4	51.2	63.1	93.8
terrorism	21.8	16.8	21.0	16.1	22.1	38.6	38.4	75.5
property cat excess of loss	23.8	5.1	3.1	5.3	5.4	28.9	15.0	23.4
property political risk	5.1	4.1	8.3	4.1	5.8	9.2	15.7	28.1
other property	3.5	2.4	1.1	1.1	2.7	5.9	3.3	5.5
total property	113.3	76.0	59.0	54.1	87.2	189.3	189.6	302.7
worldwide offshore energy	44.1	24.9	11.5	15.8	29.9	69.0	49.0	76.3
gulf of mexico offshore energy	38.1	0.1	(1.1)	17.5	42.0	38.2	57.9	74.3
onshore energy	3.7	1.1	2.5	1.4	3.0	4.8	6.1	10.0
construction energy	2.7	1.4	3.0	7.7	5.4	4.1	10.8	21.5
other energy	(0.4)	0.7	0.2	2.2	0.3	0.3	0.7	3.1
total energy	88.2	28.2	16.1	44.6	80.6	116.4	124.5	185.2
marine hull and total loss	11.6	9.1	6.0	6.6	7.7	20.7	18.0	30.6
marine builders risk	7.2	6.3	4.9	7.7	4.5	13.5	13.7	26.3
marine hull war	5.8	5.8	1.9	2.5	1.5	11.6	6.9	11.3
marine P&I clubs	0.4	8.7	-	0.7	0.2	9.1	8.5	9.2
other marine	0.4	0.3	0.2	0.1	0.7	0.7	0.9	1.2
total marine	25.4	30.2	13.0	17.6	14.6	55.6	48.0	78.6
AV 52	13.3	7.0	33.2	5.5	9.4	20.3	12.5	51.2
other aviation	1.7	1.4	8.8	2.8	4.9	3.1	8.8	20.4
total aviation	15.0	8.4	42.0	8.3	14.3	23.4	21.3	71.6
total gross premiums written	\$ 241.9	\$ 142.8	\$ 130.1	\$ 124.6	\$ 196.7	\$ 384.7	\$ 383.4	\$ 638.1

Lancashire Holdings Limited
summary consolidated underwriting segment results

six months ending 30 june 2009

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 189.3	\$ 116.4	\$ 55.6	\$ 23.4	\$ 384.7
net premiums written	168.8	105.2	47.6	16.3	337.9
net premiums earned	119.8	81.7	43.5	38.3	283.3
net insurance losses	(4.2)	68.2	19.0	-	83.0
net insurance acquisition expenses	15.2	17.5	13.0	7.9	53.6
other operating expenses	-	-	-	-	27.4
	<u>\$ 108.8</u>	<u>\$ (4.0)</u>	<u>\$ 11.5</u>	<u>\$ 30.4</u>	<u>\$ 119.3</u>
net loss ratio	(3.5%)	83.5%	43.7%	-	29.3%
net acquisition cost ratio	12.7%	21.4%	29.9%	20.6%	18.9%
administrative expense ratio	-	-	-	-	9.7%
combined ratio	<u>9.2%</u>	<u>104.9%</u>	<u>73.6%</u>	<u>20.6%</u>	<u>57.9%</u>

six months ending 30 june 2008

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 189.6	\$ 124.5	\$ 48.0	\$ 21.3	\$ 383.4
net premiums written	164.3	102.7	40.2	17.1	324.3
net premiums earned	130.4	110.5	38.0	38.6	317.5
net insurance losses	45.5	62.2	22.5	3.4	133.6
net insurance acquisition expenses	16.3	15.9	10.2	8.1	50.5
other operating expenses	-	-	-	-	26.7
	<u>\$ 68.6</u>	<u>\$ 32.4</u>	<u>\$ 5.3</u>	<u>\$ 27.1</u>	<u>\$ 106.7</u>
net loss ratio	34.9%	56.3%	59.2%	8.8%	42.1%
net acquisition cost ratio	12.5%	14.4%	26.8%	21.0%	15.9%
administrative expense ratio	-	-	-	-	8.4%
combined ratio	<u>47.4%</u>	<u>70.7%</u>	<u>86.0%</u>	<u>29.8%</u>	<u>66.4%</u>

Lancashire Holdings Limited
property segment - underwriting statement

	<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>q2</u> <u>2008</u>	<u>full year</u> <u>2008</u>
underwriting income						
gross premiums written	\$ 113.3	\$ 76.0	\$ 59.0	\$ 54.1	\$ 87.2	\$ 302.7
outwards reinsurance premiums	0.6	(21.1)	1.9	0.3	(2.9)	(23.1)
net premiums written	<u>113.9</u>	<u>54.9</u>	<u>60.9</u>	<u>54.4</u>	<u>84.3</u>	<u>279.6</u>
change in unearned premiums	(46.9)	(11.2)	11.9	27.1	(15.0)	(2.3)
change in unearned premiums on premium ceded	(5.8)	14.9	(6.1)	(6.4)	(5.3)	(5.1)
net premiums earned	<u>\$ 61.2</u>	<u>\$ 58.6</u>	<u>\$ 66.7</u>	<u>\$ 75.1</u>	<u>\$ 64.0</u>	<u>\$ 272.2</u>
underwriting expenses						
net insurance losses	(1.8)	(2.4)	(3.1)	58.5	9.8	100.9
net insurance acquisition expenses	7.9	7.3	9.1	8.7	8.1	34.1
total underwriting expenses	<u>6.1</u>	<u>4.9</u>	<u>6.0</u>	<u>67.2</u>	<u>17.9</u>	<u>135.0</u>
net underwriting income	<u>\$ 55.1</u>	<u>\$ 53.7</u>	<u>\$ 60.7</u>	<u>\$ 7.9</u>	<u>\$ 46.1</u>	<u>\$ 137.2</u>
net loss ratio (% of net premiums earned)	(2.9%)	(4.1%)	(4.6%)	77.9%	15.3%	37.1%
net acquisition cost ratio (% of net premiums earned)	12.9%	12.5%	13.6%	11.6%	12.7%	12.5%
	<u>10.0%</u>	<u>8.4%</u>	<u>9.0%</u>	<u>89.5%</u>	<u>28.0%</u>	<u>49.6%</u>

Lancashire Holdings Limited
energy segment - underwriting statement

	q2 2009	q1 2009	q4 2008	q3 2008	q2 2008	full year 2008
underwriting income (loss)						
gross premiums written	\$ 88.2	\$ 28.2	\$ 16.1	\$ 44.6	\$ 80.6	\$ 185.2
outwards reinsurance premiums	(2.3)	(8.9)	0.6	(4.4)	(10.0)	(25.6)
net premiums written	85.9	19.3	16.7	40.2	70.6	159.6
change in unearned premiums	(40.6)	17.5	29.6	4.3	(22.4)	36.9
change in unearned premiums on premium ceded	(2.9)	2.5	(7.0)	(3.1)	1.7	(5.3)
net premiums earned	\$ 42.4	\$ 39.3	\$ 39.3	\$ 41.4	\$ 49.9	\$ 191.2
underwriting expenses						
net insurance losses	2.9	65.3	7.5	158.8	45.7	228.5
net insurance acquisition expenses	9.7	7.8	7.5	7.9	7.3	31.3
total underwriting expenses	12.6	73.1	15.0	166.7	53.0	259.8
net underwriting income (loss)	\$ 29.8	\$ (33.8)	\$ 24.3	\$ (125.3)	\$ (3.1)	\$ (68.6)
net loss ratio (% of net premiums earned)	6.8%	166.2%	19.1%	383.6%	91.6%	119.5%
net acquisition cost ratio (% of net premiums earned)	22.9%	19.8%	19.1%	19.1%	14.6%	16.4%
	29.7%	186.0%	38.2%	402.7%	106.2%	135.9%

Lancashire Holdings Limited
marine segment - underwriting statement

	<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>q2</u> <u>2008</u>	<u>full year</u> <u>2008</u>
underwriting income						
gross premiums written	\$ 25.4	\$ 30.2	\$ 13.0	\$ 17.6	\$ 14.6	\$ 78.6
outwards reinsurance premiums	1.8	(9.8)	(0.2)	0.4	1.6	(7.6)
net premiums written	<u>27.2</u>	<u>20.4</u>	<u>12.8</u>	<u>18.0</u>	<u>16.2</u>	<u>71.0</u>
change in unearned premiums	(1.8)	(6.2)	6.2	(0.6)	4.9	(0.5)
change in unearned premiums on premium ceded	(3.3)	7.2	(1.8)	(2.0)	(3.2)	0.1
net premiums earned	<u>\$ 22.1</u>	<u>\$ 21.4</u>	<u>\$ 17.2</u>	<u>\$ 15.4</u>	<u>\$ 17.9</u>	<u>\$ 70.6</u>
underwriting expenses						
net insurance losses	9.3	9.7	8.8	6.8	10.9	38.1
net insurance acquisition expenses	6.5	6.5	4.8	4.4	5.0	19.4
total underwriting expenses	<u>15.8</u>	<u>16.2</u>	<u>13.6</u>	<u>11.2</u>	<u>15.9</u>	<u>57.5</u>
net underwriting income	<u>\$ 6.3</u>	<u>\$ 5.2</u>	<u>\$ 3.6</u>	<u>\$ 4.2</u>	<u>\$ 2.0</u>	<u>\$ 13.1</u>
net loss ratio (% of net premiums earned)	42.1%	45.3%	51.2%	44.2%	60.9%	54.0%
net acquisition cost ratio (% of net premiums earned)	29.4%	30.4%	27.9%	28.6%	27.9%	27.5%
	<u>71.5%</u>	<u>75.7%</u>	<u>79.1%</u>	<u>72.8%</u>	<u>88.8%</u>	<u>81.5%</u>

Lancashire Holdings Limited
aviation segment - underwriting statement

	<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>q2</u> <u>2008</u>	<u>full year</u> <u>2008</u>
underwriting income						
gross premiums written	\$ 15.0	\$ 8.4	\$ 42.0	\$ 8.3	\$ 14.3	\$ 71.6
outwards reinsurance premiums	(3.3)	(3.8)	(2.3)	(0.6)	(3.0)	(7.1)
net premiums written	<u>11.7</u>	<u>4.6</u>	<u>39.7</u>	<u>7.7</u>	<u>11.3</u>	<u>64.5</u>
change in unearned premiums	5.4	13.3	(19.7)	9.2	3.5	8.1
change in unearned premiums on premium ceded	1.3	2.0	(1.3)	(0.9)	1.9	0.7
net premiums earned	<u>\$ 18.4</u>	<u>\$ 19.9</u>	<u>\$ 18.7</u>	<u>\$ 16.0</u>	<u>\$ 16.7</u>	<u>\$ 73.3</u>
underwriting expenses						
net insurance losses	(2.0)	2.0	3.1	1.5	1.5	8.0
net insurance acquisition expenses	3.5	4.4	3.8	2.9	4.1	14.8
total underwriting expenses	<u>1.5</u>	<u>6.4</u>	<u>6.9</u>	<u>4.4</u>	<u>5.6</u>	<u>22.8</u>
net underwriting income	<u>\$ 16.9</u>	<u>\$ 13.5</u>	<u>\$ 11.8</u>	<u>\$ 11.6</u>	<u>\$ 11.1</u>	<u>\$ 50.5</u>
net loss ratio (% of net premiums earned)	(10.9%)	10.1%	16.6%	9.4%	9.0%	10.9%
net acquisition cost ratio (% of net premiums earned)	19.0%	22.1%	20.3%	18.1%	24.6%	20.2%
	<u>8.1%</u>	<u>32.2%</u>	<u>36.9%</u>	<u>27.5%</u>	<u>33.6%</u>	<u>31.1%</u>

Lancashire Holdings Limited
summary consolidated balance sheets

	30 june 2009	31 march 2009	31 december 2008	30 september 2008	30 june 2008
assets					
cash and cash equivalents	\$ 418.1	\$ 731.1	\$ 413.6	\$ 567.5	\$ 764.7
accrued interest receivable	9.2	9.3	10.1	9.3	7.8
investments					
- fixed income securities					
- available for sale	1,738.1	1,464.8	1,595.4	1,292.5	1,022.5
- at fair value through income	-	-	4.0	18.0	20.9
- equity securities, available for sale	-	-	5.8	71.5	83.0
- other investments	-	-	-	3.5	4.0
reinsurance assets					
- unearned premium on premium ceded	25.9	36.6	10.0	26.2	38.6
- reinsurance recoveries	49.2	53.4	42.1	43.8	10.1
- other receivables	2.2	3.2	3.2	-	-
deferred acquisition costs	68.9	57.0	60.9	65.1	68.8
inwards premium receivable from insureds and cedants	255.4	176.3	187.3	154.8	226.0
other assets	30.2	72.1	156.6	47.5	29.7
total assets	\$ 2,597.2	\$ 2,603.8	\$ 2,489.0	\$ 2,299.7	\$ 2,276.1
liabilities					
insurance contracts					
- loss and loss adjustment expenses	\$ 543.6	\$ 564.7	\$ 528.8	\$ 545.5	\$ 304.6
- unearned premiums	410.1	326.2	339.6	367.6	407.6
- other payables	16.9	16.2	17.6	9.8	15.9
amounts payable to reinsurers	13.3	21.9	2.0	11.5	32.8
deferred acquisition costs ceded	1.5	2.6	1.9	3.7	4.3
other payables	62.3	226.4	195.6	75.2	70.3
long-term debt	130.7	128.7	130.8	131.7	134.9
total liabilities	1,178.4	1,286.7	1,216.3	1,145.0	970.4
shareholders' equity					
share capital	91.2	91.2	91.1	91.1	91.1
own shares	(59.0)	(59.0)	(58.0)	(58.0)	(35.5)
share premium	2.4	2.4	2.4	2.4	2.4
contributed surplus	757.3	758.1	758.2	758.2	758.2
accumulated other comprehensive income	25.9	29.3	27.6	(0.5)	9.1
other reserves	56.8	57.3	54.3	45.5	45.0
retained earnings	544.2	437.8	397.1	316.0	435.4
total shareholders' equity	\$ 1,418.8	\$ 1,317.1	\$ 1,272.7	\$ 1,154.7	\$ 1,305.7
total liabilities and shareholders' equity	\$ 2,597.2	\$ 2,603.8	\$ 2,489.0	\$ 2,299.7	\$ 2,276.1
basic book value per share	\$ 8.20	\$ 7.62	\$ 7.36	\$ 6.68	\$ 7.39
fully converted book value per share	\$ 7.57	\$ 7.08	\$ 6.89	\$ 6.35	\$ 6.94
fully diluted book value per share	\$ 7.50	\$ 7.00	\$ 6.82	\$ 6.31	\$ 6.88
debt to total capital ratio	8.4%	8.9%	9.3%	10.2%	9.4%

Lancashire Holdings Limited
composition of investment portfolio



	30 june 2009			31 march 2009			31 december 2008			30 september 2008			30 june 2008		
			%			%			%			%			%
type of investment															
short term investments	\$	261.8	12.3%	\$	57.5	2.7%	\$	163.6	8.2%	\$	145.5	7.7%	\$	61.3	3.3%
U.S. treasuries		162.7	7.7%		133.4	6.2%		191.7	9.6%		418.5	22.1%		402.9	21.6%
other government bonds		49.7	2.3%		54.0	2.4%		54.1	2.7%		51.4	2.7%		15.6	0.8%
U.S. government agency debt		180.1	8.5%		164.2	7.6%		114.5	5.8%		45.4	2.4%		-	-
U.S. government agency mortgage backed securities		600.7	28.2%		690.3	32.0%		614.4	30.9%		315.3	16.7%		261.2	14.0%
corporate bonds - non FDIC guaranteed		276.5	13.0%		186.7	8.6%		303.5	15.2%		308.4	16.3%		269.9	14.5%
corporate bonds - FDIC guaranteed		206.6	9.7%		178.7	8.3%		153.4	7.7%		-	-		-	-
convertible debt securities		-	-		-	-		0.2	-		8.0	0.4%		11.6	0.6%
total fixed income securities, available for sale		1,738.1	81.7%		1,464.8	67.8%		1,595.4	80.1%		1,292.5	68.3%		1,022.5	54.8%
equity securities - available for sale		-	-		-	-		5.8	0.3%		71.5	3.8%		83.0	4.5%
convertible debt securities - at fair value through income		-	-		-	-		4.0	0.2%		18.0	1.0%		20.9	1.1%
other investments		-	-		-	-		-	-		3.5	0.2%		4.0	0.2%
managed cash		389.1	18.3%		695.0	32.2%		387.1	19.4%		504.1	26.7%		734.7	39.4%
total investments	\$	2,127.2	100.0%	\$	2,159.8	100.0%	\$	1,992.3	100.0%	\$	1,889.6	100.0%	\$	1,865.1	100.0%
credit quality of fixed income securities															
AAA	\$	1,485.0	85.4%	\$	1,299.2	88.7%	\$	1,318.0	82.6%	\$	1,022.5	79.1%	\$	797.4	78.0%
AA+, AA, AA-		61.4	3.5%		43.4	3.0%		51.0	3.2%		69.7	5.4%		51.9	5.1%
A+, A, A-		149.0	8.6%		95.9	6.5%		187.7	11.8%		151.4	11.7%		118.1	11.5%
BBB+, BBB, BBB-		42.6	2.5%		26.1	1.8%		38.7	2.4%		44.4	3.4%		48.1	4.7%
other		0.1	-		0.2	-		-	-		4.5	0.4%		7.0	0.7%
	\$	1,738.1	100.0%	\$	1,464.8	100.0%	\$	1,595.4	100.0%	\$	1,292.5	100.0%	\$	1,022.5	100.0%
corporate bonds and convertible debt by sector															
industrial	\$	150.5	31.1%	\$	102.3	28.0%	\$	172.7	37.5%	\$	162.8	48.7%	\$	124.2	41.1%
financial - non FDIC guaranteed		78.3	16.2%		42.6	11.7%		101.2	21.9%		115.3	34.5%		113.8	37.6%
utility		23.1	4.8%		12.1	3.3%		15.7	3.4%		18.8	5.6%		16.8	5.6%
other		24.6	5.1%		29.7	8.1%		18.1	3.9%		37.5	11.2%		47.6	15.7%
financial - FDIC guaranteed		206.6	42.8%		178.7	48.9%		153.4	33.3%		-	-		-	-
	\$	483.1	100.0%	\$	365.4	100.0%	\$	461.1	100.0%	\$	334.4	100.0%	\$	302.4	100.0%
quarterly net return on total investments			0.6%			1.1%			2.1%			(0.4%)			0.1%
rolling 12 months net return on total investments			3.4%			3.0%			3.1%			2.6%			4.9%
average market yield of fixed income and managed cash			2.2%			1.9%			2.7%			3.3%			3.3%
average duration of fixed income and managed cash			1.9 years			1.4 years			1.8 years			1.6 years			1.3 years
average credit quality of fixed income and managed cash			AA+			AA+			AA+			AA+			AA+

Lancashire Holdings Limited
investment portfolio - weighted average yields



	30 june 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
type of investment						
short term investments	\$ 261.8	0.3%	0.3%	\$ 163.6	1.1%	0.1%
U.S. treasuries	162.7	2.1%	2.0%	191.7	2.7%	1.1%
other government bonds	49.7	3.3%	1.9%	54.1	3.3%	2.1%
U.S. government agency debt	180.1	2.7%	2.3%	114.5	3.5%	2.0%
U.S. government agency mortgage backed securities	600.7	4.6%	3.9%	614.4	4.8%	3.9%
corporate bonds - non FDIC guaranteed	276.5	4.4%	3.3%	303.5	5.1%	5.6%
corporate bonds - FDIC guaranteed	206.6	2.4%	1.6%	153.4	3.0%	1.7%
convertible debt securities	-	-	-	4.2	3.6%	20.9%
total fixed income securities	<u>1,738.1</u>	<u>3.2%</u>	<u>2.6%</u>	<u>1,599.4</u>	<u>3.9%</u>	<u>3.1%</u>
managed cash*	389.1	0.5%	0.4%	387.1	1.4%	1.2%
total fixed income securities and managed cash	<u>\$ 2,127.2</u>	<u>2.7%</u>	<u>2.2%</u>	<u>\$ 1,986.5</u>	<u>3.4%</u>	<u>2.7%</u>

* 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 june 2009

	par value units		estimated fair value		accrued interest		unrealised gain (loss)		credit quality
top twenty holdings by issuer									
Verizon Communications Inc	23.3	\$	24.9	\$	0.3	\$	1.4		A
AT&T Inc	18.7		19.2		0.3		0.4		A
France Telecom	11.5		11.7		0.1		0.2		A-
JPMorgan Chase & Company	10.5		11.2		0.2		0.3		A+
Comcast Corporation	9.7		10.3		0.2		0.2		BBB+
Morgan Stanley	10.0		10.0		0.2		0.3		A
Merck	8.5		8.7		-		0.1		AA-
Wells Fargo & Company	7.5		7.7		0.1		0.1		AA-
Bank of New York	7.3		7.5		0.1		0.1		AA-
Bank of America	6.7		6.8		0.1		-		A
General Electric	6.1		6.2		0.1		-		AA+
Philip Morris International Inc.	5.9		6.2		-		0.3		A
Deutsche Telekom	5.0		5.2		0.1		0.1		BBB+
International Business Machines Corporation	4.8		5.0		-		0.2		A+
Wal-Mart	4.9		4.8		-		(0.1)		AA
BNP Paribas	4.7		4.7		-		-		AA
Unilever Capital Corp	4.1		4.2		0.1		0.1		A+
TransCanada Pipelines Limited	3.6		4.1		-		-		A-
Coca-Cola Company	3.9		4.0		-		0.1		A+
Roche Holdings Inc	3.8		4.0		0.1		0.2		AA-
	<u>160.5</u>	<u>\$</u>	<u>166.4</u>	<u>\$</u>	<u>2.0</u>	<u>\$</u>	<u>4.0</u>	<u>Average</u>	<u>A+</u>
top twenty holdings as a % of corporate bonds, excluding FDIC guaranteed			<u>60.2%</u>						

Lancashire Holdings Limited
net losses and loss ratios

total	q2 2009	q1 2009	q4 2008	q3 2008	q2 2008
net reserves: start	\$ 511.3	\$ 486.7	\$ 501.7	\$ 294.5	\$ 231.1
paid losses	27.4	48.9	32.9	15.5	3.5
change in prior accident years	(35.3)	34.4	(12.5)	(9.6)	(3.3)
current accident year losses	43.7	40.2	28.8	235.2	71.2
foreign exchange	2.1	(1.1)	1.6	(2.9)	(1.0)
net reserves: end	\$ 494.4	\$ 511.3	\$ 486.7	\$ 501.7	\$ 294.5
net premiums earned	\$ 144.1	\$ 139.2	\$ 141.9	\$ 147.9	\$ 148.5
net loss ratio	5.8%	53.6%	11.5%	152.5%	45.7%
IBNR as % of net reserves	41.2%	39.3%	32.6%	30.5%	49.4%

property	q2 2009	q1 2009	q4 2008	q3 2008	q2 2008
net reserves: start	\$ 105.7	\$ 128.2	\$ 143.3	\$ 88.3	\$ 79.1
paid losses	10.3	19.9	12.3	2.0	0.2
change in prior accident years	(13.6)	(15.4)	(2.8)	(5.7)	(10.0)
current accident year losses	11.8	13.0	(0.3)	64.2	19.8
foreign exchange	1.3	(0.2)	0.3	(1.5)	(0.4)
net reserves: end	\$ 94.9	\$ 105.7	\$ 128.2	\$ 143.3	\$ 88.3
net premiums earned	\$ 61.2	\$ 58.6	\$ 66.7	\$ 75.1	\$ 64.0
net loss ratio	(2.9%)	(4.1%)	(4.6%)	77.9%	15.3%

marine	q2 2009	q1 2009	q4 2008	q3 2008	q2 2008
net reserves: start	\$ 75.9	\$ 71.4	\$ 64.5	\$ 61.1	\$ 53.2
paid losses	3.3	4.5	2.9	2.5	2.6
change in prior accident years	(1.2)	(1.3)	(1.3)	(1.5)	1.3
current accident year losses	10.5	11.0	10.1	8.3	9.6
foreign exchange	0.4	(0.7)	1.0	(0.9)	(0.4)
net reserves: end	\$ 82.3	\$ 75.9	\$ 71.4	\$ 64.5	\$ 61.1
net premiums earned	\$ 22.1	\$ 21.4	\$ 17.2	\$ 15.4	\$ 17.9
net loss ratio	42.1%	45.3%	51.2%	44.2%	60.9%

energy	q2 2009	q1 2009	q4 2008	q3 2008	q2 2008
net reserves: start	\$ 315.9	\$ 275.3	\$ 285.3	\$ 137.9	\$ 93.0
paid losses	13.2	24.5	17.7	11.0	0.6
change in prior accident years	(17.2)	51.1	(8.3)	(2.4)	6.1
current accident year losses	20.1	14.2	15.8	161.2	39.6
foreign exchange	0.2	(0.2)	0.2	(0.4)	(0.2)
net reserves: end	\$ 305.8	\$ 315.9	\$ 275.3	\$ 285.3	\$ 137.9
net premiums earned	\$ 42.4	\$ 39.3	\$ 39.3	\$ 41.4	\$ 49.9
net loss ratio	6.8%	166.2%	19.1%	383.6%	91.6%

aviation	q2 2009	q1 2009	q4 2008	q3 2008	q2 2008
net reserves: start	\$ 13.8	\$ 11.8	\$ 8.6	\$ 7.2	\$ 5.8
paid losses	0.6	-	-	-	0.1
change in prior accident years	(3.3)	-	(0.1)	-	(0.7)
current accident year losses	1.3	2.0	3.2	1.5	2.2
foreign exchange	0.2	-	0.1	(0.1)	-
net reserves: end	\$ 11.4	\$ 13.8	\$ 11.8	\$ 8.6	\$ 7.2
net premiums earned	\$ 18.4	\$ 19.9	\$ 18.7	\$ 16.0	\$ 16.7
net loss ratio	(10.9%)	10.1%	16.6%	9.4%	9.0%

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 june 2009	<u>\$ 28.6</u>	<u>\$ 111.9</u>	<u>\$ 478.6</u>	<u>\$ 85.2</u>
payments made	(19.7)	(36.5)	(103.8)	(0.7)
total gross liability	<u>\$ 8.9</u>	<u>\$ 75.4</u>	<u>\$ 374.8</u>	<u>\$ 84.5</u>
accident year loss ratio	9.4%	16.1%	70.3%	27.1%

net losses

<u>accident year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
estimate of ultimate liability:				
at end of accident year	39.1	151.2	403.9	-
one year later	34.7	125.0	-	-
two years later	32.0	-	-	-
as at 31 december 2008	<u>\$ 32.0</u>	<u>\$ 125.0</u>	<u>\$ 403.9</u>	<u>\$ -</u>
as at 30 june 2009	<u>\$ 28.6</u>	<u>\$ 107.8</u>	<u>\$ 424.0</u>	<u>\$ 84.4</u>
payments made	(19.7)	(35.9)	(94.1)	(0.7)
total net liability	<u>\$ 8.9</u>	<u>\$ 71.9</u>	<u>\$ 329.9</u>	<u>\$ 83.7</u>
accident year loss ratio	11.7%	17.6%	69.8%	29.8%
initial accident year loss ratio	16.1%	24.7%	66.5%	n/a
improvement (deterioration) post accident year end	4.4%	7.1%	(3.3%)	n/a

Lancashire Holdings Limited
estimated exposures to peak zone property catastrophe 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*	hurricane	\$ 252.7	\$ 252.7	\$ 361.3	\$ 361.3
california	earthquake	203.8	203.8	289.7	289.7
pan-european	windstorm	139.7	139.7	271.3	271.3
japan	earthquake	145.2	145.2	229.9	229.9
japan	typhoon	95.9	95.9	189.9	189.9

The Group has developed the estimates of losses expected from certain catastrophes for its portfolio of property, energy, marine and aviation contracts using commercially 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.

* Landing Hurricane from Florida to Texas

Lancashire Holdings Limited
earnings per share

	q2 2009	q2 2008	ytd 2009	ytd 2008	full year 2008
basic earnings per share:					
profit after tax	\$ 106.4	\$ 51.2	\$ 147.1	\$ 135.8	\$ 97.5
weighted average shares outstanding - basic	172,938,346	180,643,023	172,936,698	181,463,059	177,468,281
basic earnings per share	<u>\$ 0.62</u>	<u>\$ 0.28</u>	<u>\$ 0.85</u>	<u>\$ 0.75</u>	<u>\$ 0.55</u>
dilutive shares					
weighted average shares outstanding - basic	172,938,346	180,643,023	172,936,698	181,463,059	177,468,281
dilutive effect of warrants	12,814,245	7,886,562	11,980,880	7,289,590	6,600,069
dilutive effect of stock options	435,073	-	435,073	-	492,341
dilutive effect of restricted stock	659,637	420,291	659,637	420,291	358,198
weighted average & equivalent shares outstanding - diluted	<u>186,847,301</u>	<u>188,949,876</u>	<u>186,012,288</u>	<u>189,172,940</u>	<u>184,918,889</u>
diluted earnings per share:					
profit after tax	\$ 106.4	\$ 51.2	\$ 147.1	\$ 135.8	\$ 97.5
weighted average & equivalent shares outstanding - diluted	<u>186,847,301</u>	<u>188,949,876</u>	<u>186,012,288</u>	<u>189,172,940</u>	<u>184,918,889</u>
diluted earnings per share	<u>\$ 0.57</u>	<u>\$ 0.27</u>	<u>\$ 0.79</u>	<u>\$ 0.72</u>	<u>\$ 0.53</u>
diluted operating earnings per share:					
net operating income	\$ 103.3	\$ 53.6	\$ 139.2	\$ 126.8	\$ 119.4
weighted average & equivalent shares outstanding - diluted	<u>186,847,301</u>	<u>188,949,876</u>	<u>186,012,288</u>	<u>189,172,940</u>	<u>184,918,889</u>
diluted operating earnings per share	<u>\$ 0.55</u>	<u>\$ 0.28</u>	<u>\$ 0.75</u>	<u>\$ 0.67</u>	<u>\$ 0.65</u>

Lancashire Holdings Limited
basic and fully converted book value per share

	q2 2009	q1 2009	q4 2008	q3 2008	q2 2008
numerator (\$ in millions):					
shareholders' equity	\$ 1,418.8	\$ 1,317.1	\$ 1,272.7	\$ 1,154.7	\$ 1,305.7
proceeds from assumed exercise of outstanding dilutive warrants	184.6	184.5	187.5	184.9	186.9
proceeds from assumed exercise of outstanding dilutive options	5.9	7.3	5.7	1.0	-
book value numerator	<u>\$ 1,609.3</u>	<u>\$ 1,508.9</u>	<u>\$ 1,465.9</u>	<u>\$ 1,340.6</u>	<u>\$ 1,492.6</u>
denominator (in shares):					
common voting shares outstanding	172,939,932	172,925,433	172,849,927	172,849,927	176,600,457
shares issueable upon exercise of outstanding dilutive warrants	37,696,576	37,669,477	38,225,519	37,569,527	38,074,185
shares outstanding upon exercise of outstanding dilutive options	1,227,872	1,888,746	1,460,093	201,909	-
shares outstanding upon exercise of dilutive restricted stock	659,637	725,151	358,198	341,659	420,291
book value denominator	<u>212,524,017</u>	<u>213,208,807</u>	<u>212,893,737</u>	<u>210,963,022</u>	<u>215,094,933</u>
basic book value per share	<u>\$ 8.20</u>	<u>\$ 7.62</u>	<u>\$ 7.36</u>	<u>\$ 6.68</u>	<u>\$ 7.39</u>
fully converted book value per share	<u>\$ 7.57</u>	<u>\$ 7.08</u>	<u>\$ 6.89</u>	<u>\$ 6.35</u>	<u>\$ 6.94</u>
dividend per common share	\$ -	\$ -	\$ -	\$ -	\$ -
change in FCBVS adj for dividends ⁽¹⁾ - quarter	6.9%	2.8%	8.5%	(8.5%)	3.0%
change in FCBVS adj for dividends ⁽¹⁾ - rolling 12 months	9.1%	5.0%	8.0%	8.3%	27.0%
compound annual change in FCBVS adj for dividends ⁽¹⁾	18.2%	17.4%	17.9%	16.4%	21.6%
compound annual change in FCBVS adj for dividends ⁽¹⁾ - above 3 month treasury	15.2%	14.1%	14.3%	12.5%	17.5%
change in FCBVS adj for dividends ⁽¹⁾ - since inception	79.7%	68.5%	63.7%	51.7%	63.1%

⁽¹⁾ 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

	q2 2009	q1 2009	q4 2008	q3 2008	q2 2008
shareholders' equity	\$ 1,418.8	\$ 1,317.1	\$ 1,272.7	\$ 1,154.7	\$ 1,305.7
weighted average exercise price per share of dilutive warrants	\$ 4.90	\$ 4.90	\$ 4.91	\$ 4.92	\$ 4.91
weighted average exercise price per share of dilutive options	\$ 4.79	\$ 3.86	\$ 3.91	\$ 4.89	\$ -
denominator (in shares):					
common voting shares outstanding	172,939,932	172,925,433	172,849,927	172,849,927	176,600,457
unvested restricted shares and restricted share units	659,637	725,151	358,198	341,659	420,291
dilutive warrants outstanding	37,696,576	37,669,477	38,225,519	37,569,527	38,074,185
proforma warrants bought back	(22,494,021)	(24,216,006)	(25,468,820)	(27,684,461)	(25,280,078)
proforma net shares issued	15,202,555	13,453,471	12,756,699	9,885,066	12,794,107
dilutive options outstanding	1,227,872	1,888,746	1,460,093	201,909	-
proforma options bought back	(716,568)	(956,404)	(775,721)	(147,824)	-
proforma net shares issued	511,304	932,342	684,372	54,085	-
proforma dilutive shares outstanding	189,313,428	188,036,397	186,649,196	183,130,737	189,814,855
basic book value per common share	\$ 8.20	\$ 7.62	\$ 7.36	\$ 6.68	\$ 7.39
diluted book value per common share	\$ 7.50	\$ 7.00	\$ 6.82	\$ 6.31	\$ 6.88
dividend per common share	\$ -	\$ -	\$ -	\$ -	\$ -
change in FDBVS adj for dividends ⁽¹⁾ - quarter	7.1%	2.6%	8.1%	(8.3%)	2.8%
change in FDBVS adj for dividends ⁽¹⁾ - rolling 12 months	9.0%	4.6%	7.7%	8.6%	26.6%
compound annual change in FDBVS adj for dividends ⁽¹⁾	17.9%	17.1%	17.5%	16.1%	21.2%
compound annual change in FDBVS adj for dividends ⁽¹⁾ - above 3 month treasury	14.9%	13.8%	14.0%	12.3%	17.2%
change in FDBVS adj for dividends ⁽¹⁾ - since inception	78.2%	66.8%	62.3%	50.8%	61.8%

⁽¹⁾ 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