

LANCASHIRE HOLDINGS LIMITED

**GROWTH IN FULLY CONVERTED BOOK VALUE PER SHARE, ADJUSTED FOR
DIVIDENDS, OF 7.9% IN Q3 2010, 15.9% YEAR TO DATE;
COMBINED RATIO OF 39.2% IN Q3 2010, 65.1% YEAR TO DATE;
SPECIAL DIVIDEND OF \$1.40 PER COMMON SHARE**

8 November 2010
Hamilton, Bermuda

Lancashire Holdings Limited (“Lancashire” or “the Group”) today announces its results for the third quarter of 2010 and the nine month period ended 30 September 2010.

Financial highlights as at 30 September 2010:

	30 September 2010	30 September 2009
Fully converted book value per share	\$8.43	\$8.09
Return on equity* – Q3	7.9%	7.4%
Return on equity* – YTD	15.9%	18.1%
Operating return on equity – Q3	6.9%	7.0%
Operating return on equity – YTD	12.9%	17.2%
Special dividend per common share**	\$1.40	\$1.25

* Return on equity is defined as growth in fully converted book value per share, adjusted for dividends.

** See “Dividends” below for Record Date and Dividend Payment Date.

Financial highlights:

	Three months ended		Nine months ended	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
<i>Highlights (\$m)</i>				
Gross premiums written	135.0	139.7	595.1	524.4
Net premiums written	134.0	139.2	556.2	477.1
Net profit after tax	106.0	108.7	199.0	255.8
Net operating profit	97.4	103.1	183.1	242.3
Share repurchases	36.1	nil	136.4	nil
<i>Per share data</i>				
Fully diluted earnings per share	\$0.61	\$0.58	\$1.12	\$1.37
Fully diluted earnings per share – operating	\$0.56	\$0.55	\$1.03	\$1.30
<i>Financial ratios</i>				
Total investment return	2.0%	1.6%	4.6%	3.3%
Annualised total investment return	8.1%	6.4%	6.2%	4.5%
Net loss ratio	9.4%	10.8%	37.6%	22.8%
Combined ratio	39.2%	39.1%	65.1%	51.3%
Accident year loss ratio	29.2%	25.6%	54.4%	28.3%

Richard Brindle, Group Chief Executive Officer, commented:

“Lancashire continues to maintain underwriting discipline through the insurance cycle and we have adapted to suit prevailing insurance market conditions. We increased our appetite for energy business but reduced our book in most other areas. The first half of the year saw an active claims environment and with exposure to both the Deepwater Horizon disaster and the Chile Maule earthquake, we experienced manageable losses from these events. During the third quarter, despite an active Atlantic wind season, there were very low loss levels and we have had minimal exposure to the New Zealand earthquake.

Lancashire increased book value per share by 7.9% in the third quarter, delivering a return on equity of 15.9% for the first nine months of the year. Since our inception in 2005, we have generated a compound annual return of 20.0%.

Our combined ratio for the third quarter was an excellent 39.2%, which reflects a quieter claims environment, particularly in the property catastrophe area. Our investments returned 8.1% on an annualised basis, which results in part from a strong return in our emerging market debt portfolio.

As we reported after the second quarter, the Deepwater Horizon loss has resulted in a broad increase in demand and strengthening in premium rates in the worldwide energy market. The energy sector remains dynamic, and Lancashire will continue to explore opportunities from these developments.

Consistent with our underwriting plan, we have continued to reduce exposure on property direct and facultative and reinsurance lines, where there has been a steady decline in the number of adequately priced deals. The year on year comparison of third quarter gross premium figures in our largest classes is illustrative of our strategy at this time: our property segment shows a 25% reduction on premium while our energy segment shows a 16% increase.

Lancashire remains committed to an agile and adaptable approach to both its underwriting and its capital management. We believe that this approach best meets both the needs of our clients and the expectations of our shareholders.”

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

“Given our strong profitability, and continued overall market softening, our excess capital has grown as 2010 has progressed. This has been mitigated through steady share repurchases but it is now appropriate that we supplement our repurchases with a significant special dividend. This will quickly bring our capital to a level we consider more appropriate for the anticipated challenging trading conditions in 2011 and Lancashire will finish the year with less capital than it started with. At this time we believe that the industry as a whole would also benefit from a material reduction in capacity.”

Lancashire Renewal Price Index for major classes

Lancashire's Renewal Price Index ("RPI") is an internal tool that management uses to track trends in premium rates on a portfolio of insurance and reinsurance contracts. The RPI is calculated on a per contract basis and reflects Lancashire's assessment of relative changes in price, terms, conditions and limits and is weighted by premium volume (see "Note Regarding RPI Tool" at the end of this announcement for further guidance). The following RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in 2009:

Class	YTD 2010	Q3 2010	Q2 2010	Q1 2010
Aviation (AV52)	95%	100%	97%	91%
Gulf of Mexico energy	102%	99%	106%	100%
Energy offshore worldwide	105%	114%	107%	98%
Marine	98%	100%	96%	100%
Direct and facultative	93%	96%	92%	94%
Property reinsurance	96%	96%	94%	97%
Terrorism	95%	93%	96%	93%
Combined	98%	99%	99%*	96%*

* Q1 and Q2 combined RPIs are unchanged from previously reported after being updated for subsequent adjustments to bound premium.

Underwriting results

Gross premiums written

	2010		Q3		2010		YTD	
	\$m	\$m	Change \$m	Change %	\$m	\$m	Change \$m	Change %
Property	61.0	80.8	(19.8)	(24.5)	286.7	270.1	16.6	6.1
Energy	51.3	44.4	6.9	15.5	210.3	160.8	49.5	30.8
Marine	13.8	5.4	8.4	155.6	69.9	61.0	8.9	14.6
Aviation	8.9	9.1	(0.2)	(2.2)	28.2	32.5	(4.3)	(13.2)
Total	135.0	139.7	(4.7)	(3.4)	595.1	524.4	70.7	13.5

Gross premiums written decreased by 3.4% in the third quarter of 2010 compared to the same period in 2009. In 2010 to date, gross premiums written have increased by 13.5% compared to the first nine months of 2009.

The Group's four principal classes, and the key market factors impacting them, are discussed below.

Property gross premiums written decreased by 24.5% for the quarter compared to the same period in 2009 and increased by 6.1% in the first nine months of 2010 compared to the first nine months of 2009. In the third quarter, as planned, Lancashire wrote significantly less property catastrophe reinsurance premium than in the third quarter of 2009. At the start of 2010, price reductions in this line were minor and a tactical decision was taken to deploy more of the Group's capital at the January reinsurance renewals than in prior years. A significant amount of new business across this line was therefore written in the first quarter of 2010, including some large multi-year property catastrophe reinsurance contracts, with a corresponding reduction in appetite in these lines in the second and third quarters. The property retrocession line was also impacted by declining pricing throughout the year but included approximately \$12.1 million of reinstatement premiums in the first quarter in connection with the February Chile Maule earthquake. Within the terrorism line, while premiums were relatively flat for the quarter, premiums have increased year on year due to opportunities arising earlier in 2010 from the post recession re-commencement of

construction projects around the world, plus increased participation on international terror pools. The timing of certain multi-year contract renewals was also a factor in the increase. Property direct and facultative business has continued to come under increasing pricing pressure in the third quarter and accordingly many risks were not renewed. This was reflected in premium volumes being behind the prior year for both the quarter and the year to date. Property political risk premiums have increased in the quarter and the year to date largely due to the addition this year of sovereign obligors insurance as an expansion of the political risk business line.

Energy gross premiums written increased by 15.5% for the quarter compared to the same period in 2009 and increased by 30.8% in the first nine months of 2010 compared to the first nine months of 2009. Although the majority of energy renewals take place during the second quarter, pricing has continued to improve in the offshore sectors in the third quarter following the Deepwater Horizon loss. In the year to date, Gulf of Mexico premium volume is considerably higher compared to the same period in the prior year. This has been driven by increasing demand, including insureds seeking new layers and increased limits following the Deepwater Horizon loss. Premiums written were also buoyed by a number of large Gulf of Mexico catastrophe accounts being written or renewed on a multi-year basis. The Group also wrote some non-elemental Industry Loss Warranty covers in the second quarter following insurance industry losses suffered from Deepwater Horizon. \$5.4 million of the premium in respect of these covers is included in the energy excess of loss class.

Marine gross premiums written increased by 155.6% for the third quarter of 2010, compared to the same period in 2009 and increased by 14.6% in the first nine months of 2010 compared to the first nine months of 2009. Pricing and renewal rates have been broadly stable. The increase for the year is largely driven by the timing of certain multi-year contract renewals and some contract extensions or exposure increases.

Aviation gross premiums written decreased by 2.2% for the quarter compared to the same period in 2009 and decreased by 13.2% in the first nine months of 2010 compared to the first nine months of 2009. The reduction was driven primarily by a reduction in the number of flights flown and passengers travelling in the recent recessionary environment.

Ceded premiums increased by \$0.5 million, or 100.0% for the quarter and decreased by \$8.4 million, or 17.8% for the nine-month period to 30 September 2010 compared to the same periods in 2009. The third quarter is not a major renewal period for the Group's reinsurance cover. The reduction in reinsurance spend for the year to date was helped by improved pricing compared to 2009 and by a re-structuring of the Group's cover, offset by the Group purchasing additional catastrophe cover on its U.S. property direct and facultative portfolio and reinstating non-elemental cover on its marine and energy book in the second quarter.

Net premiums earned as a proportion of net premiums written were 110.7% in the third quarter of 2010 compared to 111.9% in the same period in 2009 and 83.6% in the nine months to 30 September 2010, compared to 92.0% in the same period in 2009. The significant increase in premium written volumes in the first quarter of 2010 as compared to 2009 resulted in a comparatively large deferral of earnings from earlier to later in the year and partially into 2011. Significant multi-year contracts within the property catastrophe reinsurance and energy Gulf of Mexico classes of approximately \$36.7 million and \$33.4 million respectively, also drove the material deferrals of earning of premiums written earlier in the year. Year on year third quarter earnings are therefore broadly comparable, given consistent levels of premiums written, although there remains a lag for the year to date.

The Group's net loss ratio for the third quarter was 9.4% compared to 10.8% for the same period in 2009 and 37.6% for the nine month period to 30 September 2010 compared to 22.8% for 2009. Both quarters reflect an unusually low number of reported losses during the period combined with favourable development of prior year reserves. The third quarter of 2010 benefited from a reduction in the net loss for the February Chile Maule earthquake of \$6.0 million (or 5.4% of the loss ratio) to \$91.5 million. The Group's expected net loss range is now \$75.0 - \$108.0 million compared to the initial reported range of \$65.0 - \$125 million at 31 March 2010. The nine months to 30 September 2010 include the full impact of the February Chile Maule earthquake plus the total loss of the Deepwater Horizon drilling unit. Lancashire's net claim in this regard remains \$25.0 million. Excluding these two events, the net loss ratio for the year to date would have been 10.1%. However, while our reserves in relation to the Chilean earthquake become better informed, there continues to be considerable uncertainty on the eventual ultimate loss. The net loss ratio of 22.8% for the same period in 2009 included 7.8% from reserve strengthening in respect of claims from Hurricane Ike.

The table below provides further detail of loss development by class, excluding the impact of foreign exchange revaluations.

	Q3		YTD	
	2010 \$m	2009 \$m	2010 \$m	2009 \$m
Property	5.6	7.9	33.9	36.9
Energy	10.7	13.6	27.6	(20.3)
Marine	5.3	1.4	11.4	3.9
Aviation	0.6	0.2	5.4	3.5
Total	22.2	23.1	78.3	24.0

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

Net prior year reserve releases were \$22.2 million and \$78.3 million for the third quarter and for the nine months to 30 September 2010 compared to \$23.1 million and \$24.0 million for the same periods in 2009. The favourable development in 2010 arises primarily from IBNR releases due to fewer than expected reported losses. In the first quarter of 2009 there was \$39.8 million of adverse development on Hurricane Ike, which was subsequently reduced by \$22.7 million in the fourth quarter of 2009, based on further loss adjustment reports and some negotiated settlements. The final net adverse development on Ike in 2009 was \$17.1 million. To date in 2010, Ike has developed favourably by \$2.1 million.

The accident year loss ratio for the quarter, including the impact of foreign exchange revaluations, was 29.2% compared to 25.6% for the same period in 2009. The year to date accident year loss ratio was 54.4% compared to 28.3% for the nine months to 30 September 2009. The third quarter 2010 accident year loss ratio reflects the reduction in the Chile Maule net loss and an exceptionally low level of reported losses. Chile Maule and Deepwater Horizon contributed 21.4% and 6.1% respectively to the year to date accident year loss ratio. Excluding the impact of foreign exchange revaluations, during the first nine months of 2010 previous accident years' ultimate losses developed as follows:

- 2006 - adverse development of \$0.2 million (2009: \$3.3 million favourable development);
- 2007 - favourable development of \$3.7 million (2009: \$20.7 million);
- 2008 - favourable development of \$34.1 million (2009: nil); and
- 2009 - favourable development of \$40.7 million (2009: n/a).

The ratio of IBNR to total reserves was 37.6% compared to 43.8% at 31 December 2009.

Investments

Net investment income, excluding realised and unrealised gains and losses, was \$13.1 million for the third quarter and \$40.7 million for the nine months to 30 September 2010, in line with the same periods in the prior year. The low yield environment continues and we expect this to persist in the short term given recent Federal Reserve announcements regarding interest rates. The Group's invested asset base is broadly consistent with the prior periods in terms of size, with the asset mix and duration changing modestly within the overall unchanged conservative strategy.

Total investment return, including net investment income, net realised gains and losses, impairments and net change in unrealised gains and losses, was \$39.6 million for the quarter compared to \$35.4 million for the third quarter of 2009, and was \$92.8 million for the 2010 year to date versus \$71.8 million for the same period in 2009. The increased returns in 2010 are as a result of tactically re-balancing the managed investment portfolio towards slightly higher yielding assets, in particular the allocation of assets to emerging market debt. Emerging market debt now makes up 6.6% of managed investments. The emerging market debt portfolio is allocated as follows: 63.2% sovereign debt, 23.8% quasi-sovereign debt, and 13.0% corporate bonds; and has an average credit quality of BBB-. The continued large decreases in Treasury yields in the third quarter also boosted fixed income total investment returns, contributing to a net increase in unrealised gains for the quarter of \$19.8 million versus a net increase in unrealised gains of \$16.3 million in the third quarter of 2009. There were no impairments recorded in the first nine months of 2010 compared to \$0.4 million for the first nine months of 2009.

The Group continues to hold a conservative investment portfolio, consistent with its long-held philosophy, with a strong emphasis on preserving capital. The corporate bond allocation, excluding Federal Deposit Insurance Corporation guaranteed bonds, represents 28.4% of managed invested assets compared to 23.6% at 31 December 2009. At 30 September 2010, the managed portfolio comprised 88.1% fixed income securities and 11.9% cash and cash equivalents compared to 92.9% fixed income securities and 7.1% cash and cash equivalents at 31 December 2009. The Group is not currently invested in equities, hedge funds or other alternative investments. Key investment portfolio statistics are:

	30 September 2010	31 December 2009	30 September 2009
Duration	2.4 years	2.3 years	2.0 years
Credit quality	AA	AA+	AA+
Book yield	2.6%	2.8%	2.7%
Market yield	1.5%	2.2%	1.8%

Other operating expenses

Other operating expenses, excluding the cost of equity based compensation, are broadly consistent compared to the same periods in 2009, reflecting the Group's stable operating platform. Total employment costs, excluding equity based compensation, were \$24.5 million in the nine months to 30 September 2010 compared to \$24.4 million in the nine months to 30 September 2009.

Equity based compensation was \$4.4 million in the third quarter of 2010 compared to \$3.7 million in the same period last year. For the nine months to 30 September 2010 and 2009 the charge was \$15.0 million and \$9.3 million respectively. The increased 2010 expense reflects the maturing restricted share awards program, an increase in vesting assumptions given the Group's performance plus an increase in the proportion of employees' variable compensation provided as deferred shares compared to prior years. The restricted share program began in 2008.

Capital

At 30 September 2010, total capital was \$1.575 billion, comprising shareholders' equity of \$1.446 billion and \$129.7 million of long-term debt. Leverage was 8.2%. Total capital at 31 December 2009 was \$1.510 billion.

Repurchase program

The Group continues to repurchase its own shares by way of on market purchases utilising the share repurchase program (the "Repurchase Program") authorising the repurchase by the Company of a maximum of 18,250,306 shares. The Repurchase Program had 7,841,826 shares remaining to be purchased at 30 September 2010. \$36.1 million of shares were repurchased during the third quarter of 2010 and \$136.4 million in the nine months to 30 September 2010. No shares were repurchased in the same periods in the prior year.

Dividends

The Lancashire Board of Directors has declared a special dividend to be paid out of retained earnings of \$1.40 per common share (approximately £0.86 per common share at the current exchange rate), which results in an aggregate payment of approximately \$213.0 million (the "Special Dividend"). The Special Dividend will be paid in pounds sterling on 19 January 2011 (the "Special Dividend Payment Date") to shareholders of record on 10 December 2010 (the "Record Date") using the GBP£/US\$ spot market exchange rate at the close of business in London on the Record Date.

In accordance with the terms of Lancashire's warrants, a payment equivalent to the Special Dividend to shareholders will also be paid in pounds sterling on 19 January 2011 to those warrant holders listed on the Company's warrant register as of the Record Date. The warrant payment will be made in respect of the number of common shares for which each warrant is exercisable as at the Record Date (approximately \$51.3 million in aggregate).

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

Further detail of our 2010 third quarter results can be obtained from our Financial Supplement. This can be accessed via our website www.lancashiregroup.com.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 1:00 pm UK time / 8:00 am EST on Monday, 8 November 2010. The call will be hosted by Lancashire management.

The call can be accessed by dialing +44 (0) 20 7138 0844 / +1 212 444 0896 with the passcode 4040013. The call can also be accessed via webcast, please go to our website (www.lancashiregroup.com) to access.

A replay facility will be available for two weeks until Monday, 22 November 2010. The dial in number for the replay facility is +44 (0) 20 7111 1244 / + 1 347 366 9565 with passcode 4040013#. The replay facility can also be accessed at www.lancashiregroup.com

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

Consolidated statement of comprehensive income
(Unaudited)

	Quarter 3 2010	Quarter 3 2009	YTD 2010	YTD 2009
	\$m	\$m	\$m	\$m
Gross premiums written	135.0	139.7	595.1	524.4
Outwards reinsurance premiums	(1.0)	(0.5)	(38.9)	(47.3)
Net premiums written	134.0	139.2	556.2	477.1
Change in unearned premiums	22.9	28.0	(97.5)	(42.5)
Change in unearned premiums on premiums ceded	(8.5)	(11.4)	6.1	4.5
Net premiums earned	148.4	155.8	464.8	439.1
Net investment income	13.1	14.5	40.7	42.0
Net other investment income	0.1	-	0.1	0.3
Net realised gains (losses) and impairments	6.6	4.6	19.4	14.9
Net foreign exchange gains (losses)	3.6	1.5	-	2.2
Total net revenue	171.8	176.4	525.0	498.5
Insurance losses and loss adjustment expenses	13.6	14.9	206.2	110.5
Insurance losses and loss adjustment expenses recoverable	0.3	2.0	(31.4)	(10.6)
Net insurance acquisition expenses	28.3	28.7	82.6	82.3
Equity based compensation	4.4	3.7	15.0	9.3
Other operating expenses	15.9	15.5	45.3	42.9
Total expenses	62.5	64.8	317.7	234.4
Results of operating activities	109.3	111.6	207.3	264.1
Financing costs	1.7	2.2	5.1	6.5
Profit before tax	107.6	109.4	202.2	257.6
Tax charge	(1.6)	(0.7)	(3.2)	(1.8)
Profit for the period attributable to equity shareholders	106.0	108.7	199.0	255.8
Net change in unrealised gains on investments	20.8	16.0	34.1	14.4
Tax (expense) benefit on net change in unrealised gains on investments	(1.0)	0.3	(1.5)	0.2
Other comprehensive income	19.8	16.3	32.6	14.6
Total comprehensive income attributable to equity shareholders	125.8	125.0	231.6	270.4
Net loss ratio	9.4%	10.8%	37.6%	22.8%
Net acquisition cost ratio	19.1%	18.4%	17.8%	18.7%
Administrative expense ratio	10.7%	9.9%	9.7%	9.8%
Combined ratio	39.2%	39.1%	65.1%	51.3%
Basic earnings per share	\$0.69	\$0.63	\$1.23	\$1.48
Diluted earnings per share	\$0.61	\$0.58	\$1.12	\$1.37
Change in fully converted book value per share	7.9%	7.4%	15.9%	18.1%

Consolidated balance sheet

	Unaudited 30 Sep 2010 \$m	Unaudited 30 Sep 2009 \$m	Audited 31 Dec 2009 \$m
Assets			
Cash and cash equivalents	288.1	318.3	440.0
Accrued interest receivable	14.6	11.8	12.0
Investments - fixed income securities, available for sale	1,948.1	2,029.5	1,892.5
- other investments	(0.3)	-	-
Reinsurance assets			
- unearned premiums on premiums ceded	11.7	14.5	5.6
- reinsurance recoveries	44.0	45.3	35.8
- other receivables	3.6	2.2	4.3
Deferred acquisition costs	70.1	61.1	52.9
Other receivables	9.2	6.7	4.3
Inwards premiums receivable from insureds and cedants	232.4	199.4	178.2
Deferred tax asset	5.6	3.7	3.3
Property, plant and equipment	7.5	0.8	8.2
Total assets	2,634.6	2,693.3	2,637.1
Liabilities			
Insurance contracts			
- Losses and loss adjustment expenses	565.7	533.9	488.9
- Unearned premiums	415.1	382.1	317.6
- Other payables	17.0	21.3	15.8
Amounts payable to reinsurers	6.2	2.0	4.2
Deferred acquisition costs ceded	2.6	3.1	2.7
Other payables	45.1	73.9	291.4
Corporation tax payable	5.9	3.5	2.4
Interest rate swap	1.5	4.2	3.6
Accrued interest payable	0.2	0.2	0.2
Long-term debt	129.7	132.0	131.4
Total liabilities	1,189.0	1,156.2	1,258.2
Shareholders' equity			
Share capital	84.3	91.2	91.2
Own shares	(111.0)	(59.0)	(76.4)
Share premium	2.4	2.4	2.4
Contributed surplus	661.9	757.4	757.0
Accumulated other comprehensive income	63.0	42.2	30.4
Other reserves	67.2	60.5	65.3
Retained earnings	677.8	642.4	509.0
Total shareholders' equity attributable to equity shareholders	1,445.6	1,537.1	1,378.9
Total liabilities and shareholders' equity	2,634.6	2,693.3	2,637.1

Statement of consolidated cashflows

	Unaudited Nine Months 2010 \$m	Unaudited Nine months 2009 \$m	Audited Twelve Months 2009 \$m
Cash flows from operating activities			
Profit before tax	202.2	257.6	388.5
Tax paid	(3.6)	(0.9)	(2.7)
Depreciation	2.0	0.7	0.8
Interest expense	4.1	5.0	6.4
Interest and dividend income	(50.9)	(48.0)	(64.7)
Accretion of fixed income securities	7.4	3.6	5.3
Equity based compensation	15.0	9.3	16.4
Foreign exchange losses (gains)	(2.6)	(2.4)	(2.3)
Net other investment income	(0.1)	(0.3)	(0.3)
Net realised (gains) losses and impairments	(19.4)	(14.8)	(23.8)
Unrealised (gain) loss on interest rate swaps	(2.0)	(0.7)	(1.3)
Changes in operational assets and liabilities			
- insurance and reinsurance contracts	92.4	35.5	(32.6)
- other assets and liabilities	1.4	20.8	(11.3)
Net cash flows from operating activities	245.9	265.4	278.4
Cash flows from (used in) investing activities			
Interest and dividends received	48.4	46.3	62.8
Net purchase of property, plant and equipment	(1.4)	-	(7.6)
Purchase of fixed income securities	(1,919.4)	(2,178.6)	(2,711.6)
Proceeds on maturity and disposal of fixed income securities	1,909.1	1,776.1	2,440.8
Proceeds on disposal of equity securities	-	4.8	4.8
Net proceeds from (purchases of) other investments	1.9	(0.4)	0.1
Net cash flows from (used in) investing activities	38.6	(351.8)	(210.7)
Cash flows used in financing activities			
Interest paid	(4.1)	(5.1)	(6.4)
Dividends paid	(283.8)	-	(10.5)
Shares repurchased	(149.7)	(4.9)	(24.9)
Net cash flows used in financing activities	(437.6)	(10.0)	(41.8)
Net (decrease) increase in cash and cash equivalents	(153.1)	96.4	25.9
Cash and cash equivalents at beginning of period	440.0	413.6	413.6
Effect of exchange rate fluctuations on cash and cash equivalents	1.2	1.1	0.5
Cash and cash equivalents at end of period	288.1	318.3	440.0

About Lancashire

Lancashire, through its UK and Bermuda-based insurance subsidiaries, is a global provider of specialty insurance products. The Group companies carry the following ratings:

	Financial Strength Rating ⁽¹⁾	Long Term Issuer Rating ⁽²⁾	Outlook
A.M. Best	A-	BBB-	Positive
Standard & Poor's	A-	BBB	Stable
Moody's	A3	Baa2	Stable

(1) Financial Strength Rating applies to Lancashire Insurance Company Limited and Lancashire Insurance Company (UK) Limited

(2) Long Term Issuer Rating applies to Lancashire Holdings Limited

Lancashire has capital in excess of \$1 billion and its Common Shares trade on the main market of the London Stock Exchange under the ticker symbol LRE. Lancashire is headquartered at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda. The mailing address is Lancashire Holdings Limited, P.O. Box HM 2358, Hamilton HM HX, Bermuda. For more information on Lancashire, visit the Company's website at www.lancashiregroup.com

NOTE REGARDING RPI TOOL

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

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS 'BELIEVES', 'ANTICIPATES', 'PLANS', 'PROJECTS', 'FORECASTS', 'GUIDANCE', 'INTENDS', 'EXPECTS', 'ESTIMATES', 'PREDICTS', 'MAY', 'CAN', 'WILL', 'SEEKS', 'SHOULD', OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDING, WITHOUT LIMITATION, THOSE REGARDING THE GROUP'S FINANCIAL POSITION, RESULTS OF OPERATIONS, LIQUIDITY, PROSPECTS, GROWTH, CAPITAL MANAGEMENT PLANS, BUSINESS STRATEGY, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS (INCLUDING DEVELOPMENT PLANS AND OBJECTIVES RELATING TO THE GROUP'S INSURANCE BUSINESS) ARE FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE GROUP TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS.

THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT WE WRITE; THE PREMIUM RATES AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN OUR TARGETED BUSINESS LINES; THE LOW FREQUENCY OF LARGE EVENTS; UNUSUAL LOSS FREQUENCY; THE IMPACT THAT OUR FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN OUR UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; LOSS OF KEY PERSONNEL; A DECLINE IN OUR OPERATING SUBSIDIARIES' RATING WITH A.M. BEST COMPANY AND/OR OTHER RATING AGENCIES; INCREASED COMPETITION ON THE BASIS OF

PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; A CYCLICAL DOWNTURN OF THE INDUSTRY; THE IMPACT OF A DETERIORATING CREDIT ENVIRONMENT CREATED BY THE FINANCIAL MARKETS; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITIES IN OUR INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE LANCASHIRE CONDUCTS BUSINESS; LANCASHIRE OR ITS BERMUDIAN SUBSIDIARY BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE UNITED KINGDOM; AND THE EFFECTIVENESS OF OUR LOSS LIMITATION METHODS. ANY ESTIMATES RELATING TO LOSS EVENTS INVOLVE THE EXERCISE OF CONSIDERABLE JUDGEMENT AND REFLECT A COMBINATION OF GROUND-UP EVALUATIONS, INFORMATION AVAILABLE TO DATE FROM BROKERS AND INSUREDS, MARKET INTELLIGENCE, INITIAL AND/OR TENTATIVE LOSS REPORTS AND OTHER SOURCES. JUDGEMENTS IN RELATION TO LOSS ARISING FROM 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.