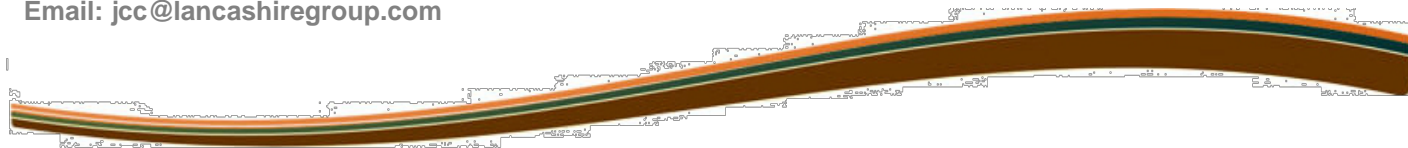




financial supplement

30 june 2010

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NOTE REGARDING FORWARD-LOOKING STATEMENTS:

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

THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT WE WRITE; THE PREMIUM RATES AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN OUR TARGETED BUSINESS LINES; THE LOW FREQUENCY OF LARGE EVENTS; UNUSUAL LOSS FREQUENCY; THE IMPACT THAT OUR FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN OUR UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; LOSS OF KEY PERSONNEL; A DECLINE IN OUR OPERATING SUBSIDIARIES' RATING WITH A.M. BEST COMPANY AND/OR OTHER RATING AGENCIES; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; A CYCLICAL DOWNTURN OF THE INDUSTRY; THE IMPACT OF A DETERIORATING CREDIT ENVIRONMENT CREATED BY THE FINANCIAL MARKETS AND CREDIT CRISIS; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITIES IN OUR INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE LANCASHIRE CONDUCTS BUSINESS; LANCASHIRE OR ITS BERMUDIAN SUBSIDIARY BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE UNITED KINGDOM; AND THE EFFECTIVENESS OF OUR LOSS LIMITATION METHODS. ANY ESTIMATES RELATING TO LOSS EVENTS INVOLVE THE EXERCISE OF CONSIDERABLE JUDGEMENT AND REFLECT A COMBINATION OF GROUND-UP EVALUATIONS, INFORMATION AVAILABLE TO DATE FROM BROKERS AND INSURERS, 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.

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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 AUDITED 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 2010	q2 2009	% change q2-10 vs. q2-09	ytd 2010	ytd 2009	% change ytd-10 vs. ytd-09
highlights						
gross premiums written	\$ 232.1	\$ 241.9	(4%)	\$ 460.1	\$ 384.7	20%
net premiums written	218.7	238.7	(8%)	422.2	337.9	25%
net premiums earned	144.6	144.1	-	316.4	283.3	12%
net insurance losses	27.0	8.4	221%	160.9	83.0	94%
net investment income	13.9	14.0	(1%)	27.6	27.5	-
net realised gains and impairments	8.5	2.3	270%	12.8	10.3	24%
profit after tax	84.8	106.4	(20%)	93.0	147.1	(37%)
change in net unrealised gains (losses) on investments	6.0	(3.4)	276%	12.8	(1.7)	853%
comprehensive income	90.8	103.0	(12%)	105.8	145.4	(27%)
net operating income ⁽¹⁾	\$ 77.8	\$ 103.3	(25%)	\$ 85.7	\$ 139.2	(38%)
total investments and cash	\$ 2,106.7	\$ 2,156.2	(2%)			
total shareholders' equity	\$ 1,360.9	\$ 1,418.8	(4%)			
per share data						
net operating income per share - diluted ⁽²⁾	\$ 0.44	\$ 0.56		\$ 0.48	\$ 0.75	
profit after tax per share - diluted ⁽²⁾	\$ 0.48	\$ 0.57		\$ 0.52	\$ 0.80	
fully converted book value per share	\$ 7.86	\$ 7.58		\$ 7.86	\$ 7.58	
change in FCBVS adj for dividends ⁽³⁾	6.5%	6.9%		7.5%	10.0%	
fully diluted book value per share	\$ 7.76	\$ 7.50		\$ 7.76	\$ 7.50	
change in FDBVS adj for dividends ⁽⁴⁾	6.3%	7.0%		7.4%	10.0%	
financial ratios						
net loss ratio	18.7%	5.8%		50.9%	29.3%	
net acquisition cost ratio	19.2%	19.2%		17.2%	18.9%	
administrative expense ratio	13.6%	10.4%		9.3%	9.7%	
combined ratio	<u>51.5%</u>	<u>35.4%</u>		<u>77.4%</u>	<u>57.9%</u>	
net return on total investments	1.4%	0.6%		2.6%	1.7%	

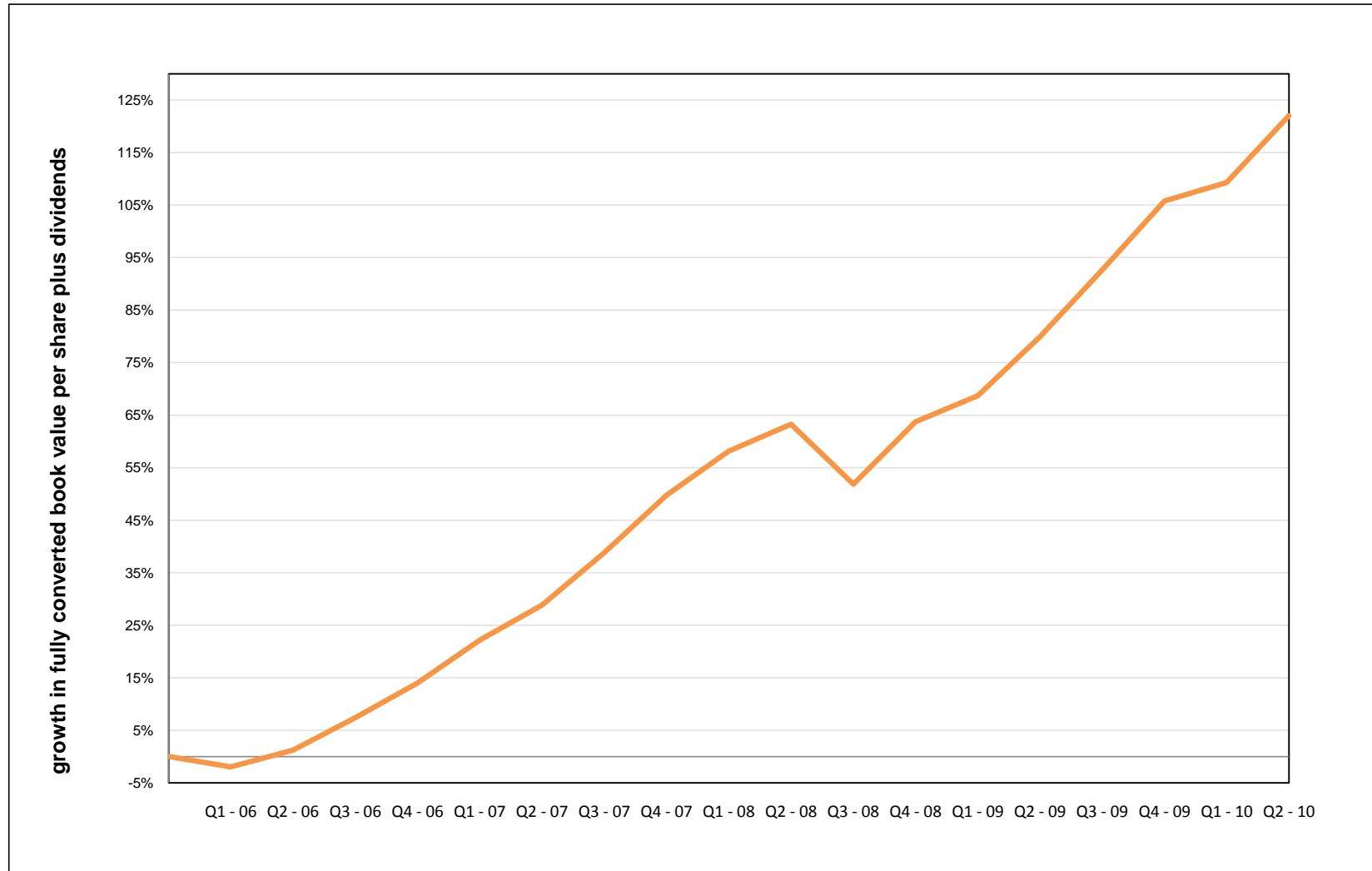
⁽¹⁾ excludes realised gains and losses, foreign exchange gains and losses, equity based compensation relating to warrants issued at IPO and tax

⁽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

	q2 2010	q1 2010	q4 2009	q3 2009	q2 2009	ytd 2010	ytd 2009	full year 2009
gross premiums written	\$ 232.1	\$ 228.0	\$ 103.4	\$ 139.7	\$ 241.9	\$ 460.1	\$ 384.7	\$ 627.8
outwards reinsurance premiums	(13.4)	(24.5)	(3.4)	(0.5)	(3.2)	(37.9)	(46.8)	(50.7)
net premiums written	218.7	203.5	100.0	139.2	238.7	422.2	337.9	577.1
change in unearned premiums	(72.5)	(47.9)	64.5	28.0	(83.9)	(120.4)	(70.5)	22.0
change in unearned premiums on premiums ceded	(1.6)	16.2	(8.9)	(11.4)	(10.7)	14.6	15.9	(4.4)
net premiums earned	144.6	171.8	155.6	155.8	144.1	316.4	283.3	594.7
net investment income	13.9	13.7	14.0	14.5	14.0	27.6	27.5	56.0
net other investment income (losses)	0.1	(0.1)	-	-	-	-	0.3	0.3
net realised gains (losses) and impairments	8.5	4.3	8.9	4.6	2.3	12.8	10.3	23.8
net foreign exchange gains (losses)	(1.9)	(1.7)	1.2	1.5	2.3	(3.6)	0.7	3.4
total net revenue	165.2	188.0	179.7	176.4	162.7	353.2	322.1	678.2
insurance losses	59.1	133.5	(6.1)	14.9	6.5	192.6	95.6	104.4
insurance losses recoverable	(32.1)	0.4	4.9	2.0	1.9	(31.7)	(12.6)	(5.7)
net insurance acquisition expenses	27.7	26.6	23.7	28.7	27.6	54.3	53.6	106.0
equity based compensation	4.7	5.9	7.1	3.7	2.6	10.6	5.6	16.4
other operating expenses	19.6	9.8	17.6	15.5	15.0	29.4	27.4	60.5
total expenses	79.0	176.2	47.2	64.8	53.6	255.2	169.6	281.6
profit before tax and finance costs	86.2	11.8	132.5	111.6	109.1	98.0	152.5	396.6
financing costs	(1.7)	(1.7)	(1.6)	(2.2)	(1.9)	(3.4)	(4.3)	(8.1)
profit before tax	84.5	10.1	130.9	109.4	107.2	94.6	148.2	388.5
tax	0.3	(1.9)	(1.3)	(0.7)	(0.8)	(1.6)	(1.1)	(3.1)
profit after tax	\$ 84.8	\$ 8.2	\$ 129.6	\$ 108.7	\$ 106.4	\$ 93.0	\$ 147.1	\$ 385.4
change in net unrealised gains (losses) on investments	6.0	6.8	(11.8)	16.3	(3.4)	12.8	(1.7)	2.8
comprehensive income	\$ 90.8	\$ 15.0	\$ 117.8	\$ 125.0	\$ 103.0	\$ 105.8	\$ 145.4	\$ 388.2
net loss ratio	18.7%	77.9%	(0.8%)	10.8%	5.8%	50.9%	29.3%	16.6%
net acquisition cost ratio	19.2%	15.5%	15.2%	18.4%	19.2%	17.2%	18.9%	17.8%
administrative expense ratio	13.6%	5.7%	11.3%	9.9%	10.4%	9.3%	9.7%	10.2%
combined ratio	51.5%	99.1%	25.7%	39.1%	35.4%	77.4%	57.9%	44.6%
net return on total investments	1.4%	1.2%	0.5%	1.6%	0.6%	2.6%	1.7%	3.9%
basic earnings per share	\$ 0.53	\$ 0.05	\$ 0.75	\$ 0.63	\$ 0.62	\$ 0.56	\$ 0.85	\$ 2.23
diluted earnings per share	\$ 0.48	\$ 0.04	\$ 0.69	\$ 0.58	\$ 0.57	\$ 0.52	\$ 0.80	\$ 2.05

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

	q2 2010	q1 2010	q4 2009	q3 2009	q2 2009	ytd 2010	ytd 2009	full year 2009
gross premiums written								
property cat excess of loss	\$ 17.4	\$ 54.4	\$ 6.1	\$ 41.3	\$ 23.8	\$ 71.8	\$ 28.9	\$ 76.3
terrorism	24.8	28.8	18.7	11.8	21.8	53.6	38.6	69.1
property retrocession	2.9	46.9	3.9	1.8	23.5	49.8	55.5	61.2
property direct and facultative	22.2	14.7	16.4	21.0	35.6	36.9	51.2	88.6
property political risk	4.7	8.2	1.7	4.6	5.1	12.9	9.2	15.5
other property	1.2	(0.5)	0.4	0.3	3.5	0.7	5.9	6.6
total property	73.2	152.5	47.2	80.8	113.3	225.7	189.3	317.3
worldwide offshore energy	43.8	28.9	9.8	21.7	44.1	72.7	69.0	100.5
gulf of mexico offshore energy	68.9	2.7	0.8	14.8	38.1	71.6	38.2	53.8
energy excess of loss	5.4	-	-	-	-	5.4	-	-
construction energy	1.0	3.9	3.0	3.6	2.7	4.9	4.1	10.7
onshore energy	2.2	1.0	1.1	1.9	3.7	3.2	4.8	7.8
other energy	0.8	0.4	-	2.4	(0.4)	1.2	0.3	2.7
total energy	122.1	36.9	14.7	44.4	88.2	159.0	116.4	175.5
marine hull and total loss	15.1	7.9	4.0	0.9	11.6	23.0	20.7	25.6
marine hull war	3.9	7.7	4.1	4.3	5.8	11.6	11.6	20.0
marine P&I clubs	0.4	10.6	0.2	0.7	0.4	11.0	9.1	10.0
marine builders risk	4.8	5.0	3.8	(0.6)	7.2	9.8	13.5	16.7
other marine	0.1	0.6	0.6	0.1	0.4	0.7	0.7	1.4
total marine	24.3	31.8	12.7	5.4	25.4	56.1	55.6	73.7
AV 52	10.3	5.4	25.2	7.4	13.3	15.7	20.3	52.9
other aviation	2.2	1.4	3.6	1.7	1.7	3.6	3.1	8.4
total aviation	12.5	6.8	28.8	9.1	15.0	19.3	23.4	61.3
total gross premiums written	\$ 232.1	\$ 228.0	\$ 103.4	\$ 139.7	\$ 241.9	\$ 460.1	\$ 384.7	\$ 627.8

Lancashire Holdings Limited
summary consolidated underwriting segment results

six months ending 30 june 2010

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 225.7	\$ 159.0	\$ 56.1	\$ 19.3	\$ 460.1
net premiums written	207.2	146.3	54.9	13.8	422.2
net premiums earned	172.5	83.6	33.6	26.7	316.4
net insurance losses	106.3	35.6	23.6	(4.6)	160.9
net insurance acquisition expenses	19.7	19.3	9.2	6.1	54.3
other operating expenses ⁽¹⁾	46.5	28.7	0.8	25.2	29.4
	\$ 46.5	\$ 28.7	\$ 0.8	\$ 25.2	\$ 71.8
net loss ratio	61.6%	42.6%	70.2%	(17.2%)	50.9%
net acquisition cost ratio	11.4%	23.1%	27.4%	22.8%	17.2%
administrative expense ratio ⁽¹⁾	73.0%	65.7%	97.6%	5.6%	9.3%
combined ratio	73.0%	65.7%	97.6%	5.6%	77.4%

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 ⁽¹⁾	108.8	(4.0)	11.5	30.4	27.4
	\$ 108.8	\$ (4.0)	\$ 11.5	\$ 30.4	\$ 119.3
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 ⁽¹⁾	9.2%	104.9%	73.6%	20.6%	9.7%
combined ratio	9.2%	104.9%	73.6%	20.6%	57.9%

⁽¹⁾ administrative expenses are not allocated by segment

Lancashire Holdings Limited
property segment - underwriting statement

	<u>q2</u> <u>2010</u>	<u>q1</u> <u>2010</u>	<u>q4</u> <u>2009</u>	<u>q3</u> <u>2009</u>	<u>q2</u> <u>2009</u>	<u>full year</u> <u>2009</u>
underwriting income (loss)						
gross premiums written	\$ 73.2	\$ 152.5	\$ 47.2	\$ 80.8	\$ 113.3	\$ 317.3
outwards reinsurance premiums	(3.9)	(14.6)	2.1	1.2	0.6	(17.2)
net premiums written	<u>69.3</u>	<u>137.9</u>	<u>49.3</u>	<u>82.0</u>	<u>113.9</u>	<u>300.1</u>
change in unearned premiums	6.1	(52.2)	39.7	3.6	(46.9)	(14.8)
change in unearned premiums on premiums ceded	0.3	11.1	(5.5)	(5.4)	(5.8)	(1.8)
net premiums earned	<u>\$ 75.7</u>	<u>\$ 96.8</u>	<u>\$ 83.5</u>	<u>\$ 80.2</u>	<u>\$ 61.2</u>	<u>\$ 283.5</u>
underwriting expenses						
net insurance losses	(4.4)	110.7	(4.8)	0.1	(1.8)	(8.9)
net insurance acquisition expenses	9.7	10.0	9.7	10.9	7.9	35.8
total underwriting expenses	<u>5.3</u>	<u>120.7</u>	<u>4.9</u>	<u>11.0</u>	<u>6.1</u>	<u>26.9</u>
net underwriting income (loss)	<u>\$ 70.4</u>	<u>\$ (23.9)</u>	<u>\$ 78.6</u>	<u>\$ 69.2</u>	<u>\$ 55.1</u>	<u>\$ 256.6</u>
net loss ratio (% of net premiums earned)	(5.8%)	114.4%	(5.7%)	0.1%	(2.9%)	(3.1%)
net acquisition cost ratio (% of net premiums earned)	12.8%	10.3%	11.6%	13.6%	12.9%	12.6%
	<u>7.0%</u>	<u>124.7%</u>	<u>5.9%</u>	<u>13.7%</u>	<u>10.0%</u>	<u>9.5%</u>

Lancashire Holdings Limited
energy segment - underwriting statement

	<u>q2 2010</u>	<u>q1 2010</u>	<u>q4 2009</u>	<u>q3 2009</u>	<u>q2 2009</u>	<u>full year 2009</u>
underwriting income						
gross premiums written	\$ 122.1	\$ 36.9	\$ 14.7	\$ 44.4	\$ 88.2	\$ 175.5
outwards reinsurance premiums	(7.4)	(5.3)	(0.9)	(1.4)	(2.3)	(13.5)
net premiums written	<u>114.7</u>	<u>31.6</u>	<u>13.8</u>	<u>43.0</u>	<u>85.9</u>	<u>162.0</u>
change in unearned premiums	(75.2)	11.0	32.4	5.6	(40.6)	14.9
change in unearned premiums on premiums ceded	(1.6)	3.1	(1.6)	(2.3)	(2.9)	(4.3)
net premiums earned	<u>\$ 37.9</u>	<u>\$ 45.7</u>	<u>\$ 44.6</u>	<u>\$ 46.3</u>	<u>\$ 42.4</u>	<u>\$ 172.6</u>
underwriting expenses						
net insurance losses	23.9	11.7	(0.7)	9.4	2.9	76.9
net insurance acquisition expenses	9.5	9.8	7.6	9.8	9.7	34.9
total underwriting expenses	<u>33.4</u>	<u>21.5</u>	<u>6.9</u>	<u>19.2</u>	<u>12.6</u>	<u>111.8</u>
net underwriting income	<u>\$ 4.5</u>	<u>\$ 24.2</u>	<u>\$ 37.7</u>	<u>\$ 27.1</u>	<u>\$ 29.8</u>	<u>\$ 60.8</u>
net loss ratio (% of net premiums earned)	63.1%	25.6%	(1.6%)	20.3%	6.8%	44.6%
net acquisition cost ratio (% of net premiums earned)	25.1%	21.4%	17.0%	21.2%	22.9%	20.2%
	<u>88.2%</u>	<u>47.0%</u>	<u>15.4%</u>	<u>41.5%</u>	<u>29.7%</u>	<u>64.8%</u>

Lancashire Holdings Limited
marine segment - underwriting statement

	<u>q2</u> <u>2010</u>	<u>q1</u> <u>2010</u>	<u>q4</u> <u>2009</u>	<u>q3</u> <u>2009</u>	<u>q2</u> <u>2009</u>	<u>full year</u> <u>2009</u>
underwriting income (loss)						
gross premiums written	\$ 24.3	\$ 31.8	\$ 12.7	\$ 5.4	\$ 25.4	\$ 73.7
outwards reinsurance premiums	0.5	(1.7)	(2.0)	0.7	1.8	(9.3)
net premiums written	<u>24.8</u>	<u>30.1</u>	<u>10.7</u>	<u>6.1</u>	<u>27.2</u>	<u>64.4</u>
change in unearned premiums	(6.2)	(14.7)	6.2	11.6	(1.8)	9.8
change in unearned premiums on premiums ceded	(1.1)	0.7	-	(2.2)	(3.3)	1.7
net premiums earned	<u>\$ 17.5</u>	<u>\$ 16.1</u>	<u>\$ 16.9</u>	<u>\$ 15.5</u>	<u>\$ 22.1</u>	<u>\$ 75.9</u>
underwriting expenses						
net insurance losses	11.8	11.8	3.4	7.0	9.3	29.4
net insurance acquisition expenses	4.5	4.7	4.6	4.8	6.5	22.4
total underwriting expenses	<u>16.3</u>	<u>16.5</u>	<u>8.0</u>	<u>11.8</u>	<u>15.8</u>	<u>51.8</u>
net underwriting income (loss)	<u>\$ 1.2</u>	<u>\$ (0.4)</u>	<u>\$ 8.9</u>	<u>\$ 3.7</u>	<u>\$ 6.3</u>	<u>\$ 24.1</u>
net loss ratio (% of net premiums earned)	67.4%	73.3%	20.1%	45.2%	42.1%	38.7%
net acquisition cost ratio (% of net premiums earned)	25.7%	29.2%	27.2%	31.0%	29.4%	29.5%
	<u>93.1%</u>	<u>102.5%</u>	<u>47.3%</u>	<u>76.2%</u>	<u>71.5%</u>	<u>68.2%</u>

Lancashire Holdings Limited
aviation segment - underwriting statement

	<u>q2</u> <u>2010</u>	<u>q1</u> <u>2010</u>	<u>q4</u> <u>2009</u>	<u>q3</u> <u>2009</u>	<u>q2</u> <u>2009</u>	<u>full year</u> <u>2009</u>
underwriting income						
gross premiums written	\$ 12.5	\$ 6.8	\$ 28.8	\$ 9.1	\$ 15.0	\$ 61.3
outwards reinsurance premiums	(2.6)	(2.9)	(2.6)	(1.0)	(3.3)	(10.7)
net premiums written	<u>9.9</u>	<u>3.9</u>	<u>26.2</u>	<u>8.1</u>	<u>11.7</u>	<u>50.6</u>
change in unearned premiums	2.8	8.0	(13.8)	7.2	5.4	12.1
change in unearned premiums on premiums ceded	0.8	1.3	(1.8)	(1.5)	1.3	-
net premiums earned	<u>\$ 13.5</u>	<u>\$ 13.2</u>	<u>\$ 10.6</u>	<u>\$ 13.8</u>	<u>\$ 18.4</u>	<u>\$ 62.7</u>
underwriting expenses						
net insurance losses	(4.3)	(0.3)	0.9	0.4	(2.0)	1.3
net insurance acquisition expenses	4.0	2.1	1.8	3.2	3.5	12.9
total underwriting expenses	<u>(0.3)</u>	<u>1.8</u>	<u>2.7</u>	<u>3.6</u>	<u>1.5</u>	<u>14.2</u>
net underwriting income	<u>\$ 13.8</u>	<u>\$ 11.4</u>	<u>\$ 7.9</u>	<u>\$ 10.2</u>	<u>\$ 16.9</u>	<u>\$ 48.5</u>
net loss ratio (% of net premiums earned)	(31.9%)	(2.3%)	8.5%	2.9%	(10.9%)	2.1%
net acquisition cost ratio (% of net premiums earned)	29.6%	15.9%	17.0%	23.2%	19.0%	20.6%
	<u>(2.3%)</u>	<u>13.6%</u>	<u>25.5%</u>	<u>26.1%</u>	<u>8.1%</u>	<u>22.7%</u>

Lancashire Holdings Limited
summary consolidated cash flows

cash flows	<u>q2 2010</u>	<u>q1 2010</u>	<u>q4 2009</u>	<u>q3 2009</u>	<u>q2 2009</u>	<u>ytd 2010</u>	<u>ytd 2009</u>	<u>full year 2009</u>
net cash flows from (used in) operating activities	\$ 21.5	\$ 106.8	\$ 13.0	\$ 159.2	\$ (51.3)	\$ 128.3	\$ 106.2	\$ 278.4
net cash flows from (used in) investing activities	141.4	(33.8)	141.1	(182.5)	(335.3)	107.6	(169.3)	(210.7)
net cash flows used in financing activities	<u>(118.1)</u>	<u>(280.5)</u>	<u>(31.8)</u>	<u>(2.5)</u>	<u>(4.5)</u>	<u>(398.6)</u>	<u>(7.5)</u>	<u>(41.8)</u>
net increase (decrease) in cash and cash equivalents	<u>44.8</u>	<u>(207.5)</u>	<u>122.3</u>	<u>(25.8)</u>	<u>(391.1)</u>	<u>(162.7)</u>	<u>(70.6)</u>	<u>25.9</u>
cash and cash equivalents, opening	230.6	440.0	318.3	343.1	731.1	440.0	413.6	413.6
effect of exchange rate fluctuations	<u>(6.7)</u>	<u>(1.9)</u>	<u>(0.6)</u>	<u>1.0</u>	<u>3.1</u>	<u>(8.6)</u>	<u>0.1</u>	<u>0.5</u>
cash and cash equivalents, closing	<u>\$ 268.7</u>	<u>\$ 230.6</u>	<u>\$ 440.0</u>	<u>\$ 318.3</u>	<u>\$ 343.1</u>	<u>\$ 268.7</u>	<u>\$ 343.1</u>	<u>\$ 440.0</u>

Lancashire Holdings Limited
summary consolidated balance sheets

	<u>30 june 2010</u>	<u>31 march 2010</u>	<u>31 december 2009</u>	<u>30 september 2009</u>	<u>30 june 2009</u>
assets					
cash and cash equivalents	\$ 268.7	\$ 230.6	\$ 440.0	\$ 318.3	\$ 343.1
accrued interest receivable	12.9	14.8	12.0	11.8	9.2
investments					
- fixed income securities - available for sale	1,836.9	1,949.1	1,892.5	2,029.5	1,813.1
- other investments	1.1	-	-	-	-
reinsurance assets					
- unearned premiums on premiums ceded	20.2	21.8	5.6	14.5	25.9
- reinsurance recoveries	47.8	34.7	35.8	45.3	49.2
- other receivables	2.0	0.7	4.3	2.2	2.2
deferred acquisition costs	74.8	62.8	52.9	61.1	68.9
inwards premiums receivable from insureds and cedants	285.4	227.7	178.2	199.4	255.4
other assets	25.7	39.8	15.8	11.2	30.2
total assets	\$ 2,575.5	\$ 2,582.0	\$ 2,637.1	\$ 2,693.3	\$ 2,597.2
liabilities					
insurance contracts					
- losses and loss adjustment expenses	\$ 583.7	\$ 607.5	\$ 488.9	\$ 533.9	\$ 543.6
- unearned premiums	438.0	365.5	317.6	382.1	410.1
- other payables	19.6	15.2	15.8	21.3	16.9
amounts payable to reinsurers	12.7	14.2	4.2	2.0	13.3
deferred acquisition costs ceded	2.8	2.9	2.7	3.1	1.5
other payables	31.5	88.1	297.6	81.8	62.3
long-term debt	126.3	129.3	131.4	132.0	130.7
total liabilities	1,214.6	1,222.7	1,258.2	1,156.2	1,178.4
shareholders' equity					
share capital	86.7	91.2	91.2	91.2	91.2
own shares	(117.1)	(92.0)	(76.4)	(59.0)	(59.0)
share premium	2.4	2.4	2.4	2.4	2.4
contributed surplus	699.1	760.7	757.0	757.4	757.3
accumulated other comprehensive income	43.2	37.2	30.4	42.2	25.9
other reserves	65.4	63.4	65.3	60.5	56.8
dividends	(20.8)	(20.8)	(273.5)	(10.5)	-
retained earnings	602.0	517.2	782.5	652.9	544.2
total shareholders' equity	\$ 1,360.9	\$ 1,359.3	\$ 1,378.9	\$ 1,537.1	\$ 1,418.8
total liabilities and shareholders' equity	\$ 2,575.5	\$ 2,582.0	\$ 2,637.1	\$ 2,693.3	\$ 2,597.2
basic book value per share	\$ 8.74	\$ 8.08	\$ 8.09	\$ 8.89	\$ 8.20
fully converted book value per share	\$ 7.86	\$ 7.38	\$ 7.41	\$ 8.09	\$ 7.58
fully diluted book value per share	\$ 7.76	\$ 7.30	\$ 7.32	\$ 8.00	\$ 7.50
debt to total capital ratio	8.5%	8.7%	8.7%	7.9%	8.4%

Lancashire Holdings Limited
composition of investment portfolio



	30 june 2010	%	31 march 2010	%	31 december 2009	%	30 september 2009	%	30 june 2009	%
type of investment										
short term investments	\$ 99.5	4.8%	\$ 258.6	12.1%	\$ 288.8	14.2%	\$ 313.2	13.4%	\$ 336.8	15.8%
U.S. treasuries	409.9	19.7%	249.3	11.7%	254.8	12.5%	316.0	13.6%	162.7	7.7%
other government bonds	144.4	7.0%	145.9	6.9%	73.8	3.6%	69.7	3.0%	44.3	2.1%
U.S. municipal bonds	11.2	0.5%	9.0	0.4%	2.5	0.1%	6.2	0.3%	5.4	0.2%
U.S. government agency debt	36.5	1.8%	69.4	3.2%	115.0	5.6%	133.2	5.7%	180.1	8.5%
asset backed securities	4.6	0.2%	-	-	-	-	-	-	-	-
U.S. government agency mortgage backed securities	385.7	18.5%	458.1	21.5%	484.4	23.8%	582.6	25.0%	600.7	28.2%
non-agency mortgage backed securities	5.9	0.3%	2.6	0.1%	-	-	-	-	-	-
non-agency commercial mortgage backed securities	19.5	0.9%	-	-	-	-	-	-	-	-
corporate bonds - non FDIC guaranteed	576.8	27.7%	588.7	27.6%	479.8	23.6%	379.2	16.3%	276.5	13.0%
corporate bonds - FDIC guaranteed	142.9	6.9%	167.5	7.8%	193.4	9.5%	229.4	9.9%	206.6	9.7%
total fixed income securities, available for sale	1,836.9	88.3%	1,949.1	91.3%	1,892.5	92.9%	2,029.5	87.2%	1,813.1	85.2%
managed cash	241.3	11.6%	186.1	8.7%	145.2	7.1%	298.4	12.8%	314.1	14.8%
total fixed income securities and managed cash	2,078.2	99.9%	2,135.2	100.0%	2,037.7	100.0%	2,327.9	100.0%	2,127.2	100.0%
other investments	1.1	0.1%	-	-	-	-	-	-	-	-
total investments	\$ 2,079.3	100.0%	\$ 2,135.2	100.0%	\$ 2,037.7	100.0%	\$ 2,327.9	100.0%	\$ 2,127.2	100.0%
credit quality of fixed income securities										
AAA	\$ 1,213.7	66.1%	\$ 1,315.0	67.5%	\$ 1,434.1	75.8%	\$ 1,681.0	82.8%	\$ 1,560.0	86.0%
AA+, AA, AA-	128.4	7.0%	137.8	7.1%	110.8	5.9%	85.1	4.2%	61.4	3.4%
A+, A, A-	315.5	17.2%	310.3	15.9%	252.4	13.3%	189.5	9.4%	149.0	8.2%
BBB+, BBB, BBB-	149.6	8.1%	156.5	8.0%	95.0	5.0%	73.8	3.6%	42.6	2.4%
other	29.7	1.6%	29.5	1.5%	0.2	-	0.1	-	0.1	-
	\$ 1,836.9	100.0%	\$ 1,949.1	100.0%	\$ 1,892.5	100.0%	\$ 2,029.5	100.0%	\$ 1,813.1	100.0%
corporate bonds										
industrial	\$ 254.7	35.4%	\$ 274.2	36.3%	\$ 262.9	39.1%	\$ 203.2	33.4%	\$ 150.5	31.1%
financial - non FDIC guaranteed	235.6	32.7%	225.2	29.8%	150.7	22.4%	111.4	18.3%	78.3	16.2%
utility	52.4	7.3%	53.1	7.0%	52.7	7.8%	41.6	6.8%	23.1	4.8%
other	13.0	1.8%	13.5	1.8%	13.5	2.0%	23.0	3.8%	24.6	5.1%
foreign agencies	21.1	2.9%	22.7	3.0%	-	-	-	-	-	-
financial - FDIC guaranteed	142.9	19.9%	167.5	22.1%	193.4	28.7%	229.4	37.7%	206.6	42.8%
	\$ 719.7	100.0%	\$ 756.2	100.0%	\$ 673.2	100.0%	\$ 608.6	100.0%	\$ 483.1	100.0%
quarterly net return on total investments		1.4%		1.2%		0.5%		1.6%		0.6%
rolling 12 months net return on total investments		4.7%		3.9%		3.9%		5.5%		3.4%
average book yield of fixed income and managed cash		2.8%		2.9%		2.8%		2.7%		2.7%
average market yield of fixed income and managed cash		1.9%		2.1%		2.2%		1.8%		2.2%
average duration of fixed income and managed cash		2.4 years		2.3 years		2.3 years		2.0 years		1.9 years
average credit quality of fixed income and managed cash		AA		AA		AA+		AA+		AA+

Lancashire Holdings Limited
investment portfolio - sector detail

30 june 2010					
	estimated fair value	weighted average book yield	weighted average market yield	weighted average duration	weighted average rating
type of investment					
short term investments	\$ 99.5	0.2%	0.1%	0.2	AAA
U.S. treasuries	409.9	1.8%	1.4%	3.7	AAA
other government bonds	144.4	4.2%	3.2%	2.7	A+
U.S. municipal bonds	11.2	6.0%	5.9%	8.2	A
U.S. government agency debt	36.5	2.6%	1.3%	2.8	AAA
asset backed securities	4.6	0.6%	0.7%	0.1	AAA
U.S. government agency mortgage backed securities	385.7	4.2%	2.3%	2.1	AAA
non-agency mortgage backed securities	5.9	5.4%	7.4%	0.4	AAA
non-agency commercial mortgage backed securities	19.5	5.1%	5.0%	3.9	AAA
corporate bonds - non FDIC guaranteed	576.8	3.9%	2.8%	2.9	A
corporate bonds - FDIC guaranteed	142.9	2.1%	0.8%	1.8	AAA
total fixed income securities	1,836.9	3.2%	2.1%	2.7	AA
managed cash ⁽¹⁾	241.3	0.1%	0.1%	-	AA+
total fixed income securities and managed cash	\$ 2,078.2	2.8%	1.9%	2.4	AA

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	73.8	2.9%	1.7%	2.4	AAA
U.S. municipal bonds	2.5	4.9%	4.3%	8.7	AA+
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 issuer and country exposure

30 june 2010

	par value units	estimated fair value	accrued interest	unrealised gain	credit quality
top twenty holdings by issuer					
JPMorgan Chase & Co	24.0	\$ 26.0	\$ 0.4	\$ 0.5	A+
Verizon Communications Inc.	20.9	22.8	0.2	1.9	A
Bank of America Corp	19.0	20.5	0.3	0.1	A
Morgan Stanley	18.0	18.3	0.3	-	A
Goldman Sachs Group	13.0	13.7	0.2	0.1	A
Comcast Corporation	11.2	12.1	0.2	0.5	BBB+
Wells Fargo & Company	11.1	11.7	0.1	0.3	AA-
Oracle Corporation	10.3	11.2	0.1	0.3	A
Pfizer Inc	10.1	10.9	0.1	0.4	AA
Bank of New York Mellon Corp	9.9	10.7	0.1	0.6	AA-
Philip Morris International Inc	9.8	10.6	0.1	0.6	A
France Telecom	9.5	10.2	0.2	0.7	A-
Citigroup Inc	9.3	9.8	0.1	0.1	A
International Business Machines Corp	9.1	9.5	-	0.4	A+
AT&T Inc	8.4	9.0	0.2	0.2	A
Conocophillips	8.3	8.9	0.1	-	A
Barclays Plc	8.1	8.6	0.2	-	AA-
Vodafone Group Plc	8.0	8.4	0.1	0.1	A-
Credit Suisse Group Ag	7.8	8.3	0.1	0.1	A+
General Electric Co	7.7	8.1	-	0.1	AA+
		<u>\$ 249.3</u>	<u>\$ 3.1</u>	<u>\$ 7.0</u>	average A+
top twenty holdings as a % of non-FDIC corporate bonds		<u>43.2%</u>			

30 june 2010					30 june 2010		30 june 2010	
top ten emerging market debt country exposures					ratings distribution of total emerging market debt portfolio		other government bonds (non U.S.)	
	sovereign	agency	corporate	total				
Brazil	\$ 12.1	\$ 2.0	\$ 5.4	\$ 19.5	AA-	\$ 1.4	Germany	\$ 40.1
Russia	5.2	-	10.4	15.6	A+	2.6	Australia	23.9
Mexico	8.5	-	5.5	14.0	A	6.8	United Kingdom	9.0
Indonesia	6.8	-	1.3	8.1	A-	0.4	France	4.4
Turkey	5.7	-	-	5.7	BBB+	3.4	Netherlands	3.4
Colombia	3.6	-	0.9	4.5	BBB	28.9	Emerging market sovereign debt	60.7
Philippines	4.2	-	0.2	4.4	BBB-	24.1	Emerging market agency debt	2.9
South Africa	3.5	-	-	3.5	BB+	4.4		
Panama	3.5	-	-	3.5	BB	13.9		
Qatar	1.4	0.6	1.2	3.2	BB-	7.1		
Other emerging markets	6.2	0.3	4.8	11.3	B+	0.3		
	<u>\$ 60.7</u>	<u>\$ 2.9</u>	<u>\$ 29.7</u>	<u>\$ 93.3</u>		<u>\$ 93.3</u>		<u>\$ 144.4</u>

Lancashire Holdings Limited
net losses and loss ratios

total	q2 2010	q1 2010	q4 2009	q3 2009	q2 2009
net reserves: start	\$ 572.8	\$ 453.1	\$ 488.6	\$ 494.4	\$ 511.3
paid losses	56.0	13.1	32.9	22.6	27.4
change in prior year AY ⁽¹⁾	(39.3)	(16.8)	(39.5)	(23.1)	(35.3)
current year incurred losses	66.3	150.7	38.3	40.0	43.7
foreign exchange	(7.9)	(1.1)	(1.4)	(0.1)	2.1
net reserves: end	\$ 535.9	\$ 572.8	\$ 453.1	\$ 488.6	\$ 494.4
net premiums earned	\$ 144.6	\$ 171.8	\$ 155.6	\$ 155.8	\$ 144.1
net loss ratio	18.7%	77.9%	(0.8%)	10.8%	5.8%
IBNR as % of net reserves	35.6%	54.8%	43.8%	42.6%	41.2%

property	q2 2010	q1 2010	q4 2009	q3 2009	q2 2009
net reserves: start	\$ 191.9	\$ 85.0	\$ 96.6	\$ 94.9	\$ 105.7
paid losses	5.6	2.5	6.5	(1.5)	10.3
change in prior year AY ⁽¹⁾	(17.1)	(11.2)	(7.5)	(7.9)	(13.6)
current year incurred losses	12.7	121.9	2.7	8.0	11.8
foreign exchange	(5.6)	(1.3)	(0.3)	0.1	1.3
net reserves: end	\$ 176.3	\$ 191.9	\$ 85.0	\$ 96.6	\$ 94.9
net premiums earned	\$ 75.7	\$ 96.8	\$ 83.5	\$ 80.2	\$ 61.2
net loss ratio	(5.8%)	114.4%	(5.7%)	0.1%	(2.9%)

energy	q2 2010	q1 2010	q4 2009	q3 2009	q2 2009
net reserves: start	\$ 276.8	\$ 272.5	\$ 297.0	\$ 305.8	\$ 315.9
paid losses	41.4	7.7	23.5	18.1	13.2
change in prior year AY ⁽¹⁾	(15.2)	(1.7)	(29.6)	(13.6)	(17.2)
current year incurred losses	39.1	13.4	28.9	23.0	20.1
foreign exchange	(0.6)	0.3	(0.3)	(0.1)	0.2
net reserves: end	\$ 258.7	\$ 276.8	\$ 272.5	\$ 297.0	\$ 305.8
net premiums earned	\$ 37.9	\$ 45.7	\$ 44.6	\$ 46.3	\$ 42.4
net loss ratio	63.1%	25.6%	(1.6%)	20.3%	6.8%

marine	q2 2010	q1 2010	q4 2009	q3 2009	q2 2009
net reserves: start	\$ 92.1	\$ 83.0	\$ 83.3	\$ 82.3	\$ 75.9
paid losses	9.0	2.9	2.9	6.0	3.3
change in prior year AY ⁽¹⁾	(2.5)	(3.6)	(2.2)	(1.4)	(1.2)
current year incurred losses	14.3	15.4	5.6	8.4	10.5
foreign exchange	(1.6)	0.2	(0.8)	-	0.4
net reserves: end	\$ 93.3	\$ 92.1	\$ 83.0	\$ 83.3	\$ 82.3
net premiums earned	\$ 17.5	\$ 16.1	\$ 16.9	\$ 15.5	\$ 22.1
net loss ratio	67.4%	73.3%	20.1%	45.2%	42.1%

aviation	q2 2010	q1 2010	q4 2009	q3 2009	q2 2009
net reserves: start	\$ 12.0	\$ 12.6	\$ 11.7	\$ 11.4	\$ 13.8
paid losses	-	-	-	-	0.6
change in prior year AY ⁽¹⁾	(4.5)	(0.3)	(0.2)	(0.2)	(3.3)
current year incurred losses	0.2	-	1.1	0.6	1.3
foreign exchange	(0.1)	(0.3)	-	(0.1)	0.2
net reserves: end	\$ 7.6	\$ 12.0	\$ 12.6	\$ 11.7	\$ 11.4
net premiums earned	\$ 13.5	\$ 13.2	\$ 10.6	\$ 13.8	\$ 18.4
net loss ratio	(31.9%)	(2.3%)	8.5%	2.9%	(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>	<u>2010</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>	<u>\$ -</u>
as at 30 june 2010	<u>\$ 26.7</u>	<u>\$ 102.0</u>	<u>\$ 388.5</u>	<u>\$ 134.8</u>	<u>\$ 243.2</u>
payments made	<u>(20.6)</u>	<u>(63.2)</u>	<u>(167.8)</u>	<u>(13.6)</u>	<u>(46.3)</u>
total gross liability	<u>\$ 6.1</u>	<u>\$ 38.8</u>	<u>\$ 220.7</u>	<u>\$ 121.2</u>	<u>\$ 196.9</u>
accident year gross loss ratio ⁽¹⁾	8.8%	14.6%	57.1%	20.7%	71.6%

net losses

<u>accident year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</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>	<u>\$ -</u>
as at 30 june 2010	<u>\$ 26.7</u>	<u>\$ 97.9</u>	<u>\$ 343.4</u>	<u>\$ 133.4</u>	<u>\$ 209.6</u>
payments made	<u>(20.6)</u>	<u>(60.3)</u>	<u>(151.3)</u>	<u>(13.6)</u>	<u>(29.3)</u>
total net liability	<u>\$ 6.1</u>	<u>\$ 37.6</u>	<u>\$ 192.1</u>	<u>\$ 119.8</u>	<u>\$ 180.3</u>
accident year net loss ratio ⁽¹⁾	11.0%	16.0%	56.5%	22.4%	66.2%
initial accident year net loss ratio	16.1%	24.7%	66.5%	27.2%	n/a
change in net loss ratio post accident year end	5.1%	8.7%	10.0%	4.8%	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	1 july 2010 100 year return period		1 july 2010 250 year return period	
		estimated gross loss	estimated net loss	estimated gross loss	estimated net loss
gulf of mexico ⁽¹⁾	hurricane	\$ 250.8	\$ 245.1	\$ 369.4	\$ 351.8
california	earthquake	123.6	119.4	211.3	198.1
pan-european	windstorm	133.0	133.0	207.5	207.5
japan	earthquake	123.4	123.4	211.2	211.2
japan	typhoon	84.8	84.8	172.3	172.3

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 EXPOSURE 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

	<u>q2</u> <u>2010</u>	<u>q2</u> <u>2009</u>	<u>ytd</u> <u>2010</u>	<u>ytd</u> <u>2009</u>	<u>full year</u> <u>2009</u>
basic earnings per share:					
profit after tax	\$ 84.8	\$ 106.4	\$ 93.0	\$ 147.1	\$ 385.4
net operating income	\$ 77.8	\$ 103.3	\$ 85.7	\$ 139.2	\$ 364.7
dilutive shares					
weighted average shares outstanding - basic	160,593,945	172,938,346	165,217,429	172,936,698	172,740,238
dilutive effect of warrants	11,841,956	12,259,300	11,923,712	11,037,115	12,649,142
dilutive effect of stock options	548,072	332,836	556,092	284,916	494,544
dilutive effect of restricted stock	2,411,494	594,778	2,416,870	571,509	1,903,964
weighted average & equivalent shares outstanding - diluted	<u>175,395,467</u>	<u>186,125,260</u>	<u>180,114,103</u>	<u>184,830,238</u>	<u>187,787,888</u>
basic earnings per share	<u>\$ 0.53</u>	<u>\$ 0.62</u>	<u>\$ 0.56</u>	<u>\$ 0.85</u>	<u>\$ 2.23</u>
diluted earnings per share	<u>\$ 0.48</u>	<u>\$ 0.57</u>	<u>\$ 0.52</u>	<u>\$ 0.80</u>	<u>\$ 2.05</u>
diluted operating earnings per share	<u>\$ 0.44</u>	<u>\$ 0.56</u>	<u>\$ 0.48</u>	<u>\$ 0.75</u>	<u>\$ 1.94</u>

Lancashire Holdings Limited
basic and fully converted book value per share

	<u>30 june 2010</u>	<u>31 march 2010</u>	<u>31 december 2009</u>	<u>30 september 2009</u>	<u>30 june 2009</u>
numerator (\$ in millions):					
shareholders' equity	\$ 1,360.9	\$ 1,359.3	\$ 1,378.9	\$ 1,537.1	\$ 1,418.8
proceeds from assumed exercise of outstanding dilutive warrants	179.4	180.5	185.6	183.9	183.4
proceeds from assumed exercise of outstanding dilutive options	6.2	6.6	4.0	13.0	6.0
book value numerator	<u>\$ 1,546.5</u>	<u>\$ 1,546.4</u>	<u>\$ 1,568.5</u>	<u>\$ 1,734.0</u>	<u>\$ 1,608.2</u>
denominator (in shares):					
common voting shares outstanding	155,791,315	168,299,510	170,470,393	172,940,800	172,939,932
shares issuable upon exercise of outstanding dilutive warrants	36,932,789	37,182,159	38,312,564	37,538,689	37,392,321
shares issuable upon exercise of outstanding dilutive options	1,507,491	1,739,939	1,029,798	2,485,645	1,242,761
shares relating to dilutive restricted stock	2,490,766	2,263,191	1,894,048	1,377,159	631,847
fully converted book value denominator	<u>196,722,361</u>	<u>209,484,799</u>	<u>211,706,803</u>	<u>214,342,293</u>	<u>212,206,861</u>
basic book value per share	<u>\$ 8.74</u>	<u>\$ 8.08</u>	<u>\$ 8.09</u>	<u>\$ 8.89</u>	<u>\$ 8.20</u>
fully converted book value per share	<u>\$ 7.86</u>	<u>\$ 7.38</u>	<u>\$ 7.41</u>	<u>\$ 8.09</u>	<u>\$ 7.58</u>
dividend per common share ⁽¹⁾	\$ -	\$ 0.10	\$ 1.25	\$ 0.05	\$ -
change in FCBVS adj for dividends ⁽²⁾ - quarter	6.5%	0.9%	7.0%	7.4%	6.9%
change in FCBVS adj for dividends ⁽²⁾ - rolling 12 months	24.2%	24.9%	26.5%	28.0%	9.1%
compound annual change in FCBVS adj for dividends ⁽²⁾	19.4%	19.0%	19.8%	19.1%	18.3%
compound annual change in FCBVS adj for dividends ⁽²⁾ - above 3 month treasury	17.0%	16.5%	17.1%	16.3%	15.2%
change in FCBVS adj for dividends ⁽²⁾ - since inception	122.0%	109.3%	105.8%	92.7%	79.9%

⁽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

	<u>30 june 2010</u>	<u>31 march 2010</u>	<u>31 december 2009</u>	<u>30 september 2009</u>	<u>30 june 2009</u>
shareholders' equity	\$ 1,360.9	\$ 1,359.3	\$ 1,378.9	\$ 1,537.1	\$ 1,418.8
weighted average exercise price per share of dilutive warrants	\$ 4.86	\$ 4.86	\$ 4.85	\$ 4.90	\$ 4.90
weighted average exercise price per share of dilutive options	\$ 4.12	\$ 3.80	\$ 3.87	\$ 5.21	\$ 4.82
denominator (in shares):					
common voting shares outstanding	155,791,315	168,299,510	170,470,393	172,940,800	172,939,932
unvested restricted shares and restricted share units	2,490,766	2,263,191	1,894,048	1,377,159	631,847
dilutive warrants outstanding	36,932,789	37,182,159	38,312,564	37,538,689	37,392,321
proforma warrants bought back	<u>(20,540,337)</u>	<u>(22,353,566)</u>	<u>(22,950,049)</u>	<u>(20,690,254)</u>	<u>(22,345,140)</u>
proforma net shares issued	16,392,452	14,828,593	15,362,515	16,848,435	15,047,181
dilutive options outstanding	1,507,491	1,739,939	1,029,798	2,485,645	1,242,761
proforma options bought back	<u>(710,545)</u>	<u>(819,579)</u>	<u>(492,288)</u>	<u>(1,456,240)</u>	<u>(729,851)</u>
proforma net shares issued	796,946	920,360	537,510	1,029,405	512,910
proforma dilutive shares outstanding	<u>175,471,479</u>	<u>186,311,654</u>	<u>188,264,466</u>	<u>192,195,799</u>	<u>189,131,870</u>
basic book value per common share	<u>\$ 8.74</u>	<u>\$ 8.08</u>	<u>\$ 8.09</u>	<u>\$ 8.89</u>	<u>\$ 8.20</u>
diluted book value per common share	<u>\$ 7.76</u>	<u>\$ 7.30</u>	<u>\$ 7.32</u>	<u>\$ 8.00</u>	<u>\$ 7.50</u>
dividend per common share ⁽¹⁾	\$ -	\$ 0.10	\$ 1.25	\$ 0.05	\$ -
change in FDBVS adj for dividends ⁽²⁾ - quarter	6.3%	1.1%	7.1%	7.3%	7.0%
change in FDBVS adj for dividends ⁽²⁾ - rolling 12 months	24.2%	25.2%	26.4%	27.6%	8.7%
compound annual change in FDBVS adj for dividends ⁽²⁾	19.1%	18.8%	19.5%	18.8%	17.9%
compound annual change in FDBVS adj for dividends ⁽²⁾ - above 3 month treasury	16.7%	16.2%	16.8%	15.9%	14.9%
change in FDBVS adj for dividends ⁽²⁾ - since inception	119.8%	107.6%	103.9%	90.7%	78.2%

⁽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