

Underwriting comes **first**

Effectively **balance** risk and return

Operate **nimbly** through the cycle

## 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 JUDGMENT 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. JUDGMENTS IN RELATION TO NATURAL CATASTROPHE AND MAN MADE EVENTS INVOLVE COMPLEX FACTORS POTENTIALLY CONTRIBUTING TO THESE TYPES OF LOSS, AND WE CAUTION AS TO THE PRELIMINARY NATURE OF THE INFORMATION USED TO PREPARE ANY SUCH ESTIMATES.

THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE HOLDINGS LIMITED EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS (INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE)) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

## **Lancashire Holdings Limited**

### **table of contents**

1. basis of presentation and non-GAAP financial measures
2. consolidated financial highlights
3. growth in fully converted book value per share plus dividends since inception
4. summary consolidated income statements
5. premiums by line of business
6. summary consolidated underwriting segment results
7. property segment - underwriting statement
8. energy segment - underwriting statement
9. marine segment - underwriting statement
10. aviation segment - underwriting statement
11. summary consolidated cash flows
12. summary consolidated balance sheets
13. composition of investment portfolio
14. investment portfolio - sector detail
15. corporate issuer and country exposure
16. net losses and loss ratios
17. losses by accident year
18. estimated exposures to peak zone elemental losses
19. earnings per share
20. basic and fully converted book value per share
21. basic and fully diluted book value per share

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



LANCASHIRE HOLDINGS LIMITED'S ("LANCASHIRE" OR "THE GROUP") AUDITED CONSOLIDATED FINANCIAL STATEMENTS ARE PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") ENDORSED BY THE EUROPEAN UNION. WHERE IFRS IS SILENT, AS IT IS IN RESPECT OF THE MEASUREMENT OF INSURANCE PRODUCTS, THE IFRS FRAMEWORK ALLOWS REFERENCE TO ANOTHER COMPREHENSIVE BODY OF ACCOUNTING PRINCIPLES. IN SUCH INSTANCES, MANAGEMENT DETERMINES APPROPRIATE MEASUREMENT BASES, TO PROVIDE THE MOST USEFUL INFORMATION TO USERS OF THE CONSOLIDATED FINANCIAL STATEMENTS, USING THEIR JUDGEMENT AND CONSIDERING THE ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES ("US GAAP").

THIS FINANCIAL SUPPLEMENT HAS NOT BEEN AUDITED AND MAY CONTAIN DIFFERENCES TO NUMBERS AND DISCLOSURES PROVIDED IN OUR AUDITED AND / OR INTERIM FINANCIAL STATEMENTS. THESE DIFFERENCES ARE DUE TO MANAGEMENT'S PREFERRED PRESENTATION OR TO AID USERS' UNDERSTANDING OF THE GROUP.

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

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

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

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

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

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

FULLY CONVERTED BOOK VALUE PER SHARE ("FCBVS") - THE CALCULATION IS BASED ON THE FOLLOWING: THE VALUE OF TOTAL SHAREHOLDERS' EQUITY PLUS THE PROCEEDS THAT WOULD BE RECEIVED FROM THE EXERCISE OF ALL DILUTIVE OUTSTANDING OPTIONS, DILUTIVE WARRANTS AND DILUTIVE RESTRICTED STOCK UNITS AS CALCULATED UNDER THE TREASURY METHOD; DIVIDED BY: THE SUM OF ALL SHARES, DILUTIVE OPTIONS, DILUTIVE WARRANTS AND DILUTIVE RESTRICTED STOCK UNITS, ASSUMING ALL ARE EXERCISED.

CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE ADJUSTED FOR DIVIDENDS - THE CALCULATION IS THE INTERNAL RATE OF RETURN OF THE CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE IN THE PERIOD PLUS DIVIDENDS ACCRUED

COMPOUND ANNUAL CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE ADJUSTED FOR DIVIDENDS ABOVE 3 MONTH TREASURY - THE CALCULATION IS THE INTERNAL RATE OF RETURN ON THE MOVEMENT IN FULLY CONVERTED BOOK VALUE SINCE INCEPTION ON AN ANNUALISED BASIS PLUS DIVIDENDS ACCRUED LESS THE ANNUALISED 3 MONTH TREASURY RATE

FULLY DILUTED BOOK VALUE PER SHARE ("FDBVS") - THE CALCULATION IS BASED ON THE FOLLOWING: THE VALUE OF TOTAL SHAREHOLDERS' EQUITY DIVIDED BY: THE SUM OF ALL SHARES OUTSTANDING AFTER THE EXERCISE OF ALL DILUTIVE OPTIONS, DILUTIVE WARRANTS AND DILUTIVE RESTRICTED STOCK UNITS, AS CALCULATED UNDER THE TREASURY METHOD, ASSUMING ALL ARE EXERCISED.

DEBT TO TOTAL CAPITAL RATIO - THE CALCULATION IS BASED ON THE FOLLOWING AND IS AN INDICATION OF THE LEVERAGE OF THE COMPANY: LONG-TERM DEBT DIVIDED BY LONG-TERM DEBT PLUS TOTAL SHAREHOLDERS' EQUITY

MANAGED CASH INCLUDES BOTH CASH MANAGED BY EXTERNAL INVESTMENT MANAGERS AND NON-OPERATING CASH MANAGED INTERNALLY

ALL AMOUNTS, EXCLUDING SHARE DATA OR WHERE OTHERWISE STATED, ARE IN MILLIONS OF UNITED STATES DOLLARS

MANAGEMENT BELIEVES THE FINANCIAL MEASURES INCLUDED IN THIS FINANCIAL SUPPLEMENT ARE IMPORTANT FOR UNDERSTANDING THE GROUP'S OVERALL RESULTS OF OPERATIONS. WE BELIEVE THAT THE MEASURES INCLUDED IN THIS DOCUMENT ARE IMPORTANT TO INVESTORS AND OTHER INTERESTED PARTIES AND THAT SUCH PERSONS BENEFIT FROM HAVING A CONSISTENT BASIS FOR COMPARISON WITH OTHER COMPANIES WITHIN THE INDUSTRY. HOWEVER, THESE MEASURES MAY NOT BE COMPARABLE TO SIMILARLY LABELED MEASURES USED BY COMPANIES INSIDE OR OUTSIDE THE INSURANCE INDUSTRY. IN ADDITION, THE INFORMATION HEREIN SHOULD NOT BE VIEWED AS A SUBSTITUTE FOR THE MEASURES DETERMINED IN ACCORDANCE WITH THE ACCOUNTING PRINCIPLES USED BY THE GROUP FOR ITS 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**

	q1 2011	q1 2010	% change q1-11 vs. q1-10
<b>highlights</b>			
gross premiums written	\$ 171.9	\$ 228.0	(25%)
net premiums written	137.7	203.5	(32%)
net premiums earned	145.2	171.8	(15%)
net insurance losses	97.3	133.9	(27%)
net investment income	11.6	13.7	(15%)
net realised gains (losses) and impairments	2.4	4.3	(44%)
profit after tax	8.6	8.2	5%
change in net unrealised gains / losses on investments	(2.2)	6.8	(132%)
comprehensive income	6.4	15.0	(57%)
net operating income <sup>(1)</sup>	\$ 6.9	\$ 7.9	(13%)
total investments and cash	\$ 2,054.1	\$ 2,179.7	(6%)
total shareholders' equity	\$ 1,282.1	\$ 1,359.3	(6%)
<b>per share data</b>			
net operating income per share - diluted <sup>(2)</sup>	\$ 0.04	\$ 0.04	
profit after tax per share - diluted <sup>(2)</sup>	\$ 0.05	\$ 0.04	
fully converted book value per share	\$ 7.50	\$ 7.38	
change in FCBVS adj for dividends <sup>(3)</sup>	0.4%	0.9%	
fully diluted book value per share	\$ 7.39	\$ 7.30	
change in FDBVS adj for dividends <sup>(4)</sup>	0.4%	1.1%	
<b>financial ratios</b>			
net loss ratio	67.0%	77.9%	
net acquisition cost ratio	17.5%	15.5%	
administrative expense ratio	12.9%	5.7%	
combined ratio	97.4%	99.1%	
net return on total investments	0.6%	1.2%	

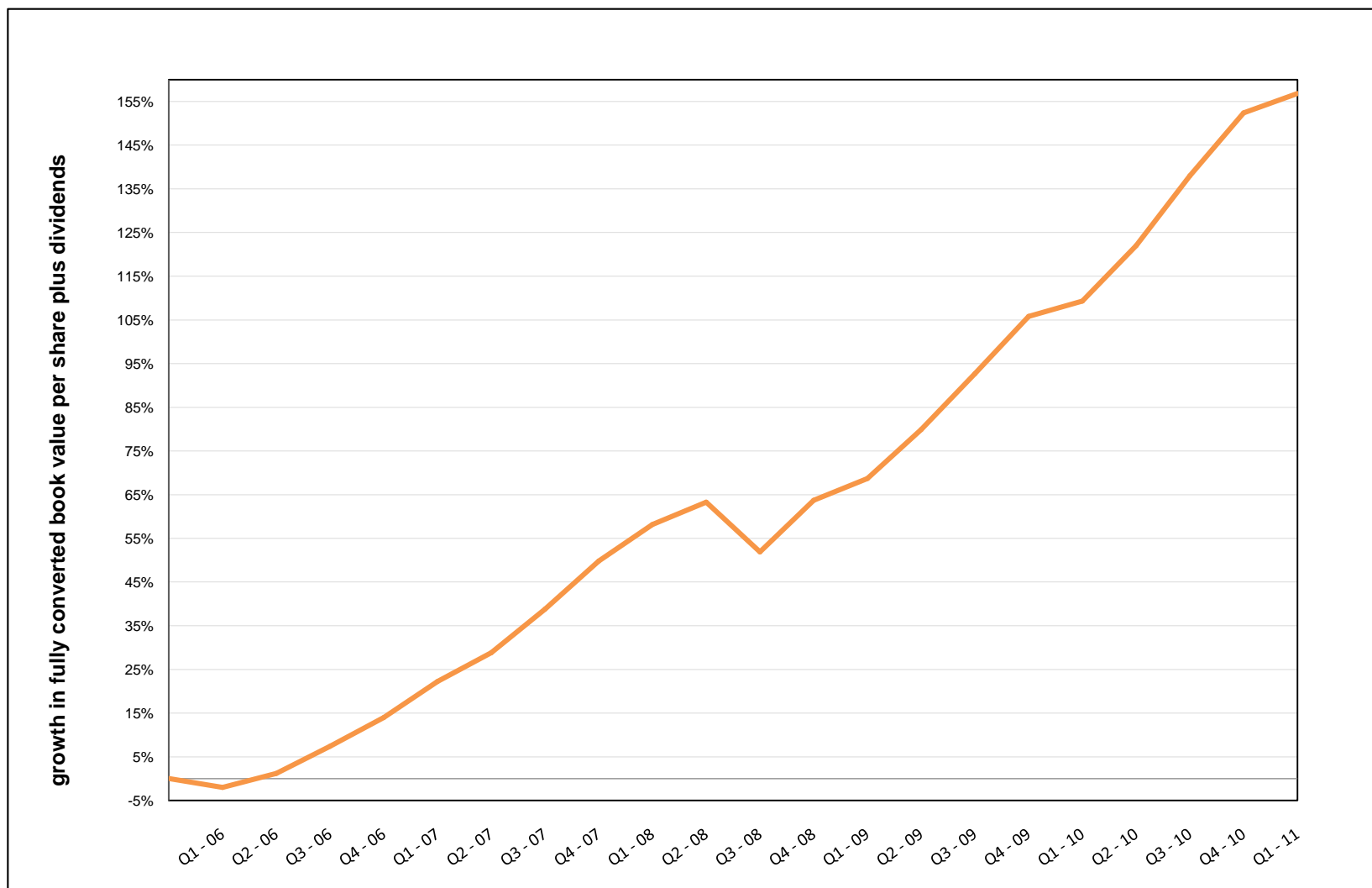
<sup>(1)</sup> excludes realised gains and losses, foreign exchange gains and losses, equity based compensation relating to warrants issued at IPO and tax

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

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

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

**Lancashire Holdings Limited**  
**growth in fully converted book value per share plus dividends since inception**



**Lancashire Holdings Limited**  
**summary consolidated income statements**

	<b>q1</b>	<b>q4</b>	<b>q3</b>	<b>q2</b>	<b>q1</b>	<b>full year</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
gross premiums written	\$ 171.9	\$ 94.0	\$ 135.0	\$ 232.1	\$ 228.0	\$ 689.1
outwards reinsurance premiums	(34.2)	(0.3)	(1.0)	(13.4)	(24.5)	(39.2)
<b>net premiums written</b>	<b>137.7</b>	<b>93.7</b>	<b>134.0</b>	<b>218.7</b>	<b>203.5</b>	<b>649.9</b>
change in unearned premiums	(14.5)	64.5	22.9	(72.5)	(47.9)	(33.0)
change in unearned premiums on premiums ceded	22.0	(8.8)	(8.5)	(1.6)	16.2	(2.7)
<b>net premiums earned</b>	<b>145.2</b>	<b>149.4</b>	<b>148.4</b>	<b>144.6</b>	<b>171.8</b>	<b>614.2</b>
net investment income	11.6	12.7	13.1	13.9	13.7	53.4
net other investment income (losses)	(0.1)	-	0.1	0.1	(0.1)	0.1
net realised gains (losses) and impairments	2.4	13.8	6.6	8.5	4.3	33.2
net foreign exchange gains (losses)	(0.9)	(0.1)	3.6	(1.9)	(1.7)	(0.1)
<b>total net revenue</b>	<b>158.2</b>	<b>175.8</b>	<b>171.8</b>	<b>165.2</b>	<b>188.0</b>	<b>700.8</b>
insurance losses	105.1	(11.5)	13.6	59.1	133.5	194.7
insurance losses recoverable	(7.8)	2.4	0.3	(32.1)	0.4	(29.0)
net insurance acquisition expenses	25.4	23.7	28.3	27.7	26.6	106.3
equity based compensation	6.4	6.1	4.4	4.7	5.9	21.1
other operating expenses	18.7	16.5	15.9	19.6	9.8	61.8
<b>total expenses</b>	<b>147.8</b>	<b>37.2</b>	<b>62.5</b>	<b>79.0</b>	<b>176.2</b>	<b>354.9</b>
<b>profit before tax and finance costs</b>	<b>10.4</b>	<b>138.6</b>	<b>109.3</b>	<b>86.2</b>	<b>11.8</b>	<b>345.9</b>
financing costs	(2.0)	(1.6)	(1.7)	(1.7)	(1.7)	(6.7)
<b>profit before tax</b>	<b>8.4</b>	<b>137.0</b>	<b>107.6</b>	<b>84.5</b>	<b>10.1</b>	<b>339.2</b>
tax	0.2	(5.2)	(1.6)	0.3	(1.9)	(8.4)
<b>profit after tax</b>	<b>\$ 8.6</b>	<b>\$ 131.8</b>	<b>\$ 106.0</b>	<b>\$ 84.8</b>	<b>\$ 8.2</b>	<b>\$ 330.8</b>
change in net unrealised gains / losses on investments	(2.2)	(34.8)	19.8	6.0	6.8	(2.2)
<b>comprehensive income</b>	<b>\$ 6.4</b>	<b>\$ 97.0</b>	<b>\$ 125.8</b>	<b>\$ 90.8</b>	<b>\$ 15.0</b>	<b>\$ 328.6</b>
net loss ratio	67.0%	(6.1%)	9.4%	18.7%	77.9%	27.0%
net acquisition cost ratio	17.5%	15.9%	19.1%	19.2%	15.5%	17.3%
administrative expense ratio	12.9%	11.0%	10.7%	13.6%	5.7%	10.1%
combined ratio	97.4%	20.8%	39.2%	51.5%	99.1%	54.4%
net return on total investments	0.6%	(0.4%)	2.0%	1.4%	1.2%	4.2%
basic earnings per share	\$ 0.06	\$ 0.87	\$ 0.69	\$ 0.53	\$ 0.05	\$ 2.08
diluted earnings per share	\$ 0.05	\$ 0.76	\$ 0.61	\$ 0.48	\$ 0.04	\$ 1.86

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

	<u>q1</u> <u>2011</u>	<u>q4</u> <u>2010</u>	<u>q3</u> <u>2010</u>	<u>q2</u> <u>2010</u>	<u>q1</u> <u>2010</u>	<u>full year</u> <u>2010</u>
<b>gross premiums written</b>						
property cat excess of loss	\$ 33.0	\$ 2.2	\$ 24.1	\$ 17.4	\$ 54.4	\$ 98.1
terrorism	23.2	13.1	11.1	24.8	28.8	77.8
property direct and facultative	13.6	12.7	15.2	22.2	14.7	64.8
property retrocession	25.9	2.4	0.2	2.9	46.9	52.4
property political risk	5.4	6.3	9.9	4.7	8.2	29.1
other property	1.2	0.2	0.5	1.2	(0.5)	1.4
total property	<u>102.3</u>	<u>36.9</u>	<u>61.0</u>	<u>73.2</u>	<u>152.5</u>	<u>323.6</u>
worldwide offshore energy	22.6	22.8	27.6	43.8	28.9	123.1
gulf of mexico offshore energy	2.1	1.8	14.0	68.9	2.7	87.4
construction energy	1.5	2.4	4.9	1.0	3.9	12.2
onshore energy	0.9	1.0	2.7	2.2	1.0	6.9
energy excess of loss	1.3	-	-	5.4	-	5.4
other energy	0.3	-	2.1	0.8	0.4	3.3
total energy	<u>28.7</u>	<u>28.0</u>	<u>51.3</u>	<u>122.1</u>	<u>36.9</u>	<u>238.3</u>
marine hull and total loss	10.9	(0.5)	9.2	15.1	7.9	31.7
marine hull war	5.2	2.7	2.6	3.9	7.7	16.9
marine builders risk	5.4	3.3	1.5	4.8	5.0	14.6
marine P&I clubs	9.1	0.8	0.1	0.4	10.6	11.9
other marine	2.7	0.2	0.4	0.1	0.6	1.3
total marine	<u>33.3</u>	<u>6.5</u>	<u>13.8</u>	<u>24.3</u>	<u>31.8</u>	<u>76.4</u>
AV 52	6.7	19.5	7.4	10.3	5.4	42.6
other aviation	0.9	3.1	1.5	2.2	1.4	8.2
total aviation	<u>7.6</u>	<u>22.6</u>	<u>8.9</u>	<u>12.5</u>	<u>6.8</u>	<u>50.8</u>
<b>total gross premiums written</b>	<u><b>\$ 171.9</b></u>	<u><b>\$ 94.0</b></u>	<u><b>\$ 135.0</b></u>	<u><b>\$ 232.1</b></u>	<u><b>\$ 228.0</b></u>	<u><b>\$ 689.1</b></u>



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

**three months ending 31 march 2011**

	<b>property</b>	<b>energy</b>	<b>marine</b>	<b>aviation</b>	<b>consolidated</b>
gross premiums written	\$ 102.3	\$ 28.7	\$ 33.3	\$ 7.6	\$ 171.9
net premiums written	89.5	16.4	26.9	4.9	137.7
net premiums earned	71.4	45.0	17.6	11.2	145.2
net insurance losses	95.9	12.2	(5.5)	(5.3)	97.3
net insurance acquisition expenses	8.7	8.7	5.5	2.5	25.4
other operating expenses <sup>(1)</sup>					18.7
	\$ (33.2)	\$ 24.1	\$ 17.6	\$ 14.0	\$ 3.8
net loss ratio	134.3%	27.1%	(31.3%)	(47.3%)	67.0%
net acquisition cost ratio	12.2%	19.3%	31.3%	22.3%	17.5%
administrative expense ratio <sup>(1)</sup>					12.9%
combined ratio	146.5%	46.4%	-	(25.0%)	97.4%

**three months ending 31 march 2010**

	<b>property</b>	<b>energy</b>	<b>marine</b>	<b>aviation</b>	<b>consolidated</b>
gross premiums written	\$ 152.5	\$ 36.9	\$ 31.8	\$ 6.8	\$ 228.0
net premiums written	137.9	31.6	30.1	3.9	203.5
net premiums earned	96.8	45.7	16.1	13.2	171.8
net insurance losses	110.7	11.7	11.8	(0.3)	133.9
net insurance acquisition expenses	10.0	9.8	4.7	2.1	26.6
other operating expenses <sup>(1)</sup>					9.8
	\$ (23.9)	\$ 24.2	\$ (0.4)	\$ 11.4	\$ 1.5
net loss ratio	114.4%	25.6%	73.3%	(2.3%)	77.9%
net acquisition cost ratio	10.3%	21.4%	29.2%	15.9%	15.5%
administrative expense ratio <sup>(1)</sup>					5.7%
combined ratio	124.7%	47.0%	102.5%	13.6%	99.1%

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

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

	<u>q1</u> <u>2011</u>	<u>q4</u> <u>2010</u>	<u>q3</u> <u>2010</u>	<u>q2</u> <u>2010</u>	<u>q1</u> <u>2010</u>	<u>full year</u> <u>2010</u>
<b>underwriting income (loss)</b>						
gross premiums written	\$ 102.3	\$ 36.9	\$ 61.0	\$ 73.2	\$ 152.5	\$ 323.6
outwards reinsurance premiums	(12.8)	-	(0.4)	(3.9)	(14.6)	(18.9)
<b>net premiums written</b>	<b><u>89.5</u></b>	<b><u>36.9</u></b>	<b><u>60.6</u></b>	<b><u>69.3</u></b>	<b><u>137.9</u></b>	<b><u>304.7</u></b>
change in unearned premiums	(26.5)	40.0	11.4	6.1	(52.2)	5.3
change in unearned premiums on premiums ceded	8.4	(4.8)	(4.9)	0.3	11.1	1.7
<b>net premiums earned</b>	<b><u>\$ 71.4</u></b>	<b><u>\$ 72.1</u></b>	<b><u>\$ 67.1</u></b>	<b><u>\$ 75.7</u></b>	<b><u>\$ 96.8</u></b>	<b><u>\$ 311.7</u></b>
<b>underwriting expenses</b>						
net insurance losses	95.9	0.7	1.7	(4.4)	110.7	108.7
net insurance acquisition expenses	8.7	9.5	9.1	9.7	10.0	38.3
<b>total underwriting expenses</b>	<b><u>104.6</u></b>	<b><u>10.2</u></b>	<b><u>10.8</u></b>	<b><u>5.3</u></b>	<b><u>120.7</u></b>	<b><u>147.0</u></b>
<b>net underwriting income (loss)</b>	<b><u>\$ (33.2)</u></b>	<b><u>\$ 61.9</u></b>	<b><u>\$ 56.3</u></b>	<b><u>\$ 70.4</u></b>	<b><u>\$ (23.9)</u></b>	<b><u>\$ 164.7</u></b>
net loss ratio (% of net premiums earned)	134.3%	1.0%	2.5%	(5.8%)	114.4%	34.9%
net acquisition cost ratio (% of net premiums earned)	12.2%	13.2%	13.6%	12.8%	10.3%	12.3%
	<u>146.5%</u>	<u>14.2%</u>	<u>16.1%</u>	<u>7.0%</u>	<u>124.7%</u>	<u>47.2%</u>

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

	<u>q1</u> <u>2011</u>	<u>q4</u> <u>2010</u>	<u>q3</u> <u>2010</u>	<u>q2</u> <u>2010</u>	<u>q1</u> <u>2010</u>	<u>full year</u> <u>2010</u>
<b>underwriting income</b>						
gross premiums written	\$ 28.7	\$ 28.0	\$ 51.3	\$ 122.1	\$ 36.9	\$ 238.3
outwards reinsurance premiums	(12.3)	(0.5)	(0.7)	(7.4)	(5.3)	(13.9)
<b>net premiums written</b>	<u>16.4</u>	<u>27.5</u>	<u>50.6</u>	<u>114.7</u>	<u>31.6</u>	<u>224.4</u>
change in unearned premiums	21.3	24.3	1.1	(75.2)	11.0	(38.8)
change in unearned premiums on premiums ceded	7.3	(2.1)	(1.7)	(1.6)	3.1	(2.3)
<b>net premiums earned</b>	<u>\$ 45.0</u>	<u>\$ 49.7</u>	<u>\$ 50.0</u>	<u>\$ 37.9</u>	<u>\$ 45.7</u>	<u>\$ 183.3</u>
<b>underwriting expenses</b>						
net insurance losses	12.2	(8.7)	10.1	23.9	11.7	37.0
net insurance acquisition expenses	8.7	6.9	10.7	9.5	9.8	36.9
<b>total underwriting expenses</b>	<u>20.9</u>	<u>(1.8)</u>	<u>20.8</u>	<u>33.4</u>	<u>21.5</u>	<u>73.9</u>
<b>net underwriting income</b>	<u>\$ 24.1</u>	<u>\$ 51.5</u>	<u>\$ 29.2</u>	<u>\$ 4.5</u>	<u>\$ 24.2</u>	<u>\$ 109.4</u>
net loss ratio (% of net premiums earned)	27.1%	(17.5%)	20.2%	63.1%	25.6%	20.2%
net acquisition cost ratio (% of net premiums earned)	19.3%	13.9%	21.4%	25.1%	21.4%	20.1%
	<u>46.4%</u>	<u>(3.6%)</u>	<u>41.6%</u>	<u>88.2%</u>	<u>47.0%</u>	<u>40.3%</u>

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

	<u>q1</u> <u>2011</u>	<u>q4</u> <u>2010</u>	<u>q3</u> <u>2010</u>	<u>q2</u> <u>2010</u>	<u>q1</u> <u>2010</u>	<u>full year</u> <u>2010</u>
<b>underwriting income (loss)</b>						
gross premiums written	\$ 33.3	\$ 6.5	\$ 13.8	\$ 24.3	\$ 31.8	\$ 76.4
outwards reinsurance premiums	(6.4)	0.2	0.1	0.5	(1.7)	(0.9)
<b>net premiums written</b>	<b><u>26.9</u></b>	<b><u>6.7</u></b>	<b><u>13.9</u></b>	<b><u>24.8</u></b>	<b><u>30.1</u></b>	<b><u>75.5</u></b>
change in unearned premiums	(14.0)	9.6	4.4	(6.2)	(14.7)	(6.9)
change in unearned premiums on premiums ceded	4.7	(0.7)	(0.7)	(1.1)	0.7	(1.8)
<b>net premiums earned</b>	<b><u>\$ 17.6</u></b>	<b><u>\$ 15.6</u></b>	<b><u>\$ 17.6</u></b>	<b><u>\$ 17.5</u></b>	<b><u>\$ 16.1</u></b>	<b><u>\$ 66.8</u></b>
<b>underwriting expenses</b>						
net insurance losses	(5.5)	(0.5)	2.7	11.8	11.8	25.8
net insurance acquisition expenses	5.5	4.6	5.4	4.5	4.7	19.2
<b>total underwriting expenses</b>	<b><u>-</u></b>	<b><u>4.1</u></b>	<b><u>8.1</u></b>	<b><u>16.3</u></b>	<b><u>16.5</u></b>	<b><u>45.0</u></b>
<b>net underwriting income (loss)</b>	<b><u>\$ 17.6</u></b>	<b><u>\$ 11.5</u></b>	<b><u>\$ 9.5</u></b>	<b><u>\$ 1.2</u></b>	<b><u>\$ (0.4)</u></b>	<b><u>\$ 21.8</u></b>
net loss ratio (% of net premiums earned)	(31.3%)	(3.2%)	15.3%	67.4%	73.3%	38.6%
net acquisition cost ratio (% of net premiums earned)	31.3%	29.5%	30.7%	25.7%	29.2%	28.7%
	<u>-</u>	<u>26.3%</u>	<u>46.0%</u>	<u>93.1%</u>	<u>102.5%</u>	<u>67.3%</u>

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

	<u>q1</u> <u>2011</u>	<u>q4</u> <u>2010</u>	<u>q3</u> <u>2010</u>	<u>q2</u> <u>2010</u>	<u>q1</u> <u>2010</u>	<u>full year</u> <u>2010</u>
<b>underwriting income</b>						
gross premiums written	\$ 7.6	\$ 22.6	\$ 8.9	\$ 12.5	\$ 6.8	\$ 50.8
outwards reinsurance premiums	(2.7)	-	-	(2.6)	(2.9)	(5.5)
<b>net premiums written</b>	<b>4.9</b>	<b>22.6</b>	<b>8.9</b>	<b>9.9</b>	<b>3.9</b>	<b>45.3</b>
change in unearned premiums	4.7	(9.4)	6.0	2.8	8.0	7.4
change in unearned premiums on premiums ceded	1.6	(1.2)	(1.2)	0.8	1.3	(0.3)
<b>net premiums earned</b>	<b>\$ 11.2</b>	<b>\$ 12.0</b>	<b>\$ 13.7</b>	<b>\$ 13.5</b>	<b>\$ 13.2</b>	<b>\$ 52.4</b>
<b>underwriting expenses</b>						
net insurance losses	(5.3)	(0.6)	(0.6)	(4.3)	(0.3)	(5.8)
net insurance acquisition expenses	2.5	2.7	3.1	4.0	2.1	11.9
<b>total underwriting expenses</b>	<b>(2.8)</b>	<b>2.1</b>	<b>2.5</b>	<b>(0.3)</b>	<b>1.8</b>	<b>6.1</b>
<b>net underwriting income</b>	<b>\$ 14.0</b>	<b>\$ 9.9</b>	<b>\$ 11.2</b>	<b>\$ 13.8</b>	<b>\$ 11.4</b>	<b>\$ 46.3</b>
net loss ratio (% of net premiums earned)	(47.3%)	(5.0%)	(4.4%)	(31.9%)	(2.3%)	(11.1%)
net acquisition cost ratio (% of net premiums earned)	22.3%	22.5%	22.6%	29.6%	15.9%	22.7%
	(25.0%)	17.5%	18.2%	(2.3%)	13.6%	11.6%

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

<b>cash flows</b>	<b>q1 2011</b>	<b>q4 2010</b>	<b>q3 2010</b>	<b>q2 2010</b>	<b>q1 2010</b>	<b>full year 2010</b>
net cash flows from operating activities	\$ 67.4	\$ 22.9	\$ 117.6	\$ 21.5	\$ 106.8	\$ 268.8
net cash flows from (used in) investing activities	172.3	220.6	(69.0)	141.4	(33.8)	259.2
net cash flows used in financing activities	<u>(265.3)</u>	<u>(10.5)</u>	<u>(39.0)</u>	<u>(118.1)</u>	<u>(280.5)</u>	<u>(448.1)</u>
<b>net increase (decrease) in cash and cash equivalents</b>	<b><u>(25.6)</u></b>	<b><u>233.0</u></b>	<b><u>9.6</u></b>	<b><u>44.8</u></b>	<b><u>(207.5)</u></b>	<b><u>79.9</u></b>
cash and cash equivalents, opening	512.5	288.1	268.7	230.6	440.0	440.0
effect of exchange rate fluctuations	<u>6.4</u>	<u>(8.6)</u>	<u>9.8</u>	<u>(6.7)</u>	<u>(1.9)</u>	<u>(7.4)</u>
<b>cash and cash equivalents, closing</b>	<b><u>\$ 493.3</u></b>	<b><u>\$ 512.5</u></b>	<b><u>\$ 288.1</u></b>	<b><u>\$ 268.7</u></b>	<b><u>\$ 230.6</u></b>	<b><u>\$ 512.5</u></b>

**Lancashire Holdings Limited**  
summary consolidated balance sheets

	31 march 2011	31 december 2010	30 september 2010	30 june 2010	31 march 2010
<b>assets</b>					
cash and cash equivalents	\$ 493.3	\$ 512.5	\$ 288.1	\$ 268.7	\$ 230.6
accrued interest receivable	12.8	13.4	14.6	12.9	14.8
investments					
- fixed income securities - available for sale	1,529.9	1,719.1	1,948.1	1,836.9	1,949.1
- at fair value through profit or loss	1.5	-	-	-	-
- equity securities, available for sale	29.8	-	-	-	-
- other investments	(0.4)	(0.2)	(0.3)	1.1	-
reinsurance assets					
- unearned premiums on premiums ceded	24.9	2.9	11.7	20.2	21.8
- reinsurance recoveries	41.0	35.9	44.0	47.8	34.7
- other receivables	2.5	5.6	3.6	2.0	0.7
deferred acquisition costs	62.7	61.2	70.1	74.8	62.8
inwards premiums receivable from insureds and cedants	239.3	217.5	232.4	285.4	227.7
other assets	61.6	59.5	22.3	25.7	39.8
<b>total assets</b>	<b>\$ 2,498.9</b>	<b>\$ 2,627.4</b>	<b>\$ 2,634.6</b>	<b>\$ 2,575.5</b>	<b>\$ 2,582.0</b>
<b>liabilities</b>					
insurance contracts					
- losses and loss adjustment expenses	\$ 576.6	\$ 507.5	\$ 565.7	\$ 583.7	\$ 607.5
- unearned premiums	365.1	350.6	415.1	438.0	365.5
- other payables	16.0	20.6	17.0	19.6	15.2
amounts payable to reinsurers	20.9	4.4	6.2	12.7	14.2
deferred acquisition costs ceded	0.7	0.1	2.6	2.8	2.9
other payables	106.7	328.5	52.7	31.5	88.1
long-term debt	130.8	128.8	129.7	126.3	129.3
<b>total liabilities</b>	<b>1,216.8</b>	<b>1,340.5</b>	<b>1,189.0</b>	<b>1,214.6</b>	<b>1,222.7</b>
<b>shareholders' equity</b>					
share capital	84.3	84.3	84.3	86.7	91.2
own shares	(110.3)	(106.9)	(111.0)	(117.1)	(92.0)
share premium	2.4	2.4	2.4	2.4	2.4
contributed surplus	669.7	662.6	661.9	699.1	760.7
accumulated other comprehensive income	26.0	28.2	63.0	43.2	37.2
other reserves	74.7	70.7	67.2	65.4	63.4
dividends	(18.9)	(294.2)	(30.2)	(20.8)	(20.8)
retained earnings	554.2	839.8	708.0	602.0	517.2
<b>total shareholders' equity</b>	<b>\$ 1,282.1</b>	<b>\$ 1,286.9</b>	<b>\$ 1,445.6</b>	<b>\$ 1,360.9</b>	<b>\$ 1,359.3</b>
<b>total liabilities and shareholders' equity</b>	<b>\$ 2,498.9</b>	<b>\$ 2,627.4</b>	<b>\$ 2,634.6</b>	<b>\$ 2,575.5</b>	<b>\$ 2,582.0</b>
basic book value per share	\$ 8.39	\$ 8.45	\$ 9.53	\$ 8.74	\$ 8.08
fully converted book value per share	\$ 7.50	\$ 7.57	\$ 8.43	\$ 7.86	\$ 7.38
fully diluted book value per share	\$ 7.39	\$ 7.46	\$ 8.30	\$ 7.76	\$ 7.30
debt to total capital ratio	9.3%	9.1%	8.2%	8.5%	8.7%

**Lancashire Holdings Limited**  
composition of investment portfolio



	31 march 2011	%	31 december 2010	%	30 september 2010	%	30 june 2010	%	31 march 2010	%					
type of investment															
short term investments	\$	57.7	2.9%	\$	12.1	0.5%	\$	31.1	1.4%	\$	99.5	4.8%	\$	258.6	12.1%
U.S. treasuries		227.1	11.4%		300.5	13.7%		511.8	23.1%		409.9	19.7%		249.3	11.7%
other government bonds		168.0	8.4%		181.4	8.2%		195.9	8.9%		144.4	7.0%		145.9	6.9%
U.S. municipal bonds		14.8	0.7%		10.9	0.5%		11.5	0.5%		11.2	0.5%		9.0	0.4%
U.S. government agency debt		25.9	1.3%		34.4	1.6%		38.8	1.8%		36.5	1.8%		69.4	3.2%
asset backed securities		31.2	1.5%		19.7	0.9%		16.6	0.7%		4.6	0.2%		-	-
U.S. government agency mortgage backed securities		212.4	10.6%		337.5	15.3%		351.2	15.9%		385.7	18.5%		458.1	21.5%
non-agency mortgage backed securities		17.3	0.9%		16.5	0.8%		5.9	0.3%		5.9	0.3%		2.6	0.1%
agency commercial mortgage backed securities		1.1	0.1%		-	-		-	-		-	-		-	-
non-agency commercial mortgage backed securities		24.1	1.2%		26.7	1.2%		22.8	1.0%		19.5	0.9%		-	-
corporate bonds - non FDIC guaranteed		667.0	33.3%		683.9	31.1%		627.5	28.4%		576.8	27.7%		588.7	27.6%
corporate bonds - FDIC guaranteed		83.3	4.2%		95.5	4.3%		135.0	6.1%		142.9	6.9%		167.5	7.8%
total fixed income securities, available for sale		1,529.9	76.5%		1,719.1	78.1%		1,948.1	88.1%		1,836.9	88.3%		1,949.1	91.3%
convertible debt securities - at fair value through profit or loss		1.5	0.1%		-	-		-	-		-	-		-	-
equity securities - available for sale		29.8	1.5%		-	-		-	-		-	-		-	-
other investments		(0.4)	-		(0.2)	-		(0.3)	-		1.1	0.1%		-	-
managed cash		437.4	21.9%		481.8	21.9%		263.6	11.9%		241.3	11.6%		186.1	8.7%
total investments	\$	1,998.2	100.0%	\$	2,200.7	100.0%	\$	2,211.4	100.0%	\$	2,079.3	100.0%	\$	2,135.2	100.0%
credit quality of fixed income securities															
AAA	\$	819.2	53.6%	\$	968.3	56.3%	\$	1,235.4	63.4%	\$	1,213.7	66.1%	\$	1,315.0	67.5%
AA+, AA, AA-		145.6	9.5%		147.5	8.6%		147.2	7.6%		128.4	7.0%		137.8	7.1%
A+, A, A-		373.3	24.4%		375.2	21.8%		342.7	17.6%		315.5	17.2%		310.3	15.9%
BBB+, BBB, BBB-		150.0	9.8%		182.9	10.7%		175.6	9.0%		149.6	8.1%		156.5	8.0%
other		41.8	2.7%		45.2	2.6%		47.2	2.4%		29.7	1.6%		29.5	1.5%
	\$	1,529.9	100.0%	\$	1,719.1	100.0%	\$	1,948.1	100.0%	\$	1,836.9	100.0%	\$	1,949.1	100.0%
corporate bonds															
industrial	\$	291.8	38.9%	\$	300.3	38.5%	\$	278.5	36.5%	\$	254.7	35.4%	\$	274.2	36.3%
financial - non FDIC guaranteed		297.4	39.6%		272.8	35.0%		248.3	32.6%		235.6	32.7%		225.2	29.8%
utility		52.1	6.9%		64.6	8.3%		58.0	7.6%		52.4	7.3%		53.1	7.0%
other		0.5	0.1%		11.9	1.5%		12.0	1.6%		13.0	1.8%		13.5	1.8%
foreign agencies		25.2	3.4%		34.3	4.4%		30.7	4.0%		21.1	2.9%		22.7	3.0%
financial - FDIC guaranteed		83.3	11.1%		95.5	12.3%		135.0	17.7%		142.9	19.9%		167.5	22.1%
	\$	750.3	100.0%	\$	779.4	100.0%	\$	762.5	100.0%	\$	719.7	100.0%	\$	756.2	100.0%
quarterly net return on total investments			0.6%			(0.4%)			2.0%			1.4%			1.2%
rolling 12 months net return on total investments			3.6%			4.2%			5.2%			4.7%			3.9%
average book yield of fixed income and managed cash			2.2%			2.4%			2.6%			2.8%			2.9%
average market yield of fixed income and managed cash			1.7%			1.9%			1.5%			1.9%			2.1%
average duration of fixed income and managed cash			1.8 years			2.2 years			2.4 years			2.4 years			2.3 years
average credit quality of fixed income and managed cash			AA			AA			AA			AA			AA



Lancashire Holdings Limited  
investment portfolio - sector detail

31 march 2011					
	estimated fair value	weighted average book yield	weighted average market yield	weighted average duration	weighted average rating
<b>type of investment</b>					
short term investments	\$ 57.7	0.2%	0.4%	0.4	AAA
U.S. treasuries	227.1	0.9%	1.5%	3.4	AAA
other government bonds	168.0	3.8%	3.5%	2.1	A+
U.S. municipal bonds	14.8	4.2%	4.1%	4.8	A+
U.S. government agency debt	25.9	1.3%	0.8%	1.4	AAA
asset backed securities	31.2	1.3%	1.7%	0.1	AAA
U.S. government agency mortgage backed securities	212.4	3.7%	2.2%	2.3	AAA
non-agency mortgage backed securities	17.3	2.1%	2.4%	0.7	AAA
agency commercial mortgage backed securities	1.1	4.1%	4.2%	7.6	AAA
non-agency commercial mortgage backed securities	24.1	4.1%	3.6%	4.1	AAA
corporate bonds - non FDIC guaranteed	667.0	3.1%	2.2%	2.3	A
corporate bonds - FDIC guaranteed	83.3	2.1%	0.5%	1.1	AAA
<b>total fixed income securities, available for sale</b>	<b>1,529.9</b>	<b>2.7%</b>	<b>2.1%</b>	<b>2.3</b>	<b>AA-</b>
convertible debt securities - at fair value through profit or loss	1.5	2.3%	2.7%	1.6	NR
managed cash <sup>(1)</sup>	437.4	0.2%	0.2%	-	AA+
<b>total fixed income securities and managed cash</b>	<b>\$ 1,968.8</b>	<b>2.2%</b>	<b>1.7%</b>	<b>1.8</b>	<b>AA</b>

31 december 2010					
	estimated fair value	weighted average book yield	weighted average market yield	weighted average duration	weighted average rating
<b>type of investment</b>					
short term investments	\$ 12.1	0.5%	0.4%	0.1	AAA
U.S. treasuries	300.5	1.1%	1.4%	3.5	AAA
other government bonds	181.4	3.9%	3.4%	2.6	A
U.S. municipal bonds	10.9	5.9%	6.0%	7.7	A
U.S. government agency debt	34.4	2.2%	1.6%	3.4	AAA
asset backed securities	19.7	1.4%	1.3%	0.2	AAA
U.S. government agency mortgage backed securities	337.5	3.5%	2.7%	2.9	AAA
non-agency mortgage backed securities	16.5	2.5%	2.9%	1.4	AAA
non-agency commercial mortgage backed securities	26.7	3.9%	3.7%	3.8	AAA
corporate bonds - non FDIC guaranteed	683.9	3.4%	2.4%	2.9	A
corporate bonds - FDIC guaranteed	95.5	2.1%	0.6%	1.3	AAA
<b>total fixed income securities, available for sale</b>	<b>1,719.1</b>	<b>2.9%</b>	<b>2.3%</b>	<b>2.9</b>	<b>AA</b>
managed cash <sup>(1)</sup>	481.8	0.3%	0.3%	-	AA+
<b>total fixed income securities and managed cash</b>	<b>\$ 2,200.9</b>	<b>2.4%</b>	<b>1.9%</b>	<b>2.2</b>	<b>AA</b>

<sup>(1)</sup> managed cash includes money market funds, treasury bills and agency discount notes. Where book yields are not available, book yield is assumed to be equal to market yield.

**Lancashire Holdings Limited**  
corporate issuer and country exposure

31 march 2011					
	par value units	estimated fair value	accrued interest	unrealised gain (loss)	credit quality
<b>top twenty holdings by issuer</b>					
JP Morgan Chase & Company	26.0	\$ 27.5	\$ 0.4	\$ 0.4	A+
Bank of America Corporation	21.2	22.7	0.3	0.6	A
Morgan Stanley	17.7	18.9	0.2	0.6	A
Verizon Communications Incorporated	15.9	17.1	0.3	1.2	A-
Citigroup Incorporated	13.8	14.3	0.1	0.3	A
Philip Morris International Incorporated	11.3	12.2	0.2	0.5	A
Credit Suisse Group Ag	11.2	11.9	0.2	-	A+
Oracle Corporation	11.0	11.9	0.2	0.3	A
US BanCorp	11.2	11.1	0.1	(0.1)	A+
Goldman Sachs Group Incorporated	9.8	10.9	0.2	0.3	A
BP PLC	10.5	10.9	0.1	0.2	A
General Electric Company	10.5	10.7	0.1	0.1	AA+
Bank of New York Mellon Corporation	9.7	10.4	0.1	0.4	AA-
International Business Machines Corporation	9.9	10.3	0.1	0.3	A+
Wal-Mart Stores Incorporated	9.2	9.4	0.1	0.2	AA
Wells Fargo & Company	8.7	9.1	0.1	0.2	AA-
Pfizer Incorporated	8.2	8.8	-	0.2	AA
Pepsico Incorporated	7.8	8.2	-	0.3	A-
France Telecom SA	7.5	8.0	0.1	0.5	A-
Vodafone Group PLC	7.4	7.7	0.1	0.2	A-
	<u>\$ 252.0</u>		<u>\$ 3.0</u>	<u>\$ 6.7</u>	<u>average A+</u>
<b>top twenty holdings as a % of non-FDIC corporate bonds</b>		<u>37.8%</u>			

31 march 2011							31 march 2011		31 march 2011	
top ten emerging market country exposures							ratings distribution of total emerging market portfolio		other government bonds (non U.S.)	
	short term investments	sovereign	agency	corporate	equity	total				
Russia	\$ 0.3	\$ 5.8	\$ 0.9	\$ 11.5	\$ -	\$ 18.5	AA	\$ 4.0	Canada	\$ 25.7
Mexico	0.6	8.8	0.3	8.4	-	18.1	AA-	0.2	Sweden	18.0
Brazil	-	8.4	-	6.3	-	14.7	A+	0.2	Germany	16.3
Indonesia	0.1	6.7	-	2.5	-	9.3	A	15.8	Netherlands	11.2
Turkey	-	7.3	-	-	-	7.3	A-	7.3	United Kingdom	9.1
South Africa	-	6.6	-	0.6	-	7.2	BBB+	5.0	Norway	8.3
Venezuela	-	3.7	0.5	0.3	-	4.5	BBB	21.4	Denmark	6.1
Qatar	-	1.3	1.4	1.0	-	3.7	BBB-	24.6	Australia	3.7
Kazakhstan	-	-	0.9	2.7	-	3.6	BB+	7.1	emerging market sovereign debt	65.4
Colombia	-	3.0	-	-	-	3.0	BB	14.8	emerging market agency debt	4.2
other emerging markets	-	13.8	0.2	6.0	2.4	22.4	BB-	8.0		
							B+	0.7		
							B	0.8		
							equity	2.4		
	<u>\$ 1.0</u>	<u>\$ 65.4</u>	<u>\$ 4.2</u>	<u>\$ 39.3</u>	<u>\$ 2.4</u>	<u>\$ 112.3</u>	avg BBB	<u>\$ 112.3</u>		<u>\$ 168.0</u>

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

<b>total</b>	<b>q1 2011</b>	<b>q4 2010</b>	<b>q3 2010</b>	<b>q2 2010</b>	<b>q1 2010</b>
net reserves: start	\$ 471.6	\$ 521.7	\$ 535.9	\$ 572.8	\$ 453.1
paid losses	39.5	38.8	37.5	56.0	13.1
change in prior year AY <sup>(1)</sup>	(50.8)	(21.8)	(22.2)	(39.3)	(16.8)
current year incurred losses	148.1	12.7	36.1	66.3	150.7
foreign exchange	6.2	(2.2)	9.4	(7.9)	(1.1)
net reserves: end	\$ 535.6	\$ 471.6	\$ 521.7	\$ 535.9	\$ 572.8
net premiums earned	\$ 145.2	\$ 149.4	\$ 148.4	\$ 144.6	\$ 171.8
net loss ratio	67.0%	(6.1%)	9.4%	18.7%	77.9%
IBNR as % of net reserves	46.5%	40.6%	37.6%	35.6%	54.8%

<b>property</b>	<b>q1 2011</b>	<b>q4 2010</b>	<b>q3 2010</b>	<b>q2 2010</b>	<b>q1 2010</b>
net reserves: start	\$ 165.0	\$ 173.3	\$ 176.3	\$ 191.9	\$ 85.0
paid losses	14.7	7.2	11.7	5.6	2.5
change in prior year AY <sup>(1)</sup>	(8.6)	5.1	(5.6)	(17.1)	(11.2)
current year incurred losses	104.5	(4.4)	7.3	12.7	121.9
foreign exchange	4.9	(1.8)	7.0	(5.6)	(1.3)
net reserves: end	\$ 251.1	\$ 165.0	\$ 173.3	\$ 176.3	\$ 191.9
net premiums earned	\$ 71.4	\$ 72.1	\$ 67.1	\$ 75.7	\$ 96.8
net loss ratio	134.3%	1.0%	2.5%	(5.8%)	114.4%

<b>energy</b>	<b>q1 2011</b>	<b>q4 2010</b>	<b>q3 2010</b>	<b>q2 2010</b>	<b>q1 2010</b>
net reserves: start	\$ 210.2	\$ 247.3	\$ 258.7	\$ 276.8	\$ 272.5
paid losses	15.0	28.4	22.1	41.4	7.7
change in prior year AY <sup>(1)</sup>	(22.7)	(20.0)	(10.7)	(15.2)	(1.7)
current year incurred losses	34.9	11.3	20.8	39.1	13.4
foreign exchange	0.5	-	0.6	(0.6)	0.3
net reserves: end	\$ 207.9	\$ 210.2	\$ 247.3	\$ 258.7	\$ 276.8
net premiums earned	\$ 45.0	\$ 49.7	\$ 50.0	\$ 37.9	\$ 45.7
net loss ratio	27.1%	(17.5%)	20.2%	63.1%	25.6%

<b>marine</b>	<b>q1 2011</b>	<b>q4 2010</b>	<b>q3 2010</b>	<b>q2 2010</b>	<b>q1 2010</b>
net reserves: start	\$ 89.9	\$ 94.0	\$ 93.3	\$ 92.1	\$ 83.0
paid losses	9.8	3.2	3.7	9.0	2.9
change in prior year AY <sup>(1)</sup>	(14.1)	(6.3)	(5.3)	(2.5)	(3.6)
current year incurred losses	8.6	5.8	8.0	14.3	15.4
foreign exchange	0.7	(0.4)	1.7	(1.6)	0.2
net reserves: end	\$ 75.3	\$ 89.9	\$ 94.0	\$ 93.3	\$ 92.1
net premiums earned	\$ 17.6	\$ 15.6	\$ 17.6	\$ 17.5	\$ 16.1
net loss ratio	(31.3%)	(3.2%)	15.3%	67.4%	73.3%

<b>aviation</b>	<b>q1 2011</b>	<b>q4 2010</b>	<b>q3 2010</b>	<b>q2 2010</b>	<b>q1 2010</b>
net reserves: start	\$ 6.5	\$ 7.1	\$ 7.6	\$ 12.0	\$ 12.6
paid losses	-	-	-	-	-
change in prior year AY <sup>(1)</sup>	(5.4)	(0.6)	(0.6)	(4.5)	(0.3)
current year incurred losses	0.1	-	-	0.2	-
foreign exchange	0.1	-	0.1	(0.1)	(0.3)
net reserves: end	\$ 1.3	\$ 6.5	\$ 7.1	\$ 7.6	\$ 12.0
net premiums earned	\$ 11.2	\$ 12.0	\$ 13.7	\$ 13.5	\$ 13.2
net loss ratio	(47.3%)	(5.0%)	(4.4%)	(31.9%)	(2.3%)

<sup>(1)</sup> 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>	<u>2011</u>
estimate of ultimate liability:						
at end of accident year	39.1	154.8	444.6	163.3	297.4	-
one year later	34.7	131.2	417.4	107.8	-	-
two years later	32.0	103.5	377.5	-	-	-
three years later	27.6	94.8	-	-	-	-
four years later	27.2	-	-	-	-	-
as at 31 december 2010	<u>\$ 27.2</u>	<u>\$ 94.8</u>	<u>\$ 377.5</u>	<u>\$ 107.8</u>	<u>\$ 297.4</u>	<u>\$ -</u>
as at 31 march 2011	<u>\$ 25.3</u>	<u>\$ 88.4</u>	<u>\$ 364.4</u>	<u>\$ 87.6</u>	<u>\$ 292.8</u>	<u>\$ 157.3</u>
payments made	(21.2)	(68.7)	(247.8)	(29.4)	(72.1)	-
<b>total gross liability</b>	<b><u>\$ 4.1</u></b>	<b><u>\$ 19.7</u></b>	<b><u>\$ 116.6</u></b>	<b><u>\$ 58.2</u></b>	<b><u>\$ 220.7</u></b>	<b><u>\$ 157.3</u></b>
accident year gross loss ratio <sup>(1)</sup>	8.4%	12.7%	53.6%	13.5%	44.6%	99.9%

**net losses**

<u>accident year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
estimate of ultimate liability:						
at end of accident year	39.1	151.2	403.9	161.7	263.6	-
one year later	34.7	125.0	370.3	106.5	-	-
two years later	32.0	99.5	334.4	-	-	-
three years later	27.6	91.3	-	-	-	-
four years later	27.2	-	-	-	-	-
as at 31 december 2010	<u>\$ 27.2</u>	<u>\$ 91.3</u>	<u>\$ 334.4</u>	<u>\$ 106.5</u>	<u>\$ 263.6</u>	<u>\$ -</u>
as at 31 march 2011	<u>\$ 25.3</u>	<u>\$ 85.1</u>	<u>\$ 321.5</u>	<u>\$ 86.5</u>	<u>\$ 259.1</u>	<u>\$ 149.0</u>
payments made	(21.2)	(65.6)	(219.8)	(29.4)	(54.9)	-
<b>total net liability</b>	<b><u>\$ 4.1</u></b>	<b><u>\$ 19.5</u></b>	<b><u>\$ 101.7</u></b>	<b><u>\$ 57.1</u></b>	<b><u>\$ 204.2</u></b>	<b><u>\$ 149.0</u></b>
accident year net loss ratio <sup>(1)</sup>	10.4%	13.9%	52.9%	14.5%	42.2%	102.6%
initial accident year net loss ratio	16.1%	24.7%	66.5%	27.2%	42.9%	n/a
reduction in net loss ratio post accident year end	5.7%	10.8%	13.6%	12.7%	0.7%	n/a

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

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

zones	perils	1 april 2011 100 year return period		1 april 2011 250 year return period	
		estimated gross loss	estimated net loss	estimated gross loss	estimated net loss
gulf of mexico <sup>(1)</sup>	hurricane	\$ 230.6	\$ 226.3	\$ 343.4	\$ 329.2
california	earthquake	108.5	106.5	204.4	196.0
pacific northwest	earthquake	39.0	39.0	144.5	139.6
pan-european	windstorm	109.3	109.3	173.6	173.6
japan	earthquake	110.7	110.7	204.6	204.6
japan	typhoon	89.9	89.9	191.9	191.9

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.

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

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

	q1 2011	q4 2010	q3 2010	q2 2010	q1 2010	full year 2010
<b>basic earnings per share:</b>						
profit after tax	\$ 8.6	\$ 131.8	\$ 106.0	\$ 84.8	\$ 8.2	\$ 330.8
net operating income	\$ 6.9	\$ 123.4	\$ 97.4	\$ 77.8	\$ 7.9	\$ 306.5
<b>dilutive shares</b>						
weighted average shares outstanding - basic	152,511,716	151,852,512	153,147,327	160,593,945	169,892,284	158,806,410
dilutive effect of warrants	17,092,332	17,197,369	15,106,159	11,841,956	12,124,804	14,214,198
dilutive effect of stock options	910,248	672,045	811,668	548,072	787,040	500,310
dilutive effect of restricted stock	4,616,541	4,224,981	3,372,695	2,411,494	2,205,552	3,990,315
weighted average & equivalent shares outstanding - diluted	<u>175,130,837</u>	<u>173,946,907</u>	<u>172,437,849</u>	<u>175,395,467</u>	<u>185,009,680</u>	<u>177,511,233</u>
<b>basic earnings per share</b>	<u>\$ 0.06</u>	<u>\$ 0.87</u>	<u>\$ 0.69</u>	<u>\$ 0.53</u>	<u>\$ 0.05</u>	<u>\$ 2.08</u>
<b>diluted earnings per share</b>	<u>\$ 0.05</u>	<u>\$ 0.76</u>	<u>\$ 0.61</u>	<u>\$ 0.48</u>	<u>\$ 0.04</u>	<u>\$ 1.86</u>
<b>diluted operating earnings per share</b>	<u>\$ 0.04</u>	<u>\$ 0.71</u>	<u>\$ 0.56</u>	<u>\$ 0.44</u>	<u>\$ 0.04</u>	<u>\$ 1.73</u>

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

	31 march 2011	31 december 2010	30 september 2010	30 june 2010	31 march 2010
numerator (\$ in millions):					
shareholders' equity	\$ 1,282.1	\$ 1,286.9	\$ 1,445.6	\$ 1,360.9	\$ 1,359.3
proceeds from assumed exercise of outstanding dilutive warrants	173.3	177.7	178.3	179.4	180.5
proceeds from assumed exercise of outstanding dilutive options	3.5	2.3	7.4	6.2	6.6
book value numerator	<u>\$ 1,458.9</u>	<u>\$ 1,466.9</u>	<u>\$ 1,631.3</u>	<u>\$ 1,546.5</u>	<u>\$ 1,546.4</u>
denominator (in shares):					
common voting shares outstanding	152,898,018	152,367,003	151,684,042	155,791,315	168,299,510
shares issuable upon exercise of outstanding dilutive warrants	35,602,930	36,498,390	36,648,390	36,932,789	37,182,159
shares issuable upon exercise of outstanding dilutive options	1,292,991	863,644	1,759,895	1,507,491	1,739,939
shares relating to dilutive restricted stock	<u>4,677,310</u>	<u>4,122,964</u>	<u>3,507,393</u>	<u>2,490,766</u>	<u>2,263,191</u>
fully converted book value denominator	<u>194,471,249</u>	<u>193,852,001</u>	<u>193,599,720</u>	<u>196,722,361</u>	<u>209,484,799</u>
<b>basic book value per share</b>	<u><b>\$ 8.39</b></u>	<u><b>\$ 8.45</b></u>	<u><b>\$ 9.53</b></u>	<u><b>\$ 8.74</b></u>	<u><b>\$ 8.08</b></u>
<b>fully converted book value per share</b>	<u><b>\$ 7.50</b></u>	<u><b>\$ 7.57</b></u>	<u><b>\$ 8.43</b></u>	<u><b>\$ 7.86</b></u>	<u><b>\$ 7.38</b></u>
dividend per common share <sup>(1)</sup>	\$ 0.10	\$ 1.40	\$ 0.05	\$ -	\$ 0.10
change in FCBVS adj for dividends <sup>(2)</sup> - quarter	0.4%	6.4%	7.9%	6.5%	0.9%
change in FCBVS adj for dividends <sup>(2)</sup> - rolling 12 months	23.7%	23.3%	24.4%	24.2%	24.9%
compound annual change in FCBVS adj for dividends <sup>(2)</sup>	19.7%	20.3%	20.0%	19.4%	19.0%
compound annual change in FCBVS adj for dividends <sup>(2)</sup> - above 3 month treasury	17.6%	18.2%	17.8%	17.0%	16.5%
change in FCBVS adj for dividends <sup>(2)</sup> - since inception	156.8%	152.4%	138.0%	122.0%	109.3%

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

<sup>(2)</sup> change in fully converted book value per share ("FCBVS") adjusted for dividends is the internal rate of return of the change in fully converted book value per share in the period plus dividends accrued

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

	<u>31 march 2011</u>	<u>31 december 2010</u>	<u>30 september 2010</u>	<u>30 june 2010</u>	<u>31 march 2010</u>
shareholders' equity	\$ 1,282.1	\$ 1,286.9	\$ 1,445.6	\$ 1,360.9	\$ 1,359.3
weighted average exercise price per share of dilutive warrants	\$ 4.87	\$ 4.87	\$ 4.86	\$ 4.86	\$ 4.86
weighted average exercise price per share of dilutive options	\$ 2.72	\$ 2.65	\$ 4.21	\$ 4.12	\$ 3.80
denominator (in shares):					
common voting shares outstanding	152,898,018	152,367,003	151,684,042	155,791,315	168,299,510
unvested restricted shares and restricted share units	4,677,310	4,122,964	3,507,393	2,490,766	2,263,191
dilutive warrants outstanding	35,602,930	36,498,390	36,648,390	36,932,789	37,182,159
proforma warrants bought back	(20,664,075)	(21,034,819)	(18,703,607)	(20,540,337)	(22,353,566)
proforma net shares issued	14,938,855	15,463,571	17,944,783	16,392,452	14,828,593
dilutive options outstanding	1,292,991	863,644	1,759,895	1,507,491	1,739,939
proforma options bought back	(419,098)	(271,039)	(776,532)	(710,545)	(819,579)
proforma net shares issued	873,893	592,605	983,363	796,946	920,360
proforma dilutive shares outstanding	173,388,076	172,546,143	174,119,581	175,471,479	186,311,654
<b>basic book value per common share</b>	<b>\$ 8.39</b>	<b>\$ 8.45</b>	<b>\$ 9.53</b>	<b>\$ 8.74</b>	<b>\$ 8.08</b>
<b>diluted book value per common share</b>	<b>\$ 7.39</b>	<b>\$ 7.46</b>	<b>\$ 8.30</b>	<b>\$ 7.76</b>	<b>\$ 7.30</b>
dividend per common share <sup>(1)</sup>	\$ 0.10	\$ 1.40	\$ 0.05	\$ -	\$ 0.10
change in FDBVS adj for dividends <sup>(2)</sup> - quarter	0.4%	6.8%	7.6%	6.3%	1.1%
change in FDBVS adj for dividends <sup>(2)</sup> - rolling 12 months	23.6%	23.4%	24.1%	24.2%	25.2%
compound annual change in FDBVS adj for dividends <sup>(2)</sup>	19.5%	20.1%	19.7%	19.1%	18.8%
compound annual change in FDBVS adj for dividends <sup>(2)</sup> - above 3 month treasury	17.4%	17.9%	17.5%	16.7%	16.2%
change in FDBVS adj for dividends <sup>(2)</sup> - since inception	154.3%	149.9%	135.1%	119.8%	107.6%

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

<sup>(2)</sup> change in fully diluted book value per share ("FDBVS") adjusted for dividends is the internal rate of return of the change in fully diluted book value per share in the period plus dividends accrued