

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 IN THIS RELEASE OR OTHERWISE 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, STANDARD & POOR'S, MOODY'S 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 FOR ISSUERS OF FIXED INCOME INVESTMENTS; THE IMPACT OF SWINGS IN MARKET INTEREST RATES AND SECURITIES PRICES; 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; THE UK TEMPORARY PERIOD EXEMPTION UNDER THE CURRENT CFC REGIME AND CONTAINED IN THE UK FINANCE ACT 2011 REMAINS IN FORCE FOR THE PERIOD INTENDED; THE UK GOVERNMENT BRINGS BEFORE PARLIAMENT LEGISLATION CONTAINING A SUITABLE NEW CFC REGIME IN LINE WITH THE PROPOSALS OUTLINED IN THE CONSULTATION DOCUMENT; THE LEGISLATION AND NEW CFC REGIME INCLUDE A SUITABLE EXCLUSION RELATING TO LARGE RISKS WRITTEN IN THE INTERNATIONAL INSURANCE MARKET, ANY CHANGE IN UK GOVERNMENT OR THE UK GOVERNMENT POLICY DOES NOT IMPACT THE TEMPORARY PERIOD EXEMPTION, THE ANTICIPATED TERRITORIAL BUSINESS EXEMPTION OR OTHER ASPECTS OF THE NEW CFC REGIME; THE IMPLEMENTATION OF THE CHANGE IN TAX RESIDENCE DOES NOT NEGATIVELY IMPACT STAKEHOLDERS OF LANCASHIRE IN A MATERIAL WAY; AND CHANGES IN OTHER GOVERNMENTAL REGULATIONS OR TAX LAWS IN OTHER JURISDICTIONS WHERE LANCASHIRE CONDUCTS BUSINESS. 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'S, MARKET INTELLIGENCE, INITIAL AND/OR TENTATIVE LOSS REPORTS AND OTHER SOURCES. JUDGMENTS IN RELATION TO LOSS ARISING FROM NATURAL CATASTROPHE AND MAN MADE EVENTS INVOLVE COMPLEX FACTORS POTENTIALLY CONTRIBUTING TO THESE TYPES OF LOSS, AND WE CAUTION AS TO THE PRELIMINARY NATURE OF THE INFORMATION USED TO PREPARE ANY SUCH ESTIMATES.

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

Lancashire Holdings Limited

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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 JUDGMENT 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



	q3 2011	q3 2010	% change q3-11 vs. q3-10	ytd 2011	ytd 2010	% change ytd-11 vs. ytd-10
highlights						
gross premiums written	\$ 142.9	\$ 135.0	6%	\$ 522.7	\$ 595.1	(12%)
net premiums written	133.6	134.0	0%	462.7	556.2	(17%)
net premiums earned	148.8	148.4	0%	436.3	464.8	(6%)
net insurance losses	18.1	13.9	30%	127.9	174.8	(27%)
net investment income	10.5	13.1	(20%)	34.3	40.7	(16%)
net realised gains (losses) and impairments	1.0	6.6	(85%)	6.0	19.4	(69%)
profit after tax	75.7	106.0	(29%)	173.2	199.0	(13%)
change in net unrealised gains / losses on investments	(15.4)	19.8	(178%)	(11.4)	32.6	(135%)
comprehensive income	60.3	125.8	(52%)	161.8	231.6	(30%)
net operating income ⁽¹⁾	\$ 87.7	\$ 97.4	(10%)	\$ 180.9	\$ 183.1	(1%)
total investments and cash	\$ 2,213.1	\$ 2,235.9	(1%)			
total shareholders' equity	\$ 1,432.5	\$ 1,445.6	(1%)			
per share data						
net operating income per share - diluted ⁽²⁾	\$ 0.49	\$ 0.56		\$ 1.02	\$ 1.03	
profit after tax per share - diluted ⁽²⁾	\$ 0.42	\$ 0.61		\$ 0.98	\$ 1.12	
fully converted book value per share	\$ 8.20	\$ 8.43		\$ 8.20	\$ 8.43	
change in FCBVS adj for dividends ⁽³⁾	3.6%	7.9%		10.4%	15.9%	
fully diluted book value per share	\$ 8.10	\$ 8.30		\$ 8.10	\$ 8.30	
change in FDBVS adj for dividends ⁽⁴⁾	3.7%	7.6%		10.7%	15.6%	
financial ratios						
net loss ratio	12.2%	9.4%		29.3%	37.6%	
net acquisition cost ratio	19.4%	19.1%		18.5%	17.8%	
administrative expense ratio	11.9%	10.7%		12.9%	9.7%	
combined ratio	<u>43.5%</u>	<u>39.2%</u>		<u>60.7%</u>	<u>65.1%</u>	
net return on total investments	(0.6%)	2.0%		1.2%	4.6%	

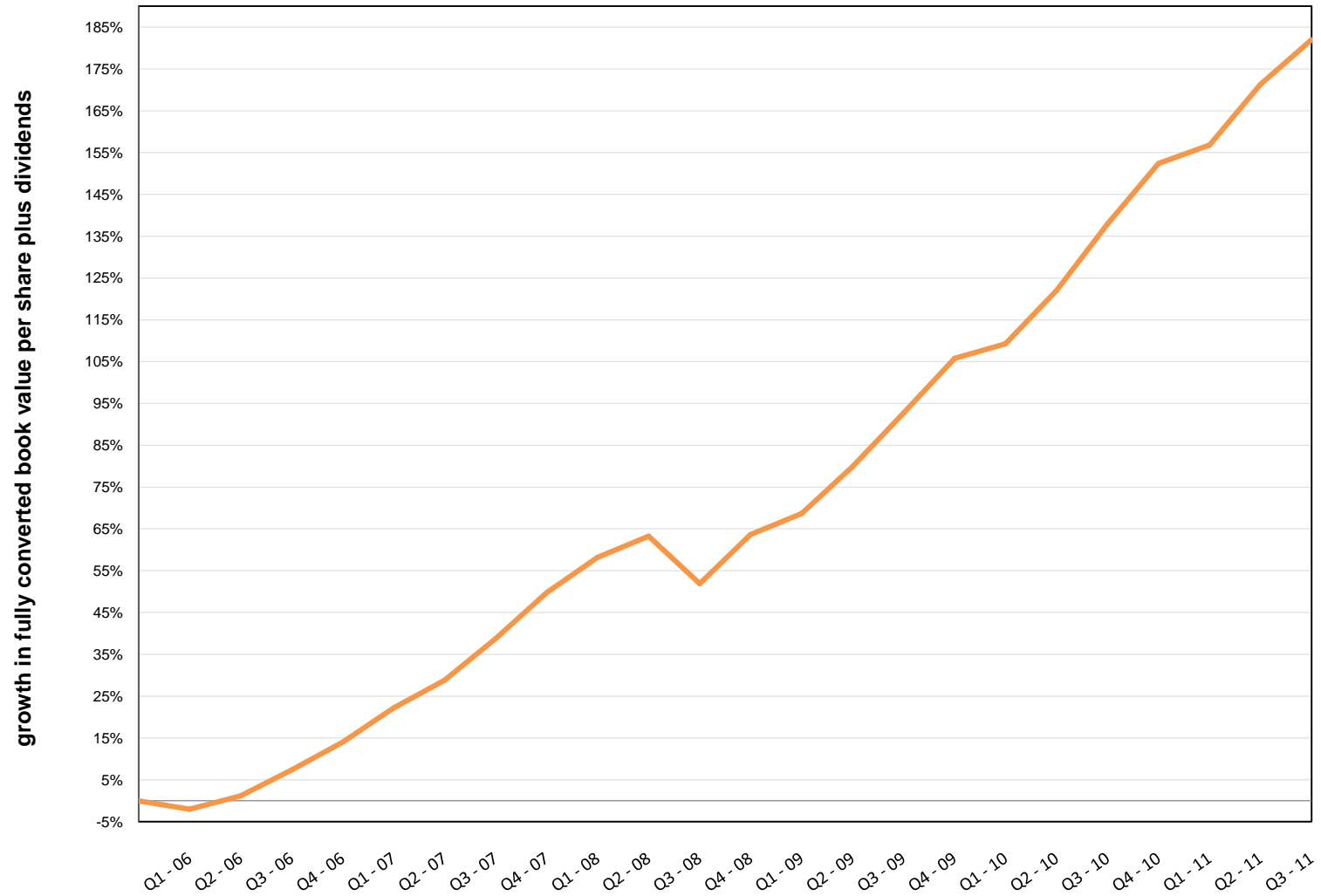
⁽¹⁾ excludes realised gains and losses, foreign exchange gains and losses, equity based compensation relating to warrants issued at IPO and tax

⁽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 adjusted for 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 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

	q3 2011	q2 2011	q1 2011	q4 2010	q3 2010	ytd 2011	ytd 2010	full year 2010
gross premiums written	\$ 142.9	\$ 207.9	\$ 171.9	\$ 94.0	\$ 135.0	\$ 522.7	\$ 595.1	\$ 689.1
outwards reinsurance premiums	(9.3)	(16.5)	(34.2)	(0.3)	(1.0)	(60.0)	(38.9)	(39.2)
net premiums written	133.6	191.4	137.7	93.7	134.0	462.7	556.2	649.9
change in unearned premiums	20.7	(53.4)	(14.5)	64.5	22.9	(47.2)	(97.5)	(33.0)
change in unearned premiums on premiums ceded	(5.5)	4.3	22.0	(8.8)	(8.5)	20.8	6.1	(2.7)
net premiums earned	148.8	142.3	145.2	149.4	148.4	436.3	464.8	614.2
net investment income	10.5	12.2	11.6	12.7	13.1	34.3	40.7	53.4
net other investment income (losses)	(0.9)	0.1	(0.1)	-	0.1	(0.9)	0.1	0.1
net realised gains (losses) and impairments	1.0	2.6	2.4	13.8	6.6	6.0	19.4	33.2
share of profit of associate	0.3	-	-	-	-	0.3	-	-
net foreign exchange gains (losses)	(9.7)	1.8	(0.9)	(0.1)	3.6	(8.8)	-	(0.1)
total net revenue	150.0	159.0	158.2	175.8	171.8	467.2	525.0	700.8
insurance losses	17.1	17.6	105.1	(11.5)	13.6	139.8	206.2	194.7
insurance losses recoverable	1.0	(5.1)	(7.8)	2.4	0.3	(11.9)	(31.4)	(29.0)
net insurance acquisition expenses	28.9	26.2	25.4	23.7	28.3	80.5	82.6	106.3
equity based compensation	0.4	5.8	6.4	6.1	4.4	12.6	15.0	21.1
other operating expenses	17.7	19.9	18.7	16.5	15.9	56.3	45.3	61.8
total expenses	65.1	64.4	147.8	37.2	62.5	277.3	317.7	354.9
profit before tax and finance costs	84.9	94.6	10.4	138.6	109.3	189.9	207.3	345.9
financing costs	(5.9)	(3.6)	(2.0)	(1.6)	(1.7)	(11.5)	(5.1)	(6.7)
profit before tax	79.0	91.0	8.4	137.0	107.6	178.4	202.2	339.2
tax	(3.3)	(2.1)	0.2	(5.2)	(1.6)	(5.2)	(3.2)	(8.4)
profit after tax	\$ 75.7	\$ 88.9	\$ 8.6	\$ 131.8	\$ 106.0	\$ 173.2	\$ 199.0	\$ 330.8
change in net unrealised gains / losses on investments	(15.4)	6.2	(2.2)	(34.8)	19.8	(11.4)	32.6	(2.2)
comprehensive income	\$ 60.3	\$ 95.1	\$ 6.4	\$ 97.0	\$ 125.8	\$ 161.8	\$ 231.6	\$ 328.6
net loss ratio	12.2%	8.8%	67.0%	(6.1%)	9.4%	29.3%	37.6%	27.0%
net acquisition cost ratio	19.4%	18.4%	17.5%	15.9%	19.1%	18.5%	17.8%	17.3%
administrative expense ratio	11.9%	14.0%	12.9%	11.0%	10.7%	12.9%	9.7%	10.1%
combined ratio	43.5%	41.2%	97.4%	20.8%	39.2%	60.7%	65.1%	54.4%
net return on total investments	(0.6%)	1.1%	0.6%	(0.4%)	2.0%	1.2%	4.6%	4.2%
basic earnings per share	\$ 0.49	\$ 0.58	\$ 0.06	\$ 0.87	\$ 0.69	\$ 1.13	\$ 1.23	\$ 2.08
diluted earnings per share	\$ 0.42	\$ 0.50	\$ 0.05	\$ 0.76	\$ 0.61	\$ 0.98	\$ 1.12	\$ 1.86

Lancashire Holdings Limited
premiums by line of business

	q3 2011	q2 2011	q1 2011	q4 2010	q3 2010	ytd 2011	ytd 2010	full year 2010
gross premiums written								
property cat excess of loss	\$ 27.1	\$ 16.3	\$ 33.0	\$ 2.2	\$ 24.1	\$ 76.4	\$ 95.9	\$ 98.1
terrorism	12.0	17.4	23.2	13.1	11.1	52.6	64.7	77.8
property direct and facultative	12.6	18.8	13.6	12.7	15.2	45.0	52.1	64.8
property retrocession	8.5	7.1	25.9	2.4	0.2	41.5	50.0	52.4
property political risk	4.7	0.8	5.4	6.3	9.9	10.9	22.8	29.1
other property	-	2.5	1.2	0.2	0.5	3.7	1.2	1.4
total property	64.9	62.9	102.3	36.9	61.0	230.1	286.7	323.6
worldwide offshore energy	38.2	60.2	22.6	22.8	27.6	121.0	100.3	123.1
gulf of mexico offshore energy	7.8	50.7	2.1	1.8	14.0	60.6	85.6	87.4
onshore energy	4.0	3.6	0.9	1.0	2.7	8.5	5.9	6.9
construction energy	1.4	4.1	1.5	2.4	4.9	7.0	9.8	12.2
energy excess of loss	-	4.0	1.3	-	-	5.3	5.4	5.4
other energy	2.3	0.8	0.3	-	2.1	3.4	3.3	3.3
total energy	53.7	123.4	28.7	28.0	51.3	205.8	210.3	238.3
marine hull and total loss	3.7	3.4	10.9	(0.5)	9.2	18.0	32.2	31.7
marine builders risk	4.8	3.0	5.4	3.3	1.5	13.2	11.3	14.6
marine hull war	4.8	2.8	5.2	2.7	2.6	12.8	14.2	16.9
marine P&I clubs	0.3	0.7	9.1	0.8	0.1	10.1	11.1	11.9
other marine	-	1.0	2.7	0.2	0.4	3.7	1.1	1.3
total marine	13.6	10.9	33.3	6.5	13.8	57.8	69.9	76.4
AV 52	8.6	9.3	6.7	19.5	7.4	24.6	23.1	42.6
other aviation	2.1	1.4	0.9	3.1	1.5	4.4	5.1	8.2
total aviation	10.7	10.7	7.6	22.6	8.9	29.0	28.2	50.8
total gross premiums written	\$ 142.9	\$ 207.9	\$ 171.9	\$ 94.0	\$ 135.0	\$ 522.7	\$ 595.1	\$ 689.1

Lancashire Holdings Limited
summary consolidated underwriting segment results



nine months ending 30 september 2011

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 230.1	\$ 205.8	\$ 57.8	\$ 29.0	\$ 522.7
net premiums written	197.3	185.7	54.5	25.2	462.7
net premiums earned	201.0	143.5	54.8	37.0	436.3
net insurance losses	90.7	46.1	(3.3)	(5.6)	127.9
net insurance acquisition expenses	26.1	30.4	16.4	7.6	80.5
other operating expenses ⁽¹⁾					56.3
	\$ 84.2	\$ 67.0	\$ 41.7	\$ 35.0	\$ 171.6
net loss ratio	45.1%	32.1%	(6.0%)	(15.1%)	29.3%
net acquisition cost ratio	13.0%	21.2%	29.9%	20.5%	18.5%
administrative expense ratio ⁽¹⁾					12.9%
combined ratio	58.1%	53.3%	23.9%	5.4%	60.7%

nine months ending 30 september 2010

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 286.7	\$ 210.3	\$ 69.9	\$ 28.2	\$ 595.1
net premiums written	267.8	196.9	68.8	22.7	556.2
net premiums earned	239.6	133.6	51.2	40.4	464.8
net insurance losses	108.0	45.7	26.3	(5.2)	174.8
net insurance acquisition expenses	28.8	30.0	14.6	9.2	82.6
other operating expenses ⁽¹⁾					45.3
	\$ 102.8	\$ 57.9	\$ 10.3	\$ 36.4	\$ 162.1
net loss ratio	45.1%	34.2%	51.4%	(12.9%)	37.6%
net acquisition cost ratio	12.0%	22.5%	28.5%	22.8%	17.8%
administrative expense ratio ⁽¹⁾					9.7%
combined ratio	57.1%	56.7%	79.9%	9.9%	65.1%

⁽¹⁾ administrative expenses are not allocated by segment

Lancashire Holdings Limited
property segment - underwriting statement

	q3 2011	q2 2011	q1 2011	q4 2010	q3 2010	full year 2010
underwriting income (loss)						
gross premiums written	\$ 64.9	\$ 62.9	\$ 102.3	\$ 36.9	\$ 61.0	\$ 323.6
outwards reinsurance premiums	(7.8)	(12.2)	(12.8)	-	(0.4)	(18.9)
net premiums written	57.1	50.7	89.5	36.9	60.6	304.7
change in unearned premiums	7.9	7.4	(26.5)	40.0	11.4	5.3
change in unearned premiums on premiums ceded	(0.8)	7.3	8.4	(4.8)	(4.9)	1.7
net premiums earned	\$ 64.2	\$ 65.4	\$ 71.4	\$ 72.1	\$ 67.1	\$ 311.7
underwriting expenses						
net insurance losses	9.5	(14.7)	95.9	0.7	1.7	108.7
net insurance acquisition expenses	8.7	8.7	8.7	9.5	9.1	38.3
total underwriting expenses	18.2	(6.0)	104.6	10.2	10.8	147.0
net underwriting income (loss)	\$ 46.0	\$ 71.4	\$ (33.2)	\$ 61.9	\$ 56.3	\$ 164.7
net loss ratio (% of net premiums earned)	14.8%	(22.5%)	134.3%	1.0%	2.5%	34.9%
net acquisition cost ratio (% of net premiums earned)	13.6%	13.3%	12.2%	13.2%	13.6%	12.3%
	28.4%	(9.2%)	146.5%	14.2%	16.1%	47.2%

Lancashire Holdings Limited
energy segment - underwriting statement

	q3 2011	q2 2011	q1 2011	q4 2010	q3 2010	full year 2010
underwriting income						
gross premiums written	\$ 53.7	\$ 123.4	\$ 28.7	\$ 28.0	\$ 51.3	\$ 238.3
outwards reinsurance premiums	(1.5)	(6.3)	(12.3)	(0.5)	(0.7)	(13.9)
net premiums written	52.2	117.1	16.4	27.5	50.6	224.4
change in unearned premiums	3.0	(70.9)	21.3	24.3	1.1	(38.8)
change in unearned premiums on premiums ceded	(2.9)	-	7.3	(2.1)	(1.7)	(2.3)
net premiums earned	\$ 52.3	\$ 46.2	\$ 45.0	\$ 49.7	\$ 50.0	\$ 183.3
underwriting expenses						
net insurance losses	9.1	24.8	12.2	(8.7)	10.1	37.0
net insurance acquisition expenses	11.9	9.8	8.7	6.9	10.7	36.9
total underwriting expenses	21.0	34.6	20.9	(1.8)	20.8	73.9
net underwriting income	\$ 31.3	\$ 11.6	\$ 24.1	\$ 51.5	\$ 29.2	\$ 109.4
net loss ratio (% of net premiums earned)	17.4%	53.7%	27.1%	(17.5%)	20.2%	20.2%
net acquisition cost ratio (% of net premiums earned)	22.8%	21.2%	19.3%	13.9%	21.4%	20.1%
	40.2%	74.9%	46.4%	(3.6%)	41.6%	40.3%

Lancashire Holdings Limited
marine segment - underwriting statement

	<u>q3</u> <u>2011</u>	<u>q2</u> <u>2011</u>	<u>q1</u> <u>2011</u>	<u>q4</u> <u>2010</u>	<u>q3</u> <u>2010</u>	<u>full year</u> <u>2010</u>
underwriting income						
gross premiums written	\$ 13.6	\$ 10.9	\$ 33.3	\$ 6.5	\$ 13.8	\$ 76.4
outwards reinsurance premiums	-	3.1	(6.4)	0.2	0.1	(0.9)
net premiums written	<u>13.6</u>	<u>14.0</u>	<u>26.9</u>	<u>6.7</u>	<u>13.9</u>	<u>75.5</u>
change in unearned premiums	6.3	7.3	(14.0)	9.6	4.4	(6.9)
change in unearned premiums on premiums ceded	(0.8)	(3.2)	4.7	(0.7)	(0.7)	(1.8)
net premiums earned	<u>\$ 19.1</u>	<u>\$ 18.1</u>	<u>\$ 17.6</u>	<u>\$ 15.6</u>	<u>\$ 17.6</u>	<u>\$ 66.8</u>
underwriting expenses						
net insurance losses	(0.4)	2.6	(5.5)	(0.5)	2.7	25.8
net insurance acquisition expenses	6.3	4.6	5.5	4.6	5.4	19.2
total underwriting expenses	<u>5.9</u>	<u>7.2</u>	<u>-</u>	<u>4.1</u>	<u>8.1</u>	<u>45.0</u>
net underwriting income	<u>\$ 13.2</u>	<u>\$ 10.9</u>	<u>\$ 17.6</u>	<u>\$ 11.5</u>	<u>\$ 9.5</u>	<u>\$ 21.8</u>
net loss ratio (% of net premiums earned)	(2.1%)	14.4%	(31.3%)	(3.2%)	15.3%	38.6%
net acquisition cost ratio (% of net premiums earned)	33.0%	25.4%	31.3%	29.5%	30.7%	28.7%
	<u>30.9%</u>	<u>39.8%</u>	<u>-</u>	<u>26.3%</u>	<u>46.0%</u>	<u>67.3%</u>

Lancashire Holdings Limited
aviation segment - underwriting statement

	<u>q3</u> <u>2011</u>	<u>q2</u> <u>2011</u>	<u>q1</u> <u>2011</u>	<u>q4</u> <u>2010</u>	<u>q3</u> <u>2010</u>	<u>full year</u> <u>2010</u>
underwriting income						
gross premiums written	\$ 10.7	\$ 10.7	\$ 7.6	\$ 22.6	\$ 8.9	\$ 50.8
outwards reinsurance premiums	-	(1.1)	(2.7)	-	-	(5.5)
net premiums written	<u>10.7</u>	<u>9.6</u>	<u>4.9</u>	<u>22.6</u>	<u>8.9</u>	<u>45.3</u>
change in unearned premiums	3.5	2.8	4.7	(9.4)	6.0	7.4
change in unearned premiums on premiums ceded	(1.0)	0.2	1.6	(1.2)	(1.2)	(0.3)
net premiums earned	<u>\$ 13.2</u>	<u>\$ 12.6</u>	<u>\$ 11.2</u>	<u>\$ 12.0</u>	<u>\$ 13.7</u>	<u>\$ 52.4</u>
underwriting expenses						
net insurance losses	(0.1)	(0.2)	(5.3)	(0.6)	(0.6)	(5.8)
net insurance acquisition expenses	2.0	3.1	2.5	2.7	3.1	11.9
total underwriting expenses	<u>1.9</u>	<u>2.9</u>	<u>(2.8)</u>	<u>2.1</u>	<u>2.5</u>	<u>6.1</u>
net underwriting income	<u>\$ 11.3</u>	<u>\$ 9.7</u>	<u>\$ 14.0</u>	<u>\$ 9.9</u>	<u>\$ 11.2</u>	<u>\$ 46.3</u>
net loss ratio (% of net premiums earned)	(0.8%)	(1.6%)	(47.3%)	(5.0%)	(4.4%)	(11.1%)
net acquisition cost ratio (% of net premiums earned)	15.2%	24.6%	22.3%	22.5%	22.6%	22.7%
	<u>14.4%</u>	<u>23.0%</u>	<u>(25.0%)</u>	<u>17.5%</u>	<u>18.2%</u>	<u>11.6%</u>

Lancashire Holdings Limited
summary consolidated cash flows

cash flows	q3 2011	q2 2011	q1 2011	q4 2010	q3 2010	ytd 2011	ytd 2010	full year 2010
net cash flows from operating activities	\$ 71.6	\$ 120.2	\$ 67.4	\$ 22.9	\$ 117.6	\$ 259.2	\$ 245.9	\$ 268.8
net cash flows (used in) from investing activities	(135.9)	(143.9)	172.3	220.6	(69.0)	(107.5)	38.6	259.2
net cash flows used in financing activities	(11.8)	(23.7)	(265.3)	(10.5)	(39.0)	(300.8)	(437.6)	(448.1)
net (decrease) increase in cash and cash equivalents	(76.1)	(47.4)	(25.6)	233.0	9.6	(149.1)	(153.1)	79.9
cash and cash equivalents, opening	448.9	493.3	512.5	288.1	268.7	512.5	440.0	440.0
effect of exchange rate fluctuations	(4.3)	3.0	6.4	(8.6)	9.8	5.1	1.2	(7.4)
cash and cash equivalents, closing	\$ 368.5	\$ 448.9	\$ 493.3	\$ 512.5	\$ 288.1	\$ 368.5	\$ 288.1	\$ 512.5

Lancashire Holdings Limited
summary consolidated balance sheets



	30 september 2011	30 june 2011	31 march 2011	31 december 2010	30 september 2010
assets					
cash and cash equivalents	\$ 368.5	\$ 448.9	\$ 493.3	\$ 512.5	\$ 288.1
accrued interest receivable	12.4	11.8	12.8	13.4	14.6
investments					
- fixed income securities - available for sale	1,844.1	1,637.3	1,529.9	1,719.1	1,948.1
- at fair value through profit or loss	0.7	8.6	1.5	-	-
- equity securities - available for sale	-	75.2	29.8	-	-
- other investments	(0.2)	(0.4)	(0.4)	(0.2)	(0.3)
reinsurance assets					
- unearned premiums on premiums ceded	23.7	29.2	24.9	2.9	11.7
- reinsurance recoveries	42.4	46.1	41.0	35.9	44.0
- other receivables	2.4	0.1	2.5	5.6	3.6
deferred acquisition costs	66.2	70.5	62.7	61.2	70.1
inwards premiums receivable from insureds and cedants	232.1	292.6	239.3	217.5	232.4
investment in associate	7.3	7.5	-	-	-
other assets	36.5	24.8	61.6	59.5	22.3
total assets	\$ 2,636.1	\$ 2,652.2	\$ 2,498.9	\$ 2,627.4	\$ 2,634.6
liabilities					
insurance contracts					
- losses and loss adjustment expenses	\$ 556.9	\$ 576.7	\$ 576.6	\$ 507.5	\$ 565.7
- unearned premiums	397.8	418.5	365.1	350.6	415.1
- other payables	17.1	19.7	16.0	20.6	17.0
amounts payable to reinsurers	20.0	22.8	20.9	4.4	6.2
deferred acquisition costs ceded	1.2	1.2	0.7	0.1	2.6
other payables	81.0	101.4	106.7	328.5	52.7
long-term debt	129.6	131.5	130.8	128.8	129.7
total liabilities	1,203.6	1,271.8	1,216.8	1,340.5	1,189.0
shareholders' equity					
share capital	84.3	84.3	84.3	84.3	84.3
own shares	(95.7)	(90.5)	(110.3)	(106.9)	(111.0)
share premium	2.4	2.4	2.4	2.4	2.4
contributed surplus	665.9	659.6	669.7	662.6	661.9
accumulated other comprehensive income	16.8	32.2	26.0	28.2	63.0
other reserves	68.4	68.2	74.7	70.7	67.2
dividends	(28.4)	(18.9)	(18.9)	(294.2)	(30.2)
retained earnings	718.8	643.1	554.2	839.8	708.0
total shareholders' equity	\$ 1,432.5	\$ 1,380.4	\$ 1,282.1	\$ 1,286.9	\$ 1,445.6
total liabilities and shareholders' equity	\$ 2,636.1	\$ 2,652.2	\$ 2,498.9	\$ 2,627.4	\$ 2,634.6
basic book value per share	\$ 9.22	\$ 8.90	\$ 8.39	\$ 8.45	\$ 9.53
fully converted book value per share	\$ 8.20	\$ 7.96	\$ 7.50	\$ 7.57	\$ 8.43
fully diluted book value per share	\$ 8.10	\$ 7.86	\$ 7.39	\$ 7.46	\$ 8.30
debt to total capital ratio	8.3%	8.7%	9.3%	9.1%	8.2%

Lancashire Holdings Limited
composition of investment portfolio



	30 september 2011	%	30 june 2011	%	31 march 2011	%	31 december 2010	%	30 september 2010	%
type of investment										
short term investments	\$ 102.2	4.7%	\$ 45.7	2.2%	\$ 57.7	2.9%	\$ 12.1	0.5%	\$ 31.1	1.4%
U.S. treasuries	337.3	15.6%	251.3	11.9%	227.1	11.4%	300.5	13.7%	511.8	23.1%
other government bonds	176.1	8.1%	178.4	8.5%	168.0	8.4%	181.4	8.2%	195.9	8.9%
U.S. municipal bonds	28.2	1.3%	22.1	1.0%	14.8	0.7%	10.9	0.5%	11.5	0.5%
U.S. government agency debt	74.5	3.5%	28.1	1.3%	25.9	1.3%	34.4	1.6%	38.8	1.8%
asset backed securities	72.1	3.3%	73.1	3.5%	31.2	1.5%	19.7	0.9%	16.6	0.7%
U.S. government agency mortgage backed securities	255.8	11.8%	222.2	10.5%	212.4	10.6%	337.5	15.3%	351.2	15.9%
non-agency mortgage backed securities	24.5	1.1%	24.7	1.2%	17.3	0.9%	16.5	0.8%	5.9	0.3%
agency commercial mortgage backed securities	1.2	0.1%	1.1	0.1%	1.1	0.1%	-	-	-	-
non-agency commercial mortgage backed securities	33.0	1.5%	24.4	1.2%	24.1	1.2%	26.7	1.2%	22.8	1.0%
corporate bonds - non FDIC guaranteed	662.5	30.6%	685.6	32.6%	667.0	33.3%	683.9	31.1%	627.5	28.4%
corporate bonds - FDIC guaranteed	76.7	3.6%	80.6	3.8%	83.3	4.2%	95.5	4.3%	135.0	6.1%
total fixed income securities - available for sale	1,844.1	85.2%	1,637.3	77.8%	1,529.9	76.5%	1,719.1	78.1%	1,948.1	88.1%
convertible debt securities - at fair value through profit or loss	0.7	-	8.6	0.4%	1.5	0.1%	-	-	-	-
equity securities - available for sale	-	-	75.2	3.6%	29.8	1.5%	-	-	-	-
other investments	(0.2)	-	(0.4)	-	(0.4)	-	(0.2)	-	(0.3)	-
managed cash	321.1	14.8%	383.6	18.2%	437.4	21.9%	481.8	21.9%	263.6	11.9%
total investments	\$ 2,165.7	100.0%	\$ 2,104.3	100.0%	\$ 1,998.2	100.0%	\$ 2,200.7	100.0%	\$ 2,211.4	100.0%
credit quality of fixed income securities										
AAA	\$ 339.4	18.4%	\$ 871.7	53.2%	\$ 819.2	53.6%	\$ 968.3	56.3%	\$ 1,235.4	63.4%
AA+, AA, AA-	916.4	49.7%	142.0	8.7%	145.6	9.5%	147.5	8.6%	147.2	7.6%
A+, A, A-	383.4	20.8%	419.9	25.6%	373.3	24.4%	375.2	21.8%	342.7	17.6%
BBB+, BBB, BBB-	151.7	8.2%	146.7	9.0%	150.0	9.8%	182.9	10.7%	175.6	9.0%
other	53.2	2.9%	57.0	3.5%	41.8	2.7%	45.2	2.6%	47.2	2.4%
	\$ 1,844.1	100.0%	\$ 1,637.3	100.0%	\$ 1,529.9	100.0%	\$ 1,719.1	100.0%	\$ 1,948.1	100.0%
corporate bonds										
industrial	\$ 302.7	41.0%	\$ 294.2	38.4%	\$ 291.8	38.9%	\$ 300.3	38.5%	\$ 278.5	36.5%
financial - non FDIC guaranteed	278.0	37.6%	310.9	40.6%	297.4	39.6%	272.8	35.0%	248.3	32.6%
utility	46.1	6.2%	51.1	6.7%	52.1	6.9%	64.6	8.3%	58.0	7.6%
other	1.5	0.2%	1.5	0.2%	0.5	0.1%	11.9	1.5%	12.0	1.6%
foreign agencies	34.2	4.6%	27.9	3.6%	25.2	3.4%	34.3	4.4%	30.7	4.0%
financial - FDIC guaranteed	76.7	10.4%	80.6	10.5%	83.3	11.1%	95.5	12.3%	135.0	17.7%
	\$ 739.2	100.0%	\$ 766.2	100.0%	\$ 750.3	100.0%	\$ 779.4	100.0%	\$ 762.5	100.0%
quarterly net return on total investments		(0.6%)		1.1%		0.6%		(0.4%)		2.0%
rolling 12 months net return on total investments		0.8%		3.3%		3.6%		4.2%		5.2%
average book yield of fixed income and managed cash		2.0%		2.2%		2.2%		2.4%		2.6%
average market yield of fixed income and managed cash		1.5%		1.6%		1.7%		1.9%		1.5%
average duration of fixed income and managed cash		1.7 years		1.8 years		1.8 years		2.2 years		2.4 years
average credit quality of fixed income and managed cash		AA		AA		AA		AA		AA

30 september 2011						
	estimated fair value	weighted average book yield	weighted average market yield	weighted average duration	weighted average rating ⁽²⁾	
type of investment						
short term investments	\$ 102.2	0.2%	0.2%	0.3	AAA	
U.S. treasuries	337.3	0.5%	0.4%	2.2	AA+	
other government bonds	176.1	4.3%	4.0%	3.4	A	
U.S. municipal bonds	28.2	3.5%	2.6%	3.8	A+	
U.S. government agency debt	74.5	0.7%	0.5%	1.7	AA+	
asset backed securities	72.1	1.2%	1.0%	0.1	AAA	
U.S. government agency mortgage backed securities	255.8	3.0%	1.5%	1.5	AA+	
non-agency mortgage backed securities	24.5	2.0%	2.2%	0.4	AAA	
agency commercial mortgage backed securities	1.2	4.2%	2.8%	7.4	AA+	
non-agency commercial mortgage backed securities	33.0	3.7%	3.0%	3.5	AAA	
corporate bonds - non FDIC guaranteed	662.5	2.9%	2.4%	2.1	A	
corporate bonds - FDIC guaranteed	76.7	2.1%	0.4%	0.7	AA+	
total fixed income securities - available for sale	1,844.1	2.3%	1.7%	1.9	AA-	
convertible debt securities - at fair value through profit or loss	0.7	5.4%	5.9%	1.5	NR	
managed cash ⁽¹⁾	321.1	0.3%	0.3%	-	AA	
total fixed income securities and managed cash	\$ 2,165.9	2.0%	1.5%	1.7	AA	

31 december 2010						
	estimated fair value	weighted average book yield	weighted average market yield	weighted average duration	weighted average rating ⁽²⁾	
type of investment						
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	
total fixed income securities, available for sale	1,719.1	2.9%	2.3%	2.9	AA	
managed cash ⁽¹⁾	481.8	0.3%	0.3%	-	AA+	
total fixed income securities and managed cash	\$ 2,200.9	2.4%	1.9%	2.2	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.

⁽²⁾ Primary rating source is S&P unless it is not available, otherwise the debt is rated using other nationally recognised rating agencies.

Lancashire Holdings Limited
emerging market debt

30 september 2011

	short term					
	investments	sovereign	agency	corporate	total	
top ten country exposures						
Brazil	\$ -	\$ 8.4	\$ 1.8	\$ 11.2	\$	21.4
Russia	-	7.1	1.3	12.9		21.3
Mexico	-	10.5	0.5	8.5		19.5
Indonesia	-	13.4	-	2.8		16.2
South Africa	-	10.5	-	0.7		11.2
Turkey	0.8	8.8	-	0.2		9.8
Qatar	-	1.0	1.5	2.9		5.4
Poland	-	5.0	-	-		5.0
Philippines	-	4.4	-	0.5		4.9
Venezuela	-	3.4	0.6	0.8		4.8
other emerging markets	0.5	18.2	3.3	12.5		34.5
	<u>\$ 1.3</u>	<u>\$ 90.7</u>	<u>\$ 9.0</u>	<u>\$ 53.0</u>	<u>\$</u>	<u>154.0</u>

30 september 2011

ratings distribution

AA	\$ 6.3
AA-	0.2
A+	4.4
A	17.2
A-	20.2
BBB+	6.8
BBB	28.1
BBB-	28.4
BB+	17.5
BB	16.4
BB-	1.8
B+	6.5
B	0.1
CCC+	0.1
avg BBB	<u>\$ 154.0</u>

Lancashire Holdings Limited
corporate & global bond holdings

30 september 2011					
	par value units	estimated fair value	accrued interest	unrealised gain (loss)	credit quality
top twenty corporate holdings by issuer					
JP Morgan Chase & Company	19.8	\$ 20.5	\$ 0.3	\$ 0.2	A+
Morgan Stanley	17.7	17.1	0.1	(1.1)	A
Citigroup Incorporated	14.3	13.7	0.1	(0.5)	A
Nordea Bank AB	13.5	13.6	0.1	0.1	AAA
Bank of Nova Scotia	13.3	13.5	-	0.1	AA-
Bank of America Corporation	13.7	13.4	0.2	(0.9)	A
Verizon Communications Inc	11.8	12.8	0.2	1.0	A-
Philip Morris International Incorporated	11.3	12.1	0.2	0.4	A
Oracle Corporation	11.0	11.8	0.2	0.3	A
Wells Fargo & Company	10.4	10.4	0.2	-	AA-
US Bancorp	10.1	10.2	0.1	0.1	A+
Hewlett Packard Company	10.1	10.1	-	(0.1)	A
International Business Machines Corporation	9.5	9.9	0.1	0.4	A+
Wal-Mart Stores Incorporated	9.2	9.5	0.1	0.3	AA
BP PLC	8.5	9.0	0.1	0.3	A
Pfizer Incorporated	8.2	8.7	-	0.2	AA
National Bank of Canada	8.4	8.5	-	-	AAA
Sparebank Boligkreditt	8.5	8.5	-	-	AAA
Pepsico Incorporated	7.7	8.2	-	0.4	A-
Goldman Sachs Group Inc	7.5	8.2	0.1	(0.2)	A
		<u>\$ 229.7</u>	<u>\$ 2.1</u>	<u>\$ 1.0</u>	<u>average A+</u>
top twenty holdings as a % of non-FDIC corporate bonds		<u>34.7%</u>			

30 september 2011				
	financials	other industries	total corporates	other government bonds
bonds by country				
United States	\$ 158.9	\$ 237.1	\$ 396.0	\$ -
Canada	36.6	11.6	48.2	23.2
United Kingdom	16.8	24.1	40.9	9.1
Norway	21.8	-	21.8	2.1
France	3.3	15.1	18.4	-
Netherlands	5.8	9.1	14.9	11.2
Switzerland	7.8	7.0	14.8	-
Sweden	14.2	-	14.2	7.8
Australia	6.8	4.9	11.7	13.9
Belgium	-	7.3	7.3	-
Germany	-	5.0	5.0	-
Hong Kong	-	4.6	4.6	-
Spain	-	3.0	3.0	-
Italy	-	2.2	2.2	-
Luxembourg	-	1.6	1.6	-
Supranational	-	1.5	1.5	-
New Zealand	1.5	-	1.5	-
Japan	1.0	0.5	1.5	-
Singapore	-	0.4	0.4	-
Denmark	-	-	-	9.1
Emerging market corporates	3.5	49.5	53.0	-
Emerging market sovereign	-	-	-	90.7
Emerging market agency	-	-	-	9.0
	<u>\$ 278.0</u>	<u>\$ 384.5</u>	<u>\$ 662.5</u>	<u>\$ 176.1</u>

Lancashire Holdings Limited
net losses and loss ratios

total	q3 2011	q2 2011	q1 2011	q4 2010	q3 2010
net reserves: start	\$ 530.6	\$ 535.6	\$ 471.6	\$ 521.7	\$ 535.9
paid losses	32.1	20.0	39.5	38.8	37.5
change in prior year AY ⁽¹⁾	(21.1)	(46.1)	(50.8)	(21.8)	(22.2)
current year incurred losses	39.2	58.6	148.1	12.7	36.1
foreign exchange	(2.1)	2.5	6.2	(2.2)	9.4
net reserves: end	\$ 514.5	\$ 530.6	\$ 535.6	\$ 471.6	\$ 521.7
net premiums earned	\$ 148.8	\$ 142.3	\$ 145.2	\$ 149.4	\$ 148.4
net loss ratio	12.2%	8.8%	67.0%	(6.1%)	9.4%
IBNR as % of net reserves	31.9%	29.9%	46.5%	40.6%	37.6%

property	q3 2011	q2 2011	q1 2011	q4 2010	q3 2010
net reserves: start	\$ 233.8	\$ 251.1	\$ 165.0	\$ 173.3	\$ 176.3
paid losses	10.5	5.1	14.7	7.2	11.7
change in prior year AY ⁽¹⁾	(4.9)	(26.7)	(8.6)	5.1	(5.6)
current year incurred losses	14.4	12.0	104.5	(4.4)	7.3
foreign exchange	(0.4)	2.5	4.9	(1.8)	7.0
net reserves: end	\$ 232.4	\$ 233.8	\$ 251.1	\$ 165.0	\$ 173.3
net premiums earned	\$ 64.2	\$ 65.4	\$ 71.4	\$ 72.1	\$ 67.1
net loss ratio	14.8%	(22.5%)	134.3%	1.0%	2.5%

marine	q3 2011	q2 2011	q1 2011	q4 2010	q3 2010
net reserves: start	\$ 74.2	\$ 75.3	\$ 89.9	\$ 94.0	\$ 93.3
paid losses	4.4	4.0	9.8	3.2	3.7
change in prior year AY ⁽¹⁾	(4.5)	(6.6)	(14.1)	(6.3)	(5.3)
current year incurred losses	4.1	9.2	8.6	5.8	8.0
foreign exchange	(0.9)	0.3	0.7	(0.4)	1.7
net reserves: end	\$ 68.5	\$ 74.2	\$ 75.3	\$ 89.9	\$ 94.0
net premiums earned	\$ 19.1	\$ 18.1	\$ 17.6	\$ 15.6	\$ 17.6
net loss ratio	(2.1%)	14.4%	(31.3%)	(3.2%)	15.3%

energy	q3 2011	q2 2011	q1 2011	q4 2010	q3 2010
net reserves: start	\$ 221.7	\$ 207.9	\$ 210.2	\$ 247.3	\$ 258.7
paid losses	17.2	10.8	15.0	28.4	22.1
change in prior year AY ⁽¹⁾	(11.6)	(12.7)	(22.7)	(20.0)	(10.7)
current year incurred losses	20.7	37.5	34.9	11.3	20.8
foreign exchange	(0.7)	(0.2)	0.5	-	0.6
net reserves: end	\$ 212.9	\$ 221.7	\$ 207.9	\$ 210.2	\$ 247.3
net premiums earned	\$ 52.3	\$ 46.2	\$ 45.0	\$ 49.7	\$ 50.0
net loss ratio	17.4%	53.7%	27.1%	(17.5%)	20.2%

aviation	q3 2011	q2 2011	q1 2011	q4 2010	q3 2010
net reserves: start	\$ 0.9	\$ 1.3	\$ 6.5	\$ 7.1	\$ 7.6
paid losses	-	0.1	-	-	-
change in prior year AY ⁽¹⁾	(0.1)	(0.1)	(5.4)	(0.6)	(0.6)
current year incurred losses	-	(0.1)	0.1	-	-
foreign exchange	(0.1)	(0.1)	0.1	-	0.1
net reserves: end	\$ 0.7	\$ 0.9	\$ 1.3	\$ 6.5	\$ 7.1
net premiums earned	\$ 13.2	\$ 12.6	\$ 11.2	\$ 12.0	\$ 13.7
net loss ratio	(0.8%)	(1.6%)	(47.3%)	(5.0%)	(4.4%)

⁽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>	<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 30 september 2011	<u>\$ 26.1</u>	<u>\$ 84.5</u>	<u>\$ 356.1</u>	<u>\$ 76.7</u>	<u>\$ 242.7</u>	<u>\$ 264.9</u>
payments made	<u>(21.6)</u>	<u>(71.8)</u>	<u>(262.6)</u>	<u>(37.6)</u>	<u>(90.4)</u>	<u>(10.1)</u>
total gross liability	<u>\$ 4.5</u>	<u>\$ 12.7</u>	<u>\$ 93.5</u>	<u>\$ 39.1</u>	<u>\$ 152.3</u>	<u>\$ 254.8</u>
accident year gross loss ratio ⁽¹⁾	8.6%	12.1%	52.3%	11.8%	37.0%	55.7%

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 30 september 2011	<u>\$ 26.1</u>	<u>\$ 81.1</u>	<u>\$ 314.2</u>	<u>\$ 76.1</u>	<u>\$ 209.0</u>	<u>\$ 251.0</u>
payments made	<u>(21.6)</u>	<u>(68.7)</u>	<u>(232.5)</u>	<u>(37.1)</u>	<u>(73.0)</u>	<u>(10.1)</u>
total net liability	<u>\$ 4.5</u>	<u>\$ 12.4</u>	<u>\$ 81.7</u>	<u>\$ 39.0</u>	<u>\$ 136.0</u>	<u>\$ 240.9</u>
accident year net loss ratio ⁽¹⁾	10.7%	13.3%	51.7%	12.8%	34.0%	57.5%
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	5.4%	11.4%	14.8%	14.4%	8.9%	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 october 2011 100 year return period		1 october 2011 250 year return period	
		estimated gross loss	estimated net loss	estimated gross loss	estimated net loss
gulf of mexico ⁽¹⁾	hurricane	\$ 292.1	\$ 250.5	\$ 422.2	\$ 368.6
california	earthquake	113.6	98.9	217.4	188.8
pacific northwest	earthquake	35.9	35.5	133.1	122.5
pan-european	windstorm	129.8	109.8	191.4	167.1
japan	earthquake	188.0	170.8	287.4	266.3
japan	typhoon	144.8	118.5	277.0	249.9

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 NET OF REINSTATEMENT PREMIUMS AND GROSS OF OUTWARD REINSURANCE, BEFORE INCOME TAX. NET LOSS ESTIMATES ARE NET OF REINSTATEMENT PREMIUMS AND NET OF OUTWARD REINSURANCE, BEFORE INCOME TAX.

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



	q3 2011	q3 2010	ytd 2011	ytd 2010	full year 2010
basic earnings per share:					
profit after tax	\$ 75.7	\$ 106.0	\$ 173.2	\$ 199.0	\$ 330.8
net operating income	\$ 87.7	\$ 97.4	\$ 180.9	\$ 183.1	\$ 306.5
dilutive shares					
weighted average shares outstanding - basic	155,187,916	153,147,327	153,827,097	161,149,849	158,806,410
dilutive effect of warrants	19,059,160	15,106,159	18,105,017	13,056,050	14,214,198
dilutive effect of stock options	624,329	811,668	610,631	626,760	500,310
dilutive effect of restricted stock	4,614,667	3,372,695	4,484,404	3,125,185	3,990,315
weighted average & equivalent shares outstanding - diluted	<u>179,486,072</u>	<u>172,437,849</u>	<u>177,027,149</u>	<u>177,957,844</u>	<u>177,511,233</u>
basic earnings per share	\$ 0.49	\$ 0.69	\$ 1.13	\$ 1.23	\$ 2.08
diluted earnings per share	\$ 0.42	\$ 0.61	\$ 0.98	\$ 1.12	\$ 1.86
diluted operating earnings per share	\$ 0.49	\$ 0.56	\$ 1.02	\$ 1.03	\$ 1.73

Lancashire Holdings Limited
basic and fully converted book value per share

	<u>30 september 2011</u>	<u>30 june 2011</u>	<u>31 march 2011</u>	<u>31 december 2010</u>	<u>30 september 2010</u>
numerator (\$ in millions):					
shareholders' equity	\$ 1,432.5	\$ 1,380.4	\$ 1,282.1	\$ 1,286.9	\$ 1,445.6
proceeds from assumed exercise of outstanding dilutive warrants	169.0	169.7	173.3	177.7	178.3
proceeds from assumed exercise of outstanding dilutive options	2.3	2.5	3.5	2.3	7.4
book value numerator	<u>\$ 1,603.8</u>	<u>\$ 1,552.6</u>	<u>\$ 1,458.9</u>	<u>\$ 1,466.9</u>	<u>\$ 1,631.3</u>
denominator (in shares):					
common voting shares outstanding	155,373,165	155,050,457	152,898,018	152,367,003	151,684,042
shares issuable upon exercise of outstanding dilutive warrants	34,669,587	34,809,587	35,602,930	36,498,390	36,648,390
shares issuable upon exercise of outstanding dilutive options	833,762	892,780	1,292,991	863,644	1,759,895
shares relating to dilutive restricted stock	4,606,481	4,181,469	4,677,310	4,122,964	3,507,393
fully converted book value denominator	<u>195,482,995</u>	<u>194,934,293</u>	<u>194,471,249</u>	<u>193,852,001</u>	<u>193,599,720</u>
basic book value per share	<u>\$ 9.22</u>	<u>\$ 8.90</u>	<u>\$ 8.39</u>	<u>\$ 8.45</u>	<u>\$ 9.53</u>
fully converted book value per share	<u>\$ 8.20</u>	<u>\$ 7.96</u>	<u>\$ 7.50</u>	<u>\$ 7.57</u>	<u>\$ 8.43</u>
dividend per common share ⁽¹⁾	\$ 0.05	\$ -	\$ 0.10	\$ 1.40	\$ 0.05
change in FCBVS adj for dividends ⁽²⁾ - quarter	3.6%	6.1%	0.4%	6.4%	7.9%
change in FCBVS adj for dividends ⁽²⁾ - rolling 12 months	18.0%	23.1%	23.7%	23.3%	24.4%
compound annual change in FCBVS adj for dividends ⁽²⁾	19.8%	19.9%	19.7%	20.3%	20.0%
compound annual change in FCBVS adj for dividends ⁽²⁾ - above 3 month treasury	17.9%	17.9%	17.6%	18.2%	17.8%
change in FCBVS adj for dividends ⁽²⁾ - since inception	182.0%	171.3%	156.8%	152.4%	138.0%

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

⁽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 september 2011</u>	<u>30 june 2011</u>	<u>31 march 2011</u>	<u>31 december 2010</u>	<u>30 september 2010</u>
shareholders' equity	\$ 1,432.5	\$ 1,380.4	\$ 1,282.1	\$ 1,286.9	\$ 1,445.6
weighted average exercise price per share of dilutive warrants	\$ 4.87	\$ 4.87	\$ 4.87	\$ 4.87	\$ 4.86
weighted average exercise price per share of dilutive options	\$ 2.72	\$ 2.79	\$ 2.72	\$ 2.65	\$ 4.21
denominator (in shares):					
common voting shares outstanding	155,373,165	155,050,457	152,898,018	152,367,003	151,684,042
unvested restricted shares and restricted share units	4,606,481	4,181,469	4,677,310	4,122,964	3,507,393
dilutive warrants outstanding	34,669,587	34,809,587	35,602,930	36,498,390	36,648,390
proforma warrants bought back	<u>(18,328,504)</u>	<u>(19,059,509)</u>	<u>(20,664,075)</u>	<u>(21,034,819)</u>	<u>(18,703,607)</u>
proforma net shares issued	16,341,083	15,750,078	14,938,855	15,463,571	17,944,783
dilutive options outstanding	833,762	892,780	1,292,991	863,644	1,759,895
proforma options bought back	<u>(245,965)</u>	<u>(279,826)</u>	<u>(419,098)</u>	<u>(271,039)</u>	<u>(776,532)</u>
proforma net shares issued	587,797	612,954	873,893	592,605	983,363
proforma dilutive shares outstanding	<u>176,908,526</u>	<u>175,594,958</u>	<u>173,388,076</u>	<u>172,546,143</u>	<u>174,119,581</u>
basic book value per common share	\$ 9.22	\$ 8.90	\$ 8.39	\$ 8.45	\$ 9.53
diluted book value per common share	\$ 8.10	\$ 7.86	\$ 7.39	\$ 7.46	\$ 8.30
dividend per common share ⁽¹⁾	\$ 0.05	\$ -	\$ 0.10	\$ 1.40	\$ 0.05
change in FDBVS adj for dividends ⁽²⁾ - quarter	3.7%	6.4%	0.4%	6.8%	7.6%
change in FDBVS adj for dividends ⁽²⁾ - rolling 12 months	17.9%	23.4%	23.6%	23.4%	24.1%
compound annual change in FDBVS adj for dividends ⁽²⁾	19.6%	19.7%	19.5%	20.1%	19.7%
compound annual change in FDBVS adj for dividends ⁽²⁾ - above 3 month treasury	17.7%	17.7%	17.4%	17.9%	17.5%
change in FDBVS adj for dividends ⁽²⁾ - since inception	179.7%	169.0%	154.3%	149.9%	135.1%

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

⁽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