LANCASHIRE HOLDINGS LIMITED

GROWTH IN FULLY CONVERTED BOOK VALUE PER SHARE, ADJUSTED FOR DIVIDENDS, OF 3.4% IN Q1 2012
COMBINED RATIO OF 74.0% IN Q1 2012
FULLY CONVERTED BOOK VALUE PER SHARE OF $7.78 AT 31 MARCH 2012

4 May 2012
London, UK

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its results for the three month period ended 31 March 2012.

Financial highlights

	As at 31 March 2012	**As at 31 March 2011**
Fully converted book value per share	**$7.78**	**$7.50**
Return on equity* – Q1	**3.4%**	**0.4%**
Operating return on average equity – Q1	**3.2%**	**0.5%**
Final dividend per common share**	**$0.10**	**$0.10**

* Return on equity is defined as growth in fully converted book value per share, adjusted for dividends.
** See "Dividends" below for Record Date and Dividend Payment Date.

Financial highlights:

	Three months ended 31 March 2012	**Three months ended 31 March 2011**
Highlights ($m)		
Gross premiums written	234.0	171.9
Net premiums written	132.1	137.7
Profit before tax	46.5	8.4
Profit after tax	45.2	8.6
Net operating profit	42.9	6.9
Per share data		
Diluted earnings per share	$0.25	$0.05
Diluted earnings per share – operating	$0.24	$0.04
Financial ratios		
Total investment return	1.1%	0.6%
Net loss ratio	35.7%	67.0%
Combined ratio	74.0%	97.4%
Accident year loss ratio	50.5%	102.6%

Richard Brindle, Group Chief Executive Officer, commented:

"Lancashire has achieved another solid performance during the first quarter and has once again increased book value per share, including dividends. We have now produced a compound annual return of 19.4% over six years of trading in markets that have experienced very volatile losses in both risk and catastrophe lines.

As anticipated, the new year renewal season produced attractive opportunities in our property retrocession and catastrophe reinsurance lines. The Accordion facility was well utilised during the January renewals and I am also pleased to report a successful Japanese and Asian reinsurance renewal season at 1 April 2012, where we saw attractive opportunities supporting established and well-respected insurers within the region. Pricing in energy underwriting lines has also strengthened during the quarter.

Despite the firming of premium rates in certain key classes, we have yet to witness a wide-scale hardening of rates across all classes. While the Costa Concordia loss affected our combined ratio, as it has many others in the industry, it has been frustrating to see industry-wide pricing in marine lines failing to show the improvements that might have been expected following such a loss.

We continue to explore ways of achieving maximum capital efficiency for our shareholders and ensuring that we remain equipped to take advantage of underwriting opportunities as they arise. In that regard I would like to thank our shareholders for their support at the annual general meeting held on 3 May 2012, and in particular the approval of authority for Lancashire to issue up to 10% of issued share capital on a non pre-emptive basis. As a company that tries to plan for every eventuality we are delighted that our shareholders have again given us the authority to issue shares quickly in the event that the market offers additional opportunities."

Elaine Whelan, Group Chief Financial Officer, commented:

"The retrocession market at 1 January was at least as good as we had expected and we expanded our book significantly as a result, leveraging with the Accordion sidecar where appropriate. We produced a return on equity of 3.4% for the quarter, very reasonable given the increased frequency of larger marine losses in the quarter. Investments were stable, producing a solid return of 1.1%.

The 1 April renewal season went very well and, looking forward to the U.S. wind season, our balance sheet remains strong. As ever, we stand ready to take advantage of any opportunities that come our way to effectively deploy our capacity and maximise returns for our shareholders."

Lancashire Renewal Price Index for major classes

Lancashire's Renewal Price Index ("RPI") is an internal tool that management uses to track trends in premium rates on a portfolio of insurance and reinsurance contracts. The RPI is calculated on a per contract basis and reflects Lancashire's assessment of relative changes in price, terms, conditions and limits on like for like renewals only, and is weighted by premium volume (see "Note Regarding RPI Tool" at the end of this announcement for further guidance). This does not include new business. The following RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in 2011:

Class	**Q1 2012**
Aviation (AV52)	92%
Gulf of Mexico energy	100%
Energy offshore worldwide	102%
Marine	103%
Direct and facultative	107%
Property retrocession and reinsurance	112%
Terrorism	96%
Combined	**103%**

Underwriting results

Gross premiums written

	Q1 / 3 months to 31 March			
	2012 $m	**2011 $m**	**Change $m**	**Change %**
Property	158.5	102.3	56.2	54.9
Energy	44.3	28.7	15.6	54.4
Marine	23.5	33.3	(9.8)	(29.4)
Aviation	7.7	7.6	0.1	1.3
Total	**234.0**	**171.9**	**62.1**	**36.1**

Gross premiums written increased by 36.1% in the first quarter of 2012 compared to the same period in 2011, with the increased premiums derived primarily from Lancashire's property retrocession book. The Group's four principal classes, and the key market factors impacting them, are discussed below.

Property gross premiums written increased by 54.9% for the first quarter of 2012 compared to the same period in 2011. The increase is driven by the property retrocession book. In the first quarter of 2011 we had reduced our property retrocession book in the face of declining pricing and terms and conditions. Following the accumulation of industry losses during 2011, the property retrocession market at 1 January, 2012 was significantly improved and we increased our exposures considerably, utilising the Accordion sidecar facility for a sizeable portion of this business. Property catastrophe excess-of-loss premiums written were broadly in line with the prior year, although within this book one significant contract plus some 2011 back-up covers were non-renewed and replaced by new business volumes. While pricing in property direct and facultative is improving, premium volumes are down slightly due to the timing of some long-term renewals and rebalancing our book towards the better priced reinsurance lines.

Energy gross premiums written increased by 54.4% for the first quarter of 2012 compared to the same period in 2011. The first quarter is not typically a major renewal period for the energy book and the increase is primarily due to prior underwriting year risk-attaching business in the worldwide offshore book plus some small amounts of new business.

Marine gross premiums written decreased by 29.4% for the first quarter of 2012 compared to the same period in 2011. Pricing was broadly stable, with the reduction being largely driven by the timing of certain multi-year contract renewals.

Aviation gross premiums written increased by 1.3% for the first quarter of 2012 compared to the same period in 2011. The actual dollar value of the increase is negligible as the first quarter is not a major renewal period.

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Ceded reinsurance premiums increased by $67.7 million, or 198.0% for the first quarter of 2012 compared to the same period in 2011. The first quarter of 2012 included $54.0 million of cessions from the property retrocession book to the Accordion sidecar facility. The remainder of the increase is a combination of rate increases on our outwards marine and energy and property per risk reinsurance programmes, following the market losses of 2011, increased reinstatement premiums following the Costa Concordia marine loss, plus some timely purchases of Industry Loss Warranties.

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Net premiums earned as a proportion of net premiums written were 107.1% in the first quarter of 2012 compared to 105.4% for the same period in 2011. Both years benefited from the lag in earnings from long-term contracts written in preceding years and 2012 year-to-date also benefits from the relative increase in business written at 1 January as compared to the prior year.

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The Group's net loss ratio for the first quarter of 2012 was 35.7% compared to 67.0% for the same period in 2011. The Group incurred total estimated net losses for Costa Concordia of $34.1 million, after reinsurance and reinstatement premium. This compares to specific event net losses of $116.5 million in the first quarter of 2011 in relation to the Tohoku and Christchurch earthquakes and the Gryphon FPSO.

Prior year favourable development for the first quarter of $20.6 million, compared to $50.8 million for the first quarter of 2011, reduced the net loss ratio by 14.6 points for 2012, and 35.0 points for 2011. Both years experienced releases due to lower than expected reported losses. In addition, during the first quarter of 2011, an independent external reserve study was commissioned in order to incorporate the Group's own loss experience with industry factors previously used. Net reserves of $36.9 million were released in the first quarter of 2011 on completion of the study. Absent prior year development and the current accident year large losses, the loss ratios would have been 30.8% for the first quarter of 2012 versus 19.6% for the first quarter of 2011, reflecting exceptionally low attritional losses for the first quarter of 2011.

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

	Q1	
	2012	**2011**
	$m	**$m**
Property	1.3	8.6
Energy	14.6	22.7
Marine	4.7	14.1
Aviation	-	5.4
Total	**20.6**	**50.8**

Note: Positive numbers denote favourable development.

The accident year loss ratio for the first quarter of 2012, including the impact of foreign exchange revaluations, was 50.5% compared to 102.6% for the same period in 2011. The 2012 accident year loss ratio for the quarter ended 31 March 2012 included 19.4% for the Costa Concordia loss.

The 2011 accident year loss ratio for the quarter ended 31 March 2011 included:

- 52.3% for the Tohoku earthquake;
- 18.6% for the Gryphon FPSO loss; and
- 9.9% for the Christchurch, Lyttleton earthquake.

Otherwise, both years experienced relatively low levels of reported losses.

Excluding the impact of foreign exchange revaluations, previous accident years' ultimate losses developed as follows during the first quarter of 2012:

- 2006 - favourable development of $0.1 million (2011: $1.9 million);
- 2007 - favourable development of $0.8 million (2011: $6.1 million);
- 2008 - favourable development of $0.4 million (2011: $13.1 million);
- 2009 - favourable development of $2.1 million (2011: $20.3 million);
- 2010 - adverse development of $0.1 million (2011: $9.4 million favourable); and
- 2011 - favourable development of $17.3 million.

The ratio of IBNR to total reserves was 33.4% at 31 March 2012 compared to 46.5% at 31 March 2011.

Investments

Net investment income, excluding realised and unrealised gains and losses, was $8.7 million for the first quarter of 2012, a decrease of 25.0% from the first quarter of 2011. Average book yields over the quarter were lower than the first quarter of 2011 and the reduction in emerging market debt local currency positions has also resulted in lower yields compared to the same period of the prior year.

Total investment return, including net investment income, net realised gains and losses, impairments and net change in unrealised gains and losses, was $21.6 million for the first quarter of 2012 compared to $11.7 million for the first quarter of 2011. In the first quarter of 2012 the U.S. had marginally more positive economic data, which stimulated an equity rally despite continued worries of Eurozone contagion. Our portfolio therefore benefited from significant credit spread tightening, particularly in the emerging market debt portfolio.

The Group continues to hold an emerging market debt portfolio given the future growth expectations for those regions. Currently 7.0% of the portfolio is allocated to emerging markets with an overall average credit quality of BBB. The corporate bond allocation, excluding Federal Deposit Insurance Corporation guaranteed bonds, represented 30.3% of managed invested assets at 31 March 2012 compared to 33.3% at 31 March 2011.

The managed portfolio was as follows:

	As at 31 March 2012	**As at 31 March 2011**
Fixed income securities	88.6%	76.5%
Cash and cash equivalents	11.4%	21.9%
Equity securities	-	1.5%
Other investments	-	0.1%
Total	100.0%	100.0%

Key investment portfolio statistics are:

	As at 31 March 2012	As at 31 March 2011
Duration	1.8 years	1.8 years
Credit quality	AA-	AA
Book yield	2.1%	2.2%
Market yield	1.3%	1.7%

Accordion

The Group has a quota share agreement with, plus an equity investment in, the Accordion sidecar vehicle. The Group retains 15% under the quota share and also receives a 4% over-ride commission plus any eventual contingent profit commission. The vehicle writes worldwide retrocession business and has also allowed Lancashire to attract regional retrocession business for its own book. The share of profit of associate of $2.9 million reflects Lancashire's 20% equity interest in the vehicle.

Other operating expenses

Other operating expenses, excluding employee remuneration, are marginally lower than with the same period in 2011, reflecting the Group's broadly stable operating platform. Total employment costs were $18.5 million for the quarter ended 31 March 2012 compared to $10.3 million for the same period in 2011. Employment costs for the first quarter of 2012 includes a one-off national insurance charge of $6.9 million, incurred as a result of the Group's tax residency move to the UK effective from 1 January 2012.

Equity based compensation was $3.4 million in the first quarter of 2012 compared to $6.4 million in the same period last year. The equity compensation charge in 2011 included $2.1 million in relation to dividend strike price revisions on awards under the Group's 2005 Long Term Incentive Plan Scheme (LTIPs), which was closed to further awards in 2008. By the first quarter of 2012 the majority of these previously issued awards had been exercised and the remaining charges on them were negligible. The slight reduction in the remaining 2012 expense reflects adjustments to vesting assumptions for the Group's Restricted Share Scheme (RSS), based on performance.

Capital

At 31 March 2012, total capital was $1.490 billion, comprising shareholders' equity of $1.361 billion and $128.9 million of long-term debt. Leverage was 8.7%. Total capital at 31 March 2011 was $1.413 billion.

Repurchase programme

There were no shares repurchased during the first quarter of 2012 or during the same period in 2011. The Group's current authorised share repurchase programme permits a maximum of 16,860,242 shares to be repurchased.

Dividends

During the first quarter of 2012, the Lancashire Board of Directors declared a final dividend in respect of 2011 of $0.10 (6.3 pence) per common share. The dividend, totaling $19.2 million, was paid on 18 April 2012 to shareholders of record on 16 March 2012.

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

Financial information

Further details of our 2012 first quarter results can be obtained from our Financial Supplement. This can be accessed via our website www.lancashiregroup.com.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 1:00pm UK time / 8:00am EDT on Friday, 4 May 2012. The conference call will be hosted by Lancashire management.

The call can be accessed by dialling +44 (0)208 817 9301 / +1 718 354 1226 with the confirmation code 7015206. The call can also be accessed via webcast, please go to our website (www.lancashiregroup.com) to access.

A replay facility will be available for two weeks until Friday, 18 May 2012. The dial in number for the replay facility is +44 (0)207 769 6425 with passcode 7015206# .The replay facility will also be accessible at www.lancashiregroup.com

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

About Lancashire

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

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

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

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

Lancashire has capital in excess of $1 billion and its common shares trade on the Main Market of the London Stock Exchange under the ticker symbol LRE. Lancashire has its corporate headquarters and mailing address at Level 11, Vitro, 60 Fenchurch Street, London EC3M 4AD, United Kingdom and its registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

For more information on Lancashire, visit the Company's website at www.lancashiregroup.com

Lancashire Insurance Company Limited is regulated by the Bermuda Monetary Authority in Bermuda.
Lancashire Insurance Company (UK) Limited is regulated by the Financial Services Authority in the UK.

NOTE REGARDING RPI TOOL

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

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE 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; THE EFFECTIVENESS OF OUR LOSS LIMITATION METHODS; 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; THE UK TEMPORARY PERIOD EXEMPTION UNDER THE CURRENT CFC REGIME FAILING TO REMAIN IN FORCE FOR THE PERIOD INTENDED; THE FAILURE OF THE UK GOVERNMENT TO BRING BEFORE PARLIAMENT LEGISLATION CONTAINING A SUITABLE NEW CFC REGIME IN LINE WITH THE PROPOSALS OUTLINED IN THE CONSULTATION DOCUMENT; THE OMISSION FROM THE NEW CFC REGIME OF A SUITABLE EXCLUSION (E.G. RELATING TO LARGE RISKS WRITTEN IN THE INTERNATIONAL INSURANCE MARKET); ANY CHANGE IN UK GOVERNMENT OR THE UK GOVERNMENT POLICY WHICH IMPACTS THE TEMPORARY PERIOD EXEMPTION, THE ANTICIPATED TERRITORIAL BUSINESS EXEMPTION OR OTHER ASPECTS OF THE NEW CFC REGIME; AND THE IMPLEMENTATION OF THE CHANGE IN TAX RESIDENCE OF LANCASHIRE NEGATIVELY IMPACTS STAKEHOLDERS OF LANCASHIRE IN A MATERIAL WAY.

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.

Consolidated statement of comprehensive income

(Unaudited)

	Quarter 1 2012 $m	Quarter 1 2011 $m
Gross premiums written	234.0	171.9
Outwards reinsurance premiums	(101.9)	(34.2)
Net premiums written	132.1	137.7
Change in unearned premiums	(55.1)	(14.5)
Change in unearned premiums on premiums ceded	64.5	22.0
Net premiums earned	141.5	145.2
Net investment income	8.7	11.6
Net other investment income (losses)	0.7	(0.1)
Net realised gains (losses) and impairments	1.2	2.4
Share of profit of associate	2.9	-
Net foreign exchange gains (losses)	2.4	(0.9)
Total net revenue	157.4	158.2
Insurance losses and loss adjustment expenses	79.7	105.1
Insurance losses and loss adjustment expenses recoverable	(29.2)	(7.8)
Net insurance acquisition expenses	29.9	25.4
Other operating expenses	24.4	18.7
Equity based compensation	3.4	6.4
Total expenses	108.2	147.8
Results of operating activities	49.2	10.4
Financing costs	(2.7)	(2.0)
Profit before tax	46.5	8.4
Tax (charge) credit	(1.3)	0.2
Profit for the period attributable to equity shareholders	45.2	8.6
Net change in unrealised gains/losses on investments	11.1	(2.1)
Tax expense on net change in unrealised gains/losses on investments	(0.1)	(0.1)
Other comprehensive income (loss)	11.0	(2.2)
Total comprehensive income attributable to equity shareholders	56.2	6.4
Net loss ratio	35.7%	67.0%
Net acquisition cost ratio	21.1%	17.5%
Administrative expense ratio	17.2%	12.9%
Combined ratio	74.0%	97.4%
Basic earnings per share	$0.29	$0.06
Diluted earnings per share	$0.25	$0.05
Change in fully converted book value per share	3.4 %	0.4%

Consolidated balance sheet

	Unaudited 31 Mar 2012 $m	Unaudited 31 Mar 2011 $m
Assets		
Cash and cash equivalents	287.1	493.3
Accrued interest receivable	10.7	12.8
Investments		
- Fixed income securities		
– available for sale	1,803.2	1,529.9
– at fair value through profit or loss	-	1.5
- Equity securities	-	29.8
- Other investments	-	(0.4)
Reinsurance assets		
- Unearned premiums on premiums ceded	73.3	24.9
- Reinsurance recoveries	94.3	41.0
- Other receivables	-	2.5
Deferred acquisition costs	67.7	62.7
Other receivables	25.0	45.8
Inwards premiums receivable from insureds and cedants	265.2	239.3
Deferred tax asset	8.2	9.1
Investment in associate	48.8	-
Property, plant and equipment	4.6	6.7
Intangible assets	2.2	-
Total assets	**2,690.3**	**2,498.9**
Liabilities		
Insurance contracts		
- Losses and loss adjustment expenses	589.9	576.6
- Unearned premiums	402.2	365.1
- Other payables	19.8	16.0
Amounts payable to reinsurers	85.4	20.9
Deferred acquisition costs ceded	6.6	0.7
Other payables	89.0	101.9
Corporation tax payable	0.6	4.4
Interest rate swap	6.7	0.4
Long-term debt	128.9	130.8
Total liabilities	**1,329.1**	**1,216.8**
Shareholders’ equity		
Share capital	84.3	84.3
Own shares	(75.3)	(110.3)
Share premium	2.4	2.4
Contributed surplus	663.1	669.7
Accumulated other comprehensive income	28.6	26.0
Other reserves	54.7	74.7
Retained earnings	603.4	535.3
Total shareholders' equity attributable to equity shareholders	**1,361.2**	**1,282.1**
Total liabilities and shareholders' equity	**2,690.3**	**2,498.9**
Basic book value per share	$8.55	$8.39
Fully converted book value per share	$7.78	$7.50

Consolidated cash flow statement
(unaudited)

	Quarter 1 2012 $m	Quarter 1 2011 $m
Cash flows from operating activities		
Profit before tax	46.5	8.4
Tax paid	(0.7)	(3.4)
Depreciation	0.7	0.7
Interest expense on long-term debt	1.4	1.4
Interest and dividend income	(12.2)	(15.2)
Net amortisation of fixed income securities	2.6	2.6
Equity based compensation	3.4	6.4
Foreign exchange (gains) losses	(3.5)	1.4
Share of profit of associate	(2.9)	-
Net other investment (gains) losses	(0.7)	0.1
Net realised (gains) losses and impairments	(1.2)	(2.4)
Net unrealised losses (gains) on interest rate swaps	0.5	(0.3)
Changes in operational assets and liabilities		
-insurance and reinsurance contracts	9.1	45.6
-other assets and liabilities	6.1	22.1
Net cash flows from operating activities	**49.1**	**67.4**
Cash flows (used in) from investing activities		
Interest and dividends received	11.5	15.8
Purchase and development of intangible asset	(1.0)	-
Investment in associate	4.9	-
Purchase of fixed income securities	(496.3)	(489.3)
Purchase of equity securities	-	(29.1)
Proceeds on maturity and disposal of fixed income securities	417.7	675.9
Net proceeds on disposal other investments	(0.9)	(1.0)
Net cash flows (used in) from investing activities	**(64.1)**	**172.3**
Cash flows used in financing activities		
Interest paid	(1.4)	(1.3)
Dividends paid	-	(264.0)
Distributions by trust	(7.3)	-
Net cash flows used in financing activities	**(8.7)**	**(265.3)**
Net decrease in cash and cash equivalents	**(23.7)**	**(25.6)**
Cash and cash equivalents at beginning of period	311.8	512.5
Effect of exchange rate fluctuations on cash and cash equivalents	(1.0)	6.4
Cash and cash equivalents at end of period	**287.1**	**493.3**