

Underwriting comes **first**

Effectively **balance** risk and return

Operate **nimbly** through the cycle

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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").

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NET OPERATING INCOME (LOSS) - NET OPERATING INCOME (LOSS) EXCLUDES: REALISED GAINS AND LOSSES; 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 2012	q3 2011	% change q3-12 vs. q3-11	ytd 2012	ytd 2011	% change ytd-12 vs. ytd-11
highlights						
gross premiums written	\$ 113.5	\$ 142.9	(21%)	\$ 628.3	\$ 522.7	20%
net premiums written	109.8	133.6	(18%)	475.4	462.7	3%
net premiums earned	143.8	148.8	(3%)	435.5	436.3	-
net insurance losses	21.0	18.1	16%	113.4	127.9	(11%)
net investment income	7.4	10.5	(30%)	24.5	34.3	(29%)
net realised gains (losses) and impairments	3.8	1.0	280%	8.7	6.0	45%
profit after tax	78.8	75.7	4%	182.5	173.2	5%
change in net unrealised gains / losses on investments	10.3	(15.4)	167%	21.8	(11.4)	291%
comprehensive income	89.1	60.3	48%	204.3	161.8	26%
net operating income ⁽¹⁾	\$ 74.1	\$ 87.7	(16%)	\$ 176.7	\$ 180.9	(2%)
total investments and cash	\$ 2,236.2	\$ 2,213.1	1%			
total shareholders' equity	\$ 1,508.3	\$ 1,432.5	5%			
per share data						
net operating income per share - diluted ⁽²⁾	\$ 0.40	\$ 0.49		\$ 0.97	\$ 1.02	
profit after tax per share - diluted ⁽²⁾	\$ 0.42	\$ 0.42		\$ 1.00	\$ 0.98	
fully converted book value per share	\$ 8.47	\$ 8.20		\$ 8.47	\$ 8.20	
change in FCBVS adj for dividends ⁽³⁾	5.7%	3.6%		13.2%	10.4%	
fully diluted book value per share	\$ 8.39	\$ 8.10		\$ 8.39	\$ 8.10	
change in FDBVS adj for dividends ⁽⁴⁾	5.8%	3.7%		13.5%	10.7%	
financial ratios						
net loss ratio	14.6%	12.2%		26.0%	29.3%	
net acquisition cost ratio	19.7%	19.4%		20.7%	18.5%	
administrative expense ratio	14.6%	11.9%		14.4%	12.9%	
combined ratio	<u>48.9%</u>	<u>43.5%</u>		<u>61.1%</u>	<u>60.7%</u>	
net return on total investments	1.1%	(0.6%)		2.8%	1.2%	

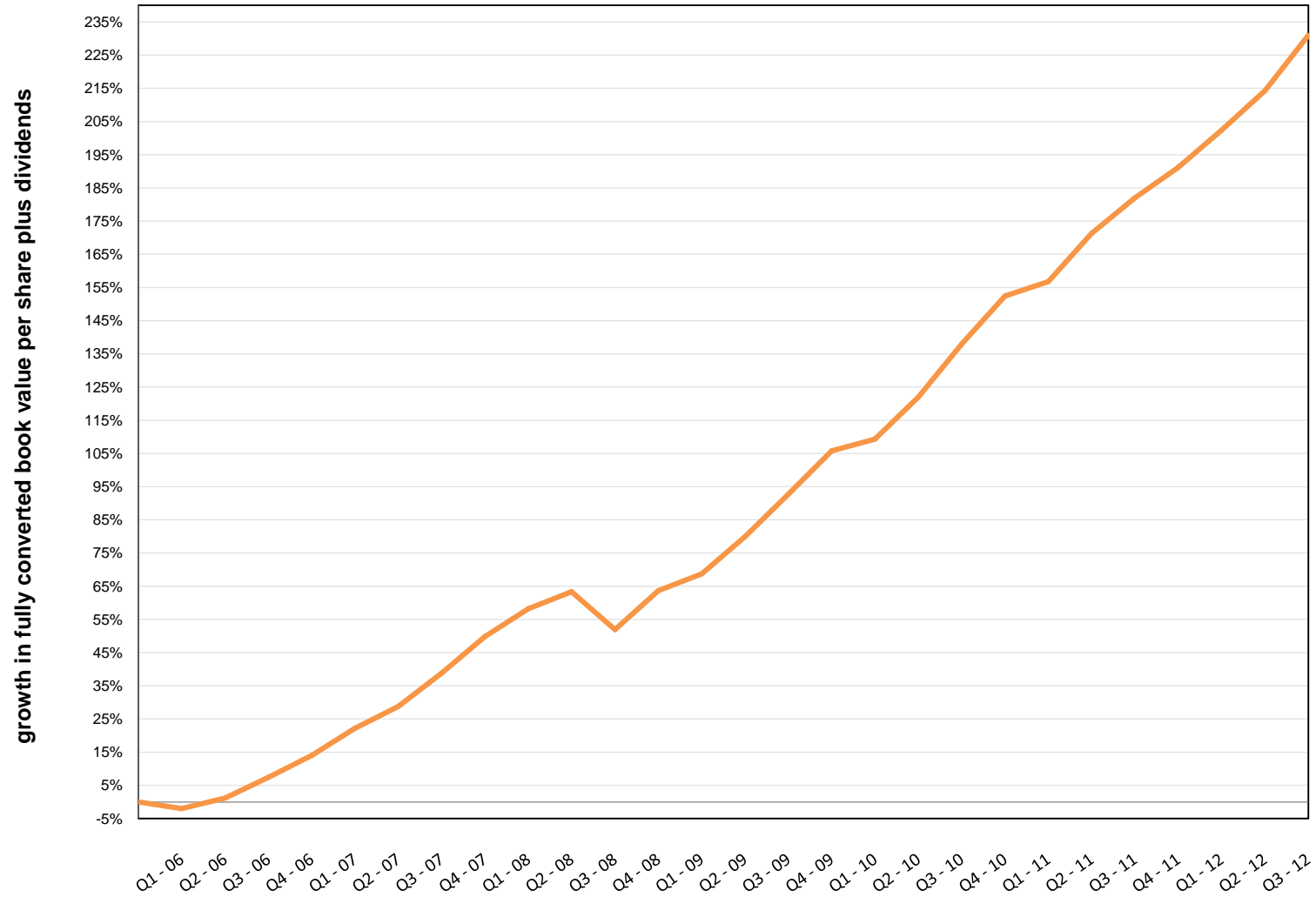
⁽¹⁾ excludes realised gains and losses, tax and foreign exchange gains and losses

⁽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 2012	q2 2012	q1 2012	q4 2011	q3 2011	ytd 2012	ytd 2011	full year 2011
gross premiums written	\$ 113.5	\$ 280.8	\$ 234.0	\$ 109.6	\$ 142.9	\$ 628.3	\$ 522.7	\$ 632.3
outwards reinsurance premiums	(3.7)	(47.3)	(101.9)	(7.2)	(9.3)	(152.9)	(60.0)	(67.2)
net premiums written	109.8	233.5	132.1	102.4	133.6	475.4	462.7	565.1
change in unearned premiums	65.2	(88.7)	(55.1)	50.7	20.7	(78.6)	(47.2)	3.5
change in unearned premiums on premiums ceded	(31.2)	5.4	64.5	(14.9)	(5.5)	38.7	20.8	5.9
net premiums earned	143.8	150.2	141.5	138.2	148.8	435.5	436.3	574.5
net investment income	7.4	8.4	8.7	8.9	10.5	24.5	34.3	43.2
net other investment income (losses)	0.2	(0.2)	0.7	0.4	(0.9)	0.7	(0.9)	(0.5)
net realised gains (losses) and impairments	3.8	3.7	1.2	2.6	1.0	8.7	6.0	8.6
share of profit (loss) of associate	2.9	(1.4)	2.9	0.6	0.3	4.4	0.3	0.9
net foreign exchange gains (losses)	(0.3)	(2.8)	2.4	(0.6)	(9.7)	(0.7)	(8.8)	(9.4)
total net revenue	157.8	157.9	157.4	150.1	150.0	473.1	467.2	617.3
insurance losses	14.0	85.1	79.7	85.5	17.1	178.8	139.8	225.3
insurance losses recoverable	7.0	(43.2)	(29.2)	(31.1)	1.0	(65.4)	(11.9)	(43.0)
net insurance acquisition expenses	28.3	32.1	29.9	31.9	28.9	90.3	80.5	112.4
equity based compensation	6.6	2.5	3.4	6.2	0.4	12.5	12.6	18.8
other operating expenses	21.0	17.1	24.4	14.7	17.7	62.5	56.3	71.0
total expenses	76.9	93.6	108.2	107.2	65.1	278.7	277.3	384.5
profit before tax and finance costs	80.9	64.3	49.2	42.9	84.9	194.4	189.9	232.8
financing costs	(2.9)	(3.7)	(2.7)	(2.7)	(5.9)	(9.3)	(11.5)	(14.2)
profit before tax	78.0	60.6	46.5	40.2	79.0	185.1	178.4	218.6
tax	0.8	(2.1)	(1.3)	(1.2)	(3.3)	(2.6)	(5.2)	(6.4)
profit after tax	\$ 78.8	\$ 58.5	\$ 45.2	\$ 39.0	\$ 75.7	\$ 182.5	\$ 173.2	\$ 212.2
change in net unrealised gains / losses on investments	10.3	0.5	11.0	0.8	(15.4)	21.8	(11.4)	(10.6)
comprehensive income	\$ 89.1	\$ 59.0	\$ 56.2	\$ 39.8	\$ 60.3	\$ 204.3	\$ 161.8	\$ 201.6
net loss ratio	14.6%	27.9%	35.7%	39.4%	12.2%	26.0%	29.3%	31.7%
net acquisition cost ratio	19.7%	21.4%	21.1%	23.1%	19.4%	20.7%	18.5%	19.6%
administrative expense ratio	14.6%	11.4%	17.2%	10.6%	11.9%	14.4%	12.9%	12.4%
combined ratio	48.9%	60.7%	74.0%	73.1%	43.5%	61.1%	60.7%	63.7%
net return on total investments	1.1%	0.6%	1.1%	0.6%	(0.6%)	2.8%	1.2%	1.8%
basic earnings per share	\$ 0.49	\$ 0.37	\$ 0.29	\$ 0.25	\$ 0.49	\$ 1.15	\$ 1.13	\$ 1.38
diluted earnings per share	\$ 0.42	\$ 0.32	\$ 0.25	\$ 0.22	\$ 0.42	\$ 1.00	\$ 0.98	\$ 1.20

Lancashire Holdings Limited
premiums by line of business

	q3 2012	q2 2012	q1 2012	q4 2011	q3 2011	ytd 2012	ytd 2011	full year 2011
gross premiums written								
property retrocession	\$ 8.6	\$ 22.9	\$ 91.2	\$ 5.3	\$ 8.5	\$ 122.7	\$ 41.5	\$ 46.8
property cat excess of loss	16.8	46.5	30.9	5.6	27.1	94.2	76.4	82.0
terrorism	9.8	17.5	22.0	15.8	12.0	49.3	52.6	68.4
property political risk	7.8	17.2	5.4	9.5	4.7	30.4	10.9	20.4
property direct and facultative	2.5	11.6	8.5	12.5	12.6	22.6	45.0	57.5
other property	0.9	2.3	0.5	1.0	-	3.7	3.7	4.7
total property	46.4	118.0	158.5	49.7	64.9	322.9	230.1	279.8
worldwide offshore energy	31.5	62.9	32.4	19.3	38.2	126.8	121.0	140.3
gulf of mexico offshore energy	3.8	54.7	5.5	0.1	7.8	64.0	60.6	60.7
construction energy	9.4	2.5	4.3	3.5	1.4	16.2	7.0	10.5
onshore energy	2.3	2.2	1.1	0.1	4.0	5.6	8.5	8.6
energy excess of loss	-	-	0.8	(0.1)	-	0.8	5.3	5.2
other energy	0.8	1.2	0.2	0.3	2.3	2.2	3.4	3.7
total energy	47.8	123.5	44.3	23.2	53.7	215.6	205.8	229.0
marine hull and total loss	4.0	12.1	4.7	5.8	3.7	20.8	18.0	23.8
marine hull war	3.9	5.2	6.8	4.9	4.8	15.9	12.8	17.7
marine builders risk	2.6	7.3	3.3	6.8	4.8	13.2	13.2	20.0
marine P&I clubs	0.5	2.6	7.1	0.9	0.3	10.2	10.1	11.0
other marine	0.7	3.2	1.6	0.2	-	5.5	3.7	3.9
total marine	11.7	30.4	23.5	18.6	13.6	65.6	57.8	76.4
AV 52	6.8	7.9	7.4	15.0	8.6	22.1	24.6	39.6
other aviation	0.8	1.0	0.3	3.1	2.1	2.1	4.4	7.5
total aviation	7.6	8.9	7.7	18.1	10.7	24.2	29.0	47.1
total gross premiums written	\$ 113.5	\$ 280.8	\$ 234.0	\$ 109.6	\$ 142.9	\$ 628.3	\$ 522.7	\$ 632.3

Lancashire Holdings Limited
summary consolidated underwriting segment results

nine months ending 30 september 2012

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 322.9	\$ 215.6	\$ 65.6	\$ 24.2	\$ 628.3
net premiums written	221.3	187.9	45.9	20.3	475.4
net premiums earned	208.2	156.7	37.2	33.4	435.5
net insurance losses	48.3	31.6	33.6	(0.1)	113.4
net insurance acquisition expenses	25.7	39.4	17.3	7.9	90.3
other operating expenses ⁽¹⁾					62.5
	\$ 134.2	\$ 85.7	\$ (13.7)	\$ 25.6	\$ 169.3
net loss ratio	23.2%	20.2%	90.3%	(0.3%)	26.0%
net acquisition cost ratio	12.3%	25.1%	46.5%	23.7%	20.7%
administrative expense ratio ⁽¹⁾					14.4%
combined ratio	35.5%	45.3%	136.8%	23.4%	61.1%

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%

⁽¹⁾ administrative expenses are not allocated by segment

Lancashire Holdings Limited
property segment - underwriting statement

	<u>q3</u> <u>2012</u>	<u>q2</u> <u>2012</u>	<u>q1</u> <u>2012</u>	<u>q4</u> <u>2011</u>	<u>q3</u> <u>2011</u>	<u>full year</u> <u>2011</u>
underwriting income						
gross premiums written	\$ 46.4	\$ 118.0	\$ 158.5	\$ 49.7	\$ 64.9	\$ 279.8
outwards reinsurance premiums	(1.4)	(29.0)	(71.2)	(8.4)	(7.8)	(41.2)
net premiums written	<u>45.0</u>	<u>89.0</u>	<u>87.3</u>	<u>41.3</u>	<u>57.1</u>	<u>238.6</u>
change in unearned premiums	44.9	(16.9)	(68.2)	23.2	7.9	12.0
change in unearned premiums on premiums ceded	(22.8)	0.7	49.2	(9.1)	(0.8)	5.8
net premiums earned	<u>\$ 67.1</u>	<u>\$ 72.8</u>	<u>\$ 68.3</u>	<u>\$ 55.4</u>	<u>\$ 64.2</u>	<u>\$ 256.4</u>
underwriting expenses						
net insurance losses	3.4	29.5	15.4	39.5	9.5	130.2
net insurance acquisition expenses	8.3	8.7	8.7	9.0	8.7	35.1
total underwriting expenses	<u>11.7</u>	<u>38.2</u>	<u>24.1</u>	<u>48.5</u>	<u>18.2</u>	<u>165.3</u>
net underwriting income	<u>\$ 55.4</u>	<u>\$ 34.6</u>	<u>\$ 44.2</u>	<u>\$ 6.9</u>	<u>\$ 46.0</u>	<u>\$ 91.1</u>
net loss ratio (% of net premiums earned)	5.1%	40.5%	22.5%	71.3%	14.8%	50.8%
net acquisition cost ratio (% of net premiums earned)	12.4%	12.0%	12.7%	16.2%	13.6%	13.7%
	<u>17.5%</u>	<u>52.5%</u>	<u>35.2%</u>	<u>87.5%</u>	<u>28.4%</u>	<u>64.5%</u>

Lancashire Holdings Limited
energy segment - underwriting statement

	<u>q3</u> <u>2012</u>	<u>q2</u> <u>2012</u>	<u>q1</u> <u>2012</u>	<u>q4</u> <u>2011</u>	<u>q3</u> <u>2011</u>	<u>full year</u> <u>2011</u>
underwriting income						
gross premiums written	\$ 47.8	\$ 123.5	\$ 44.3	\$ 23.2	\$ 53.7	\$ 229.0
outwards reinsurance premiums	(2.2)	(12.2)	(13.3)	1.8	(1.5)	(18.3)
net premiums written	<u>45.6</u>	<u>111.3</u>	<u>31.0</u>	<u>25.0</u>	<u>52.2</u>	<u>210.7</u>
change in unearned premiums	11.4	(64.6)	13.1	31.5	3.0	(15.1)
change in unearned premiums on premiums ceded	(5.7)	4.8	9.8	(4.1)	(2.9)	0.3
net premiums earned	<u>\$ 51.3</u>	<u>\$ 51.5</u>	<u>\$ 53.9</u>	<u>\$ 52.4</u>	<u>\$ 52.3</u>	<u>\$ 195.9</u>
underwriting expenses						
net insurance losses	13.0	21.5	(2.9)	7.7	9.1	53.8
net insurance acquisition expenses	12.7	14.1	12.6	12.2	11.9	42.6
total underwriting expenses	<u>25.7</u>	<u>35.6</u>	<u>9.7</u>	<u>19.9</u>	<u>21.0</u>	<u>96.4</u>
net underwriting income	<u>\$ 25.6</u>	<u>\$ 15.9</u>	<u>\$ 44.2</u>	<u>\$ 32.5</u>	<u>\$ 31.3</u>	<u>\$ 99.5</u>
net loss ratio (% of net premiums earned)	25.3%	41.7%	(5.4%)	14.7%	17.4%	27.5%
net acquisition cost ratio (% of net premiums earned)	24.8%	27.4%	23.4%	23.3%	22.8%	21.7%
	<u>50.1%</u>	<u>69.1%</u>	<u>18.0%</u>	<u>38.0%</u>	<u>40.2%</u>	<u>49.2%</u>

Lancashire Holdings Limited
marine segment - underwriting statement

	<u>q3</u> <u>2012</u>	<u>q2</u> <u>2012</u>	<u>q1</u> <u>2012</u>	<u>q4</u> <u>2011</u>	<u>q3</u> <u>2011</u>	<u>full year</u> <u>2011</u>
underwriting income (loss)						
gross premiums written	\$ 11.7	\$ 30.4	\$ 23.5	\$ 18.6	\$ 13.6	\$ 76.4
outwards reinsurance premiums	(0.1)	(5.0)	(14.6)	(0.6)	-	(3.9)
net premiums written	<u>11.6</u>	<u>25.4</u>	<u>8.9</u>	<u>18.0</u>	<u>13.6</u>	<u>72.5</u>
change in unearned premiums	4.7	(10.0)	(5.1)	5.2	6.3	4.8
change in unearned premiums on premiums ceded	(1.7)	(0.3)	3.7	(0.7)	(0.8)	-
net premiums earned	<u>\$ 14.6</u>	<u>\$ 15.1</u>	<u>\$ 7.5</u>	<u>\$ 22.5</u>	<u>\$ 19.1</u>	<u>\$ 77.3</u>
underwriting expenses						
net insurance losses	4.6	(9.0)	38.0	7.4	(0.4)	4.1
net insurance acquisition expenses	4.8	6.3	6.2	8.6	6.3	25.0
total underwriting expenses	<u>9.4</u>	<u>(2.7)</u>	<u>44.2</u>	<u>16.0</u>	<u>5.9</u>	<u>29.1</u>
net underwriting income (loss)	<u>\$ 5.2</u>	<u>\$ 17.8</u>	<u>\$ (36.7)</u>	<u>\$ 6.5</u>	<u>\$ 13.2</u>	<u>\$ 48.2</u>
net loss ratio (% of net premiums earned)	31.5%	(59.6%)	506.7%	32.9%	(2.1%)	5.3%
net acquisition cost ratio (% of net premiums earned)	32.9%	41.7%	82.7%	38.2%	33.0%	32.3%
	<u>64.4%</u>	<u>(17.9%)</u>	<u>589.4%</u>	<u>71.1%</u>	<u>30.9%</u>	<u>37.6%</u>

Lancashire Holdings Limited
aviation segment - underwriting statement

	<u>q3</u> <u>2012</u>	<u>q2</u> <u>2012</u>	<u>q1</u> <u>2012</u>	<u>q4</u> <u>2011</u>	<u>q3</u> <u>2011</u>	<u>full year</u> <u>2011</u>
underwriting income						
gross premiums written	\$ 7.6	\$ 8.9	\$ 7.7	\$ 18.1	\$ 10.7	\$ 47.1
outwards reinsurance premiums	-	(1.1)	(2.8)	-	-	(3.8)
net premiums written	<u>7.6</u>	<u>7.8</u>	<u>4.9</u>	<u>18.1</u>	<u>10.7</u>	<u>43.3</u>
change in unearned premiums	4.2	2.8	5.1	(9.2)	3.5	1.8
change in unearned premiums on premiums ceded	(1.0)	0.2	1.8	(1.0)	(1.0)	(0.2)
net premiums earned	<u>\$ 10.8</u>	<u>\$ 10.8</u>	<u>\$ 11.8</u>	<u>\$ 7.9</u>	<u>\$ 13.2</u>	<u>\$ 44.9</u>
underwriting expenses						
net insurance losses	-	(0.1)	-	(0.2)	(0.1)	(5.8)
net insurance acquisition expenses	2.5	3.0	2.4	2.1	2.0	9.7
total underwriting expenses	<u>2.5</u>	<u>2.9</u>	<u>2.4</u>	<u>1.9</u>	<u>1.9</u>	<u>3.9</u>
net underwriting income	<u>\$ 8.3</u>	<u>\$ 7.9</u>	<u>\$ 9.4</u>	<u>\$ 6.0</u>	<u>\$ 11.3</u>	<u>\$ 41.0</u>
net loss ratio (% of net premiums earned)	-	(0.9%)	-	(2.5%)	(0.8%)	(12.9%)
net acquisition cost ratio (% of net premiums earned)	23.1%	27.8%	20.3%	26.6%	15.2%	21.6%
	<u>23.1%</u>	<u>26.9%</u>	<u>20.3%</u>	<u>24.1%</u>	<u>14.4%</u>	<u>8.7%</u>

Lancashire Holdings Limited
summary consolidated cash flows

cash flows	q3 2012	q2 2012	q1 2012	q4 2011	q3 2011	ytd 2012	ytd 2011	full year 2011
net cash flows from (used in) operating activities	\$ 125.7	\$ 11.1	\$ 49.1	\$ (1.5)	\$ 71.6	\$ 185.9	\$ 259.2	\$ 257.7
net cash flows (used in) from investing activities	(34.1)	54.4	(64.1)	103.7	(135.9)	(43.8)	(107.5)	(3.8)
net cash flows used in financing activities	(11.7)	(21.3)	(8.7)	(153.7)	(11.8)	(41.7)	(300.8)	(454.5)
net increase (decrease) in cash and cash equivalents	79.9	44.2	(23.7)	(51.5)	(76.1)	100.4	(149.1)	(200.6)
cash and cash equivalents, opening	328.1	287.1	311.8	368.5	448.9	311.8	512.5	512.5
effect of exchange rate fluctuations	4.4	(3.2)	(1.0)	(5.2)	(4.3)	0.2	5.1	(0.1)
cash and cash equivalents, closing	\$ 412.4	\$ 328.1	\$ 287.1	\$ 311.8	\$ 368.5	\$ 412.4	\$ 368.5	\$ 311.8

Lancashire Holdings Limited
summary consolidated balance sheets



	30 september 2012	30 june 2012	31 march 2012	31 december 2011	30 september 2011
assets					
cash and cash equivalents	\$ 412.4	\$ 328.1	\$ 287.1	\$ 311.8	\$ 368.5
accrued interest receivable	8.9	9.0	10.7	10.0	12.4
investments					
- fixed income securities - available for sale	1,824.0	1,767.0	1,803.2	1,714.0	1,844.1
- at fair value through profit or loss	-	-	-	-	0.7
- other investments	(0.2)	(0.3)	-	(0.6)	(0.2)
reinsurance assets					
- unearned premiums on premiums ceded	47.5	78.7	73.3	8.8	23.7
- reinsurance recoveries	101.3	108.7	94.3	69.7	42.4
- other receivables	1.4	0.6	-	6.2	2.4
deferred acquisition costs	78.2	83.0	67.7	61.4	66.2
inwards premiums receivable from insureds and cedants	259.9	335.3	265.2	212.1	232.1
investment in associate	46.4	43.5	48.8	50.9	7.3
other assets	15.1	29.2	40.0	63.3	36.5
total assets	\$ 2,794.9	\$ 2,782.8	\$ 2,690.3	\$ 2,507.6	\$ 2,636.1
liabilities					
insurance contracts					
- losses and loss adjustment expenses	\$ 546.9	\$ 576.6	\$ 589.9	\$ 571.2	\$ 556.9
- unearned premiums	425.7	490.9	402.2	347.1	397.8
- other payables	26.6	23.6	19.8	23.5	17.1
amounts payable to reinsurers	53.2	69.9	85.4	17.8	20.0
deferred acquisition costs ceded	3.6	5.5	6.6	0.7	1.2
other payables	102.7	67.6	96.3	92.5	81.0
long-term debt	127.9	126.9	128.9	128.0	129.6
total liabilities	1,286.6	1,361.0	1,329.1	1,180.8	1,203.6
shareholders' equity					
share capital	84.3	84.3	84.3	84.3	84.3
own shares	(65.8)	(68.2)	(75.3)	(83.0)	(95.7)
share premium	2.4	2.4	2.4	2.4	2.4
contributed surplus	659.1	659.7	663.1	660.5	665.9
accumulated other comprehensive income	39.4	29.1	28.6	17.6	16.8
other reserves	57.8	52.6	54.7	67.6	68.4
dividends	(28.8)	(19.2)	(19.2)	(180.4)	(28.4)
retained earnings	759.9	681.1	622.6	757.8	718.8
total shareholders' equity	\$ 1,508.3	\$ 1,421.8	\$ 1,361.2	\$ 1,326.8	\$ 1,432.5
total liabilities and shareholders' equity	\$ 2,794.9	\$ 2,782.8	\$ 2,690.3	\$ 2,507.6	\$ 2,636.1
basic book value per share	\$ 9.41	\$ 8.88	\$ 8.55	\$ 8.46	\$ 9.22
fully converted book value per share	\$ 8.47	\$ 8.06	\$ 7.78	\$ 7.62	\$ 8.20
fully diluted book value per share	\$ 8.39	\$ 7.98	\$ 7.69	\$ 7.53	\$ 8.10
debt to total capital ratio	7.8%	8.2%	8.7%	8.8%	8.3%

Lancashire Holdings Limited
composition of investment portfolio



	30 september 2012	%	30 june 2012	%	31 march 2012	%	31 december 2011	%	30 september 2011	%
type of investment										
short term investments	\$ 105.1	4.9%	\$ 59.3	2.9%	\$ 36.1	1.8%	\$ 78.9	4.0%	\$ 102.2	4.7%
U.S. treasuries	259.5	12.1%	280.7	13.7%	337.1	16.6%	351.1	17.8%	337.3	15.6%
other government bonds	143.6	6.7%	150.1	7.3%	173.2	8.5%	159.1	8.0%	176.1	8.1%
U.S. municipal bonds	29.5	1.4%	27.5	1.3%	27.9	1.4%	27.7	1.4%	28.2	1.3%
U.S. government agency debt	111.9	5.2%	128.3	6.3%	72.6	3.6%	83.0	4.2%	74.5	3.5%
asset backed securities	61.0	2.8%	67.3	3.3%	68.6	3.4%	69.6	3.5%	72.1	3.3%
U.S. government agency mortgage backed securities	445.8	20.7%	411.8	20.1%	384.9	18.9%	260.3	13.2%	255.8	11.8%
non-agency mortgage backed securities	9.3	0.4%	6.2	0.3%	10.9	0.5%	13.1	0.7%	24.5	1.1%
agency commercial mortgage backed securities	1.7	0.1%	4.2	0.2%	4.4	0.2%	-	-	1.2	0.1%
non-agency commercial mortgage backed securities	28.5	1.3%	27.9	1.4%	27.2	1.3%	31.5	1.6%	33.0	1.5%
bank loans	8.5	0.4%	-	-	-	-	-	-	-	-
corporate bonds - non FDIC guaranteed	610.5	28.4%	583.3	28.5%	617.7	30.3%	590.5	29.9%	662.5	30.6%
corporate bonds - FDIC guaranteed	9.1	0.4%	20.4	1.0%	42.6	2.1%	49.2	2.5%	76.7	3.6%
total fixed income securities - available for sale	1,824.0	84.8%	1,767.0	86.3%	1,803.2	88.6%	1,714.0	86.8%	1,844.1	85.2%
convertible debt securities - at fair value through profit or loss	-	-	-	-	-	-	-	-	0.7	-
other investments	(0.2)	-	(0.3)	-	-	-	(0.6)	-	(0.2)	-
managed cash	327.2	15.2%	279.3	13.7%	231.0	11.4%	260.4	13.2%	321.1	14.8%
total investments	\$ 2,151.0	100.0%	\$ 2,046.0	100.0%	\$ 2,034.2	100.0%	\$ 1,973.8	100.0%	\$ 2,165.7	100.0%
credit quality of fixed income securities										
AAA	\$ 358.1	19.6%	\$ 306.2	17.3%	\$ 287.6	15.9%	\$ 294.2	17.2%	\$ 339.4	18.4%
AA+, AA, AA-	951.0	52.1%	958.9	54.3%	951.7	52.8%	877.5	51.2%	916.4	49.7%
A+, A, A-	316.9	17.4%	320.9	18.2%	325.3	18.0%	327.4	19.1%	383.4	20.8%
BBB+, BBB, BBB-	160.1	8.8%	147.0	8.3%	181.6	10.1%	165.9	9.7%	151.7	8.2%
other	37.9	2.1%	34.0	1.9%	57.0	3.2%	49.0	2.8%	53.2	2.9%
	\$ 1,824.0	100.0%	\$ 1,767.0	100.0%	\$ 1,803.2	100.0%	\$ 1,714.0	100.0%	\$ 1,844.1	100.0%
corporate bonds										
industrials	\$ 303.0	48.9%	\$ 286.6	47.5%	\$ 283.2	42.9%	\$ 277.5	43.4%	\$ 302.7	41.0%
financials - non FDIC guaranteed	266.5	43.0%	250.8	41.5%	256.5	38.8%	238.8	37.3%	278.0	37.6%
utilities	38.5	6.2%	39.6	6.6%	45.3	6.9%	43.2	6.8%	46.1	6.2%
supranationals	2.5	0.4%	6.3	1.0%	4.0	0.6%	1.5	0.2%	1.5	0.2%
foreign agencies	-	-	-	-	28.7	4.3%	29.5	4.6%	34.2	4.6%
financials - FDIC guaranteed	9.1	1.5%	20.4	3.4%	42.6	6.5%	49.2	7.7%	76.7	10.4%
	\$ 619.6	100.0%	\$ 603.7	100.0%	\$ 660.3	100.0%	\$ 639.7	100.0%	\$ 739.2	100.0%
quarterly net return on total investments	1.1%		0.6%		1.1%		0.6%		(0.6%)	
rolling 12 months net return on total investments	3.5%		1.8%		2.3%		1.8%		0.8%	
average book yield of fixed income and managed cash	1.7%		1.8%		2.1%		1.9%		2.0%	
average market yield of fixed income and managed cash	0.9%		1.2%		1.3%		1.5%		1.5%	
average duration of fixed income and managed cash	1.7 years		1.8 years		1.8 years		1.8 years		1.7 years	
average duration of fixed income, managed cash and futures	1.6 years		1.7 years		1.8 years		1.8 years		1.7 years	
average credit quality of fixed income and managed cash	AA		AA		AA		AA		AA	
average credit quality of fixed income only	AA		AA		AA		AA		AA	

Lancashire Holdings Limited
investment portfolio - sector detail



30 september 2012						
	estimated fair value	weighted average book yield	weighted average market yield	weighted average duration	weighted average rating ⁽²⁾	
type of investment						
short term investments	\$ 105.1	0.2%	0.1%	0.6	AAA	
U.S. treasuries	259.5	0.5%	0.4%	2.4	AA+	
other government bonds	143.6	3.6%	2.8%	4.1	A+	
U.S. municipal bonds	29.5	3.6%	2.3%	3.2	A+	
U.S. government agency debt	111.9	1.0%	0.7%	3.6	AA+	
asset backed securities	61.0	1.2%	0.8%	0.5	AAA	
U.S. government agency mortgage backed securities	445.8	2.1%	0.6%	1.2	AA+	
non-agency mortgage backed securities	9.3	3.1%	1.5%	0.6	AA+	
agency commercial mortgage backed securities	1.7	0.6%	0.6%	0.1	AA+	
non-agency commercial mortgage backed securities	28.5	4.1%	1.4%	3.5	AAA	
bank loans	8.5	4.9%	4.9%	-	B+	
corporate bonds - non FDIC guaranteed	610.5	2.5%	1.2%	2.1	A+	
corporate bonds - FDIC guaranteed	9.1	1.4%	0.3%	0.2	AA+	
total fixed income securities - available for sale	1,824.0	2.0%	1.0%	2.0	AA	
managed cash ⁽¹⁾	327.2	0.1%	0.1%	-	AA-	
total fixed income securities and managed cash	\$ 2,151.2	1.7%	0.9%	1.7	AA	

31 december 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	\$ 78.9	0.1%	0.1%	0.2	AAA	
U.S. treasuries	351.1	0.7%	0.4%	2.7	AA+	
other government bonds	159.1	3.7%	3.5%	3.3	A	
U.S. municipal bonds	27.7	3.5%	2.7%	3.6	A+	
U.S. government agency debt	83.0	0.7%	0.4%	1.6	AA+	
asset backed securities	69.6	1.2%	1.3%	0.2	AAA	
U.S. government agency mortgage backed securities	260.3	2.9%	1.4%	1.5	AA+	
non-agency mortgage backed securities	13.1	2.3%	2.3%	0.4	AA+	
non-agency commercial mortgage backed securities	31.5	3.5%	2.5%	3.4	AAA	
corporate bonds - non FDIC guaranteed	590.5	2.9%	2.4%	2.0	A	
corporate bonds - FDIC guaranteed	49.2	1.8%	0.3%	0.7	AA+	
total fixed income securities - available for sale	1,714.0	2.2%	1.7%	2.0	AA-	
managed cash ⁽¹⁾	260.4	0.1%	0.1%	-	AA-	
total fixed income securities and managed cash	\$ 1,974.4	1.9%	1.5%	1.8	AA-	

⁽¹⁾ managed cash includes money market funds, t-bills, agency discount notes, and repurchase agreements. Where book yields are not available, book yield is assumed to be equal to market yield.

⁽²⁾ primary rating source is S&P. If it is not available, the S&P equivalent rating of other nationally recognised rating agencies is used.

Lancashire Holdings Limited
emerging market debt

30 september 2012

	sovereign	agency	corporate	total
top ten country exposures				
Russia	\$ 1.4	\$ 11.2	\$ 2.0	\$ 14.6
Brazil	7.0	2.2	4.0	13.2
Indonesia	1.5	7.7	1.2	10.4
United Arab Emirates	-	7.4	-	7.4
Mexico	2.7	2.0	1.1	5.8
Qatar	1.1	3.5	-	4.6
Philippines	3.7	0.6	-	4.3
Colombia	0.5	2.5	1.2	4.2
Bahrain	3.1	-	-	3.1
Kazakhstan	-	3.0	-	3.0
Other	7.7	5.2	4.1	17.0
	<u>\$ 28.7</u>	<u>\$ 45.3</u>	<u>\$ 13.6</u>	<u>\$ 87.6</u>

30 september 2012

ratings distribution

AA	\$ 6.9
AA-	0.5
A+	5.6
A	3.1
A-	5.6
BBB+	1.8
BBB	28.7
BBB-	13.9
BB+	9.1
BB	6.6
BB-	2.7
B+	2.3
B	0.6
CCC+	0.2
avg BBB	<u>\$ 87.6</u>

Lancashire Holdings Limited
corporate & global bond holdings

30 september 2012					
	par value units	estimated fair value	accrued interest	unrealised gain (loss)	credit quality ⁽¹⁾
top twenty corporate holdings by issuer					
Bank of Nova Scotia	19.0	\$ 19.7	\$ -	\$ 0.4	AAA
Citigroup Inc	14.3	14.4	0.1	0.2	A-
Nordea Bank AB	12.7	12.9	0.1	0.2	AAA
Morgan Stanley	11.3	11.8	0.1	0.1	A-
Oracle Corporation	11.0	11.4	0.2	0.2	A+
Bank of America Corp	10.6	11.4	0.2	0.4	A-
Royal Bank of Canada	11.2	11.3	-	0.1	AA+
Verizon Communications Inc	10.5	11.0	0.2	0.5	A-
Philip Morris International Inc	10.2	10.5	0.2	0.2	A
BP plc	10.0	10.5	0.1	0.4	A
Toronto-Dominion Bank	9.9	10.3	-	0.4	AAA
Hewlett-Packard Company	10.1	10.2	-	-	BBB+
JPMorgan Chase & Co	9.0	9.5	0.1	0.4	A
Anheuser-Busch InBev NV	9.2	9.5	0.1	0.2	A
Wal-Mart Stores Inc	9.2	9.4	0.1	0.3	AA
DNB Boligkreditt AS	8.9	9.4	-	0.3	AAA
National Bank of Canada	8.4	8.9	0.1	0.3	AAA
Swedbank AB	8.2	8.2	-	-	AAA
US Bancorp	8.1	8.2	-	0.1	A+
France Telecom SA	7.5	7.9	0.1	0.4	A-
		<u>\$ 216.4</u>	<u>\$ 1.7</u>	<u>\$ 5.1</u>	<u>average AA-</u>
top twenty holdings as a % of non FDIC guaranteed corporate bonds		<u>35.4%</u>			

30 september 2012				
	financials	other industries	total non FDIC guaranteed corporates	other government bonds
bonds by country				
United States	\$ 117.2	\$ 224.4	\$ 341.6	\$ -
Canada	67.7	9.4	77.1	27.4
United Kingdom	8.6	31.7	40.3	8.3
Norway	26.1	-	26.1	2.1
France	-	21.9	21.9	1.7
Australia	10.4	10.3	20.7	16.4
Sweden	14.4	-	14.4	-
Switzerland	7.1	6.9	14.0	-
Netherlands	6.5	4.6	11.1	4.6
Belgium	-	9.4	9.4	-
Germany	-	4.9	4.9	-
Hong Kong	-	3.4	3.4	-
Japan	1.0	2.2	3.2	-
Supranational	2.5	-	2.5	-
Denmark	1.6	-	1.6	9.1
New Zealand	1.5	-	1.5	-
Italy	-	1.5	1.5	-
Spain	-	1.2	1.2	-
Singapore	-	0.5	0.5	-
Emerging market corporates	4.4	9.2	13.6	-
Emerging market sovereign	-	-	-	28.7
Emerging market agency	-	-	-	45.3
	<u>\$ 269.0</u>	<u>\$ 341.5</u>	<u>\$ 610.5</u>	<u>\$ 143.6</u>

⁽¹⁾ credit quality is calculated based on the weighted average credit ratings of the underlying debt securities.
Primary rating source is S&P. If it is not available, the S&P equivalent rating of other nationally recognised rating agencies is used.

Lancashire Holdings Limited
net losses and loss ratios



total	q3 2012	q2 2012	q1 2012	q4 2011	q3 2011
net reserves: start	\$ 467.9	\$ 495.6	\$ 501.5	\$ 514.5	\$ 530.6
paid losses	48.6	69.4	50.3	63.3	32.1
change in prior year AY ⁽¹⁾	1.0	(22.9)	(20.6)	(37.3)	(21.1)
current year incurred losses	20.0	64.8	71.1	91.7	39.2
foreign exchange	5.3	(0.2)	(6.1)	(4.1)	(2.1)
net reserves: end	\$ 445.6	\$ 467.9	\$ 495.6	\$ 501.5	\$ 514.5
net premiums earned	\$ 143.8	\$ 150.2	\$ 141.5	\$ 138.2	\$ 148.8
net loss ratio	14.6%	27.9%	35.7%	39.4%	12.2%
IBNR as % of net reserves	29.2%	29.6%	33.4%	33.5%	31.9%

property	q3 2012	q2 2012	q1 2012	q4 2011	q3 2011
net reserves: start	\$ 222.6	\$ 213.6	\$ 246.9	\$ 232.4	\$ 233.8
paid losses	16.9	21.9	41.3	22.2	10.5
change in prior year AY ⁽¹⁾	1.8	9.8	(1.3)	(23.3)	(4.9)
current year incurred losses	1.6	19.7	16.7	62.8	14.4
foreign exchange	4.3	1.4	(7.4)	(2.8)	(0.4)
net reserves: end	\$ 213.4	\$ 222.6	\$ 213.6	\$ 246.9	\$ 232.4
net premiums earned	\$ 67.1	\$ 72.8	\$ 68.3	\$ 55.4	\$ 64.2
net loss ratio	5.1%	40.5%	22.5%	71.3%	14.8%

energy	q3 2012	q2 2012	q1 2012	q4 2011	q3 2011
net reserves: start	\$ 188.8	\$ 176.8	\$ 183.4	\$ 212.9	\$ 221.7
paid losses	28.2	8.8	4.1	36.5	17.2
change in prior year AY ⁽¹⁾	(1.2)	(14.0)	(14.6)	(10.3)	(11.6)
current year incurred losses	14.2	35.5	11.7	18.0	20.7
foreign exchange	0.6	(0.7)	0.4	(0.7)	(0.7)
net reserves: end	\$ 174.2	\$ 188.8	\$ 176.8	\$ 183.4	\$ 212.9
net premiums earned	\$ 51.3	\$ 51.5	\$ 53.9	\$ 52.4	\$ 52.3
net loss ratio	25.3%	41.7%	(5.4%)	14.7%	17.4%

marine	q3 2012	q2 2012	q1 2012	q4 2011	q3 2011
net reserves: start	\$ 56.1	\$ 104.7	\$ 70.7	\$ 68.5	\$ 74.2
paid losses	3.4	38.7	4.9	4.5	4.4
change in prior year AY ⁽¹⁾	0.4	(18.6)	(4.7)	(3.4)	(4.5)
current year incurred losses	4.2	9.6	42.7	10.8	4.1
foreign exchange	0.4	(0.9)	0.9	(0.7)	(0.9)
net reserves: end	\$ 57.7	\$ 56.1	\$ 104.7	\$ 70.7	\$ 68.5
net premiums earned	\$ 14.6	\$ 15.1	\$ 7.5	\$ 22.5	\$ 19.1
net loss ratio	31.5%	(59.6%)	506.7%	32.9%	(2.1%)

aviation	q3 2012	q2 2012	q1 2012	q4 2011	q3 2011
net reserves: start	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.7	\$ 0.9
paid losses	0.1	-	-	0.1	-
change in prior year AY ⁽¹⁾	-	(0.1)	-	(0.3)	(0.1)
current year incurred losses	-	-	-	0.1	-
foreign exchange	-	-	-	0.1	(0.1)
net reserves: end	\$ 0.3	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.7
net premiums earned	\$ 10.8	\$ 10.8	\$ 11.8	\$ 7.9	\$ 13.2
net loss ratio	-	(0.9%)	-	(2.5%)	(0.8%)

⁽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>	<u>2012</u>
estimate of ultimate liability:							
at end of accident year	39.1	154.8	444.6	163.3	297.4	397.0	-
one year later	34.7	131.2	417.4	107.8	209.4	-	-
two years later	32.0	103.5	377.5	73.1	-	-	-
three years later	27.6	94.8	345.1	-	-	-	-
four years later	27.2	83.5	-	-	-	-	-
five years later	24.4	-	-	-	-	-	-
as at 31 december 2011	<u>\$ 24.4</u>	<u>\$ 83.5</u>	<u>\$ 345.1</u>	<u>\$ 73.1</u>	<u>\$ 209.4</u>	<u>\$ 397.0</u>	<u>\$ -</u>
as at 30 september 2012	<u>\$ 24.0</u>	<u>\$ 81.1</u>	<u>\$ 345.0</u>	<u>\$ 66.7</u>	<u>\$ 200.3</u>	<u>\$ 388.0</u>	<u>\$ 205.0</u>
payments made	<u>(22.1)</u>	<u>(74.2)</u>	<u>(299.9)</u>	<u>(45.8)</u>	<u>(130.6)</u>	<u>(97.8)</u>	<u>(92.8)</u>
total gross liability	<u>\$ 1.9</u>	<u>\$ 6.9</u>	<u>\$ 45.1</u>	<u>\$ 20.9</u>	<u>\$ 69.7</u>	<u>\$ 290.2</u>	<u>\$ 112.2</u>
accident year gross loss ratio ⁽¹⁾	7.9%	11.6%	50.7%	10.3%	30.5%	61.0%	37.3%

net losses

<u>accident year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
estimate of ultimate liability:							
at end of accident year	39.1	151.2	403.9	161.7	263.6	340.8	-
one year later	34.7	125.0	370.3	106.5	185.8	-	-
two years later	32.0	99.5	334.4	72.4	-	-	-
three years later	27.6	91.3	304.2	-	-	-	-
four years later	27.2	80.2	-	-	-	-	-
five years later	24.4	-	-	-	-	-	-
as at 31 december 2011	<u>\$ 24.4</u>	<u>\$ 80.2</u>	<u>\$ 304.2</u>	<u>\$ 72.4</u>	<u>\$ 185.8</u>	<u>\$ 340.8</u>	<u>\$ -</u>
as at 30 september 2012	<u>\$ 24.0</u>	<u>\$ 77.9</u>	<u>\$ 305.9</u>	<u>\$ 66.1</u>	<u>\$ 176.3</u>	<u>\$ 314.1</u>	<u>\$ 155.9</u>
payments made	<u>(22.1)</u>	<u>(71.1)</u>	<u>(266.0)</u>	<u>(44.9)</u>	<u>(108.3)</u>	<u>(97.8)</u>	<u>(64.4)</u>
total net liability	<u>\$ 1.9</u>	<u>\$ 6.8</u>	<u>\$ 39.9</u>	<u>\$ 21.2</u>	<u>\$ 68.0</u>	<u>\$ 216.3</u>	<u>\$ 91.5</u>
accident year net loss ratio ⁽¹⁾	9.9%	12.7%	50.4%	11.1%	28.7%	54.7%	35.8%
initial accident year net loss ratio	16.1%	24.7%	66.5%	27.2%	42.9%	59.3%	n/a
reduction in net loss ratio post accident year end	6.2%	12.0%	16.1%	16.1%	14.2%	4.6%	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 2012 100 year return period		1 october 2012 250 year return period	
		estimated gross loss	estimated net loss	estimated gross loss	estimated net loss
gulf of mexico ⁽¹⁾	hurricane	\$ 564.4	\$ 326.4	\$ 737.0	\$ 464.9
california	earthquake	203.3	112.9	470.2	267.8
pacific northwest	earthquake	40.7	40.3	319.1	198.6
pan-european	windstorm	369.9	192.9	447.2	258.3
japan	earthquake	228.2	163.4	456.6	296.9
japan	typhoon	235.2	162.8	502.9	364.0

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 2012	q3 2011	ytd 2012	ytd 2011	full year 2011
basic earnings per share:					
profit after tax	\$ 78.8	\$ 75.7	\$ 182.5	\$ 173.2	\$ 212.2
net operating income	\$ 74.1	\$ 87.7	\$ 176.7	\$ 180.9	\$ 219.0
 dilutive shares					
weighted average shares outstanding - basic	161,977,019	155,187,916	159,183,334	153,827,097	154,339,421
dilutive effect of warrants	19,296,537	19,059,160	18,884,632	18,105,017	17,754,552
dilutive effect of stock options	114,033	624,329	113,361	610,631	269,355
dilutive effect of restricted stock	4,128,332	4,614,667	4,079,558	4,484,404	5,088,005
weighted average & equivalent shares outstanding - diluted	<u>185,515,921</u>	<u>179,486,072</u>	<u>182,260,885</u>	<u>177,027,149</u>	<u>177,451,333</u>
 basic earnings per share	 <u>\$ 0.49</u>	 <u>\$ 0.49</u>	 <u>\$ 1.15</u>	 <u>\$ 1.13</u>	 <u>\$ 1.38</u>
diluted earnings per share	<u>\$ 0.42</u>	<u>\$ 0.42</u>	<u>\$ 1.00</u>	<u>\$ 0.98</u>	<u>\$ 1.20</u>
diluted operating earnings per share	<u>\$ 0.40</u>	<u>\$ 0.49</u>	<u>\$ 0.97</u>	<u>\$ 1.02</u>	<u>\$ 1.23</u>

Lancashire Holdings Limited
basic and fully converted book value per share

	30 september 2012	30 june 2012	31 march 2012	31 december 2011	30 september 2011
numerator (\$ in millions):					
shareholders' equity	\$ 1,508.3	\$ 1,421.8	\$ 1,361.2	\$ 1,326.8	\$ 1,432.5
proceeds from assumed exercise of outstanding dilutive warrants	153.4	155.2	160.8	162.2	169.0
proceeds from assumed exercise of outstanding dilutive options	0.2	0.3	0.3	0.7	2.3
book value numerator	<u>\$ 1,661.9</u>	<u>\$ 1,577.3</u>	<u>\$ 1,522.3</u>	<u>\$ 1,489.7</u>	<u>\$ 1,603.8</u>
denominator (in shares):					
common voting shares outstanding	160,368,425	160,062,270	159,183,598	156,770,726	155,373,165
shares issuable upon exercise of outstanding dilutive warrants	31,429,757	31,797,705	32,925,626	33,200,626	34,669,587
shares issuable upon exercise of outstanding dilutive options	133,837	133,837	149,722	337,067	833,762
shares relating to dilutive restricted stock	4,201,398	3,666,459	3,512,900	5,189,111	4,606,481
fully converted book value denominator	<u>196,133,417</u>	<u>195,660,271</u>	<u>195,771,846</u>	<u>195,497,530</u>	<u>195,482,995</u>
basic book value per share	<u>\$ 9.41</u>	<u>\$ 8.88</u>	<u>\$ 8.55</u>	<u>\$ 8.46</u>	<u>\$ 9.22</u>
fully converted book value per share	<u>\$ 8.47</u>	<u>\$ 8.06</u>	<u>\$ 7.78</u>	<u>\$ 7.62</u>	<u>\$ 8.20</u>
dividend per common share ⁽¹⁾	\$ 0.05	\$ -	\$ 0.10	\$ 0.80	\$ 0.05
change in FCBVS adj for dividends ⁽²⁾ - quarter	5.7%	3.6%	3.4%	2.7%	3.6%
change in FCBVS adj for dividends ⁽²⁾ - rolling 12 months	15.4%	14.0%	16.9%	13.4%	18.0%
compound annual change in FCBVS adj for dividends ⁽²⁾	19.4%	19.3%	19.4%	19.5%	19.8%
compound annual change in FCBVS adj for dividends ⁽²⁾ - above 3 month treasury	17.8%	17.6%	17.6%	17.7%	17.9%
change in FCBVS adj for dividends ⁽²⁾ - since inception	230.9%	214.3%	202.4%	191.2%	182.0%

⁽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 2012</u>	<u>30 june 2012</u>	<u>31 march 2012</u>	<u>31 december 2011</u>	<u>30 september 2011</u>
shareholders' equity	\$ 1,508.3	\$ 1,421.8	\$ 1,361.2	\$ 1,326.8	\$ 1,432.5
weighted average exercise price per share of dilutive warrants	\$ 4.88	\$ 4.88	\$ 4.88	\$ 4.89	\$ 4.87
weighted average exercise price per share of dilutive options	\$ 1.87	\$ 1.92	\$ 1.94	\$ 2.11	\$ 2.72
denominator (in shares):					
common voting shares outstanding	160,368,425	160,062,270	159,183,598	156,770,726	155,373,165
unvested restricted shares and restricted share units	4,201,398	3,666,459	3,512,900	5,189,111	4,606,481
dilutive warrants outstanding	31,429,757	31,797,705	32,925,626	33,200,626	34,669,587
proforma warrants bought back	(16,305,036)	(17,470,621)	(18,808,207)	(19,165,724)	(18,328,504)
proforma net shares issued	15,124,721	14,327,084	14,117,419	14,034,902	16,341,083
dilutive options outstanding	133,837	133,837	149,722	337,067	833,762
proforma options bought back	(26,613)	(28,931)	(33,974)	(84,017)	(245,965)
proforma net shares issued	107,224	104,906	115,748	253,050	587,797
proforma dilutive shares outstanding	179,801,768	178,160,719	176,929,665	176,247,789	176,908,526
basic book value per common share	\$ 9.41	\$ 8.88	\$ 8.55	\$ 8.46	\$ 9.22
diluted book value per common share	\$ 8.39	\$ 7.98	\$ 7.69	\$ 7.53	\$ 8.10
dividend per common share ⁽¹⁾	\$ 0.05	\$ -	\$ 0.10	\$ 0.80	\$ 0.05
change in FDBVS adj for dividends ⁽²⁾ - quarter	5.8%	3.8%	3.5%	2.8%	3.7%
change in FDBVS adj for dividends ⁽²⁾ - rolling 12 months	15.8%	14.4%	17.4%	13.8%	17.9%
compound annual change in FDBVS adj for dividends ⁽²⁾	19.3%	19.2%	19.2%	19.4%	19.6%
compound annual change in FDBVS adj for dividends ⁽²⁾ - above 3 month treasury	17.7%	17.5%	17.5%	17.6%	17.7%
change in FDBVS adj for dividends ⁽²⁾ - since inception	228.8%	212.3%	200.2%	189.1%	179.7%

⁽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