LANCASHIRE HOLDINGS LIMITED

GROWTH IN FULLY CONVERTED BOOK VALUE PER SHARE, ADJUSTED FOR DIVIDENDS, OF 4.7% IN Q1 2013
COMBINED RATIO OF 51.2% IN Q1 2013
FULLY CONVERTED BOOK VALUE PER SHARE OF $7.05 AT 31 MARCH 2013

2 May 2013
London, UK

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its results for the three month period ended 31 March 2013.

Financial highlights

	As at 31 March 2013	**As at 31 March 2012**
Fully converted book value per share	**$7.05**	**$7.78**
Return on equity* – Q1	**4.7%**	**3.4%**
Operating return on average equity – Q1	**4.7%**	**3.2%**
Final dividend per common share**	**$0.10**	**$0.10**
Special dividends per common share**	**$1.05**	**-**

* 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 2013	**Three months ended 31 March 2012**
Highlights ($m)		
Gross premiums written	214.9	234.0
Net premiums written	118.6	132.1
Profit before tax	78.9	46.5
Profit after tax	77.9	45.2
Comprehensive income	66.3	56.2
Net operating profit	67.3	42.9
Per share data		
Diluted earnings per share	$0.42	$0.25
Diluted earnings per share – operating	$0.36	$0.24
Financial ratios		
Total investment return	0.1%	1.1%
Net loss ratio	17.2%	35.7%
Combined ratio	51.2%	74.0%
Accident year loss ratio	29.7%	50.5%

Richard Brindle, Group Chief Executive Officer, commented:

"I'm delighted to report another strong quarter for Lancashire with solid ROE and a very healthy combined ratio. We're still seeing adequate rating in much of our core business, and whilst there are competitive threats, the strength of our business model allows us to outperform in both hard and soft markets.

In direct business lines the market has been variable with rate pressure in AV52 and some areas of terrorism, and reasonable requests for reductions in the energy offshore market following several years of rate increases. In marine the International Group of P&I clubs renewal saw good rate increases following heavy losses, but the rest of this market continues to disappoint. Lancashire's ability to deploy meaningful line sizes with swift and clear decision making greatly assists in our marketing, and the support we are able to give to the brokers. Whilst the much-vaunted Aon/Berkshire Hathaway deal does increase the competitive pressure, we have already seen one major client decline to accept their offer. We value and work hard at our client relationships and are vigilant in protecting our participations. As a lead or agreement party on 74% of our business by premium volume over a rolling twelve months, we believe we are in a better position than most to control our own destiny.

In reinsurance the advent of third party capital has provided both threats and opportunities. There is undoubtedly rate pressure from additional capacity, and this has been seen very dramatically in the cat bond and ILW markets, with supply increasing and pricing decreasing. In contrast we saw a very orderly and sensible renewal season in Japan, which is now a major market for Lancashire. Rather than bemoan the advent of new capital, Lancashire is reacting creatively with new products that leverage our unique knowledge of non-catastrophe business and combine this with our leading catastrophe and capital modelling capabilities. I welcome Darren Redhead, who joined us in March to lead the Lancashire Capital Management division which will deploy Lancashire's underwriting expertise on behalf of third party capital providers in the field of insurance and reinsurance. We are also using our capital optimisation studies to inform our reinsurance purchasing, given the plentiful supply of new capacity. As a result of new purchases in 1Q13 allied to discipline in managing our own exposures we now have what we believe is a significantly improved risk-adjusted portfolio.

Overall then it is a mixed picture, but Lancashire with its underwriting focus and discipline, and ability to adapt nimbly to changing markets is well-placed to manage this phase of the cycle."

Elaine Whelan, Group Chief Financial Officer, commented:

"After several years of notable losses in the first quarter, the first quarter of 2013 was refreshingly quiet. In strong equity markets, our fixed income portfolio eked a small positive return of 0.1%. We therefore produced a strong return on equity of 4.7% and a combined ratio of 51.2% for the quarter.

With the 1 January and 1 April renewals performing reasonably in line with expectations, we will continue to monitor opportunities as we approach the U.S. hurricane season. However, all else equal, we anticipate a slight worsening in trading conditions and therefore would expect to return earnings generated in 2013 to shareholders towards the end of the year. While we clearly remain very strongly capitalised, we would like to thank our shareholders for their approval at yesterday's Annual General Meeting for authority to allot and issue share capital of up to 15% on a non pre-emptive basis. This affords us the maximum flexibility to maintain our competitive position and take advantage of post loss pricing, should a major event occur."

Lancashire Renewal Price Index for major classes

Lancashire's Renewal Price Index ("RPI") is an internal methodology 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 methodology" at the end of this announcement for further guidance). The RPI does not include new business. The following RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in 2012:

Class	**Q1 2013**
Aviation (AV52)	86%
Gulf of Mexico energy	96%
Energy offshore worldwide	99%
Marine	110%
Property retrocession and reinsurance	98%
Terrorism	96%
Combined	**98%**

Underwriting results

Gross premiums written

	Q1 2013 \$m	**Q1 2012 \$m**	**Change \$m**	**Change %**
Property	132.0	158.5	(26.5)	(16.7)
Energy	45.5	44.3	1.2	2.7
Marine	29.6	23.5	6.1	26.0
Aviation	7.8	7.7	0.1	1.3
Total	**214.9**	**234.0**	**(19.1)**	**(8.2)**

Gross premiums written decreased by 8.2% in the first quarter of 2013 compared to the same period in 2012, with the decrease in 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 decreased by 16.7% for the first quarter of 2013 compared to the same period in 2012. The decrease is driven primarily by the property retrocession book. We reduced exposures due to worsening rates and terms and conditions. In addition, some opportunistic deals written in 2012 were not renewed. The decision to cease writing property direct and facultative business from 1 July 2012 also resulted in a reduction in property premiums for the first quarter of 2013 of $6.3 million as compared to the same period in the prior year. Property catastrophe excess-of-loss premiums written were broadly in line with the prior year. We saw increased deal flow in the political and sovereign risk classes and were able to write some new business with core clients in this class.

Energy gross premiums written increased by 2.7% for the first quarter of 2013 compared to the same period in 2012. The first quarter is not typically a major renewal period for the energy book and premium volumes were relatively consistent across all energy classes compared to the same period of 2012.

Marine gross premiums written increased by 26.0% for the first quarter of 2013 compared to the same period in 2012. Pricing was positive on loss affected accounts in the marine hull and marine P&I clubs following the Costa Concordia loss of 2012. The marine hull class also saw an increase in premium written compared to the same period in 2012 due to the timing of some non-annual contract renewals.

Aviation gross premiums written increased by 1.3% for the first quarter of 2013 compared to the same period in 2012. Pricing and renewal rates remain under pressure in the AV52 class resulting in a reduction in premiums written compared to the first quarter of 2012. These reductions are offset by new satellite premium written following our re-entry into the class in the third quarter of 2012.

****

Ceded reinsurance premiums decreased by $5.6 million, or 5.5% for the first quarter of 2013 compared to the same period in 2012. The first quarter of 2013 included $52.6 million of cessions from the property retrocession book to the Accordion sidecar facility compared to $54.0 million in the first quarter of 2012. The first quarter of 2013 also included a combination of rate and cover increases on our outwards marine and energy programmes, which were largely offset by the non-renewal of the property per risk programme, which is now in run-off given our exit from the property direct and facultative line. We also continued to take advantage of available Industry Loss Warranties. The first quarter of 2012 included reinstatement premiums in relation to the Costa Concordia marine loss.

****

Net premiums earned as a proportion of net premiums written were 112.8% in the first quarter of 2013 compared to 107.1% for the same period in 2012. The increased percentage for 2013 reflects the reduction in gross premiums written in the quarter compared to the same period in the prior year. Both years benefited from the lag in earnings from long-term contracts written in preceding years.

****

The Group’s net loss ratio for the first quarter of 2013 was 17.2% compared to 35.7% for the same period in 2012. There were no significant losses in the first quarter of 2013 and attritional losses reported were also exceptionally low. We reached a settlement on our North East Industry Loss Warranty in relation to Sandy and that benefit is reflected in the quarter. The total estimated net loss, after reinsurance and reinstatement premiums, for Sandy is now $28.9 million compared to the estimated net loss, after reinsurance and reinstatement provisions, of $44.5 million that was included in Q4 2012. The first quarter of 2012 included $34.1 million of net losses, after reinsurance and reinstatement premium, for the total loss of the Costa Concordia.

Prior year favourable development for the first quarter was $16.9 million, compared to $20.6 million for the first quarter of 2012. Both years experienced releases due to lower than expected reported losses.

The following tables show the impact of prior year development and current accident year large losses on the Group’s loss ratio:

	Q1 2013		**Q1 2012**	
	Losses	**Loss Ratio**	**Losses**	**Loss Ratio**
	$m	**%**	**$m**	**%**
At 31 March	23.0	17.2	50.5	35.7
Absent Costa Concordia	n/a	n/a	25.9	17.2
Absent prior year development	39.9	29.8	71.1	50.3
Adjusted losses and ratio	**39.9**	**29.8**	**46.5**	**30.8**

Note: Prior year development includes the benefit from the Sandy ILW settlement noted above.
Adjusted loss ratio excludes large losses and prior year development. The table does not sum to a total due to the impact of reinstatement premiums.

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

	Q1 2013 $m	Q1 2012 $m
Property	13.5	1.3
Energy	1.9	14.6
Marine	3.0	4.7
Aviation	(1.5)	-
Total	**16.9**	**20.6**

Note: Positive numbers denote favourable development.

The accident year loss ratio for the first quarter of 2013, including the impact of foreign exchange revaluations, was 29.7% compared to 50.5% for the same period in 2012. The 2013 accident year loss ratio for the quarter ended 31 March 2013 did not include any significant large losses. The 2012 accident year loss ratio for the quarter ended 31 March 2012 included 19.4% for the Costa Concordia loss.

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 2013 and 2012:

	Q1 2013 $m	Q1 2012 $m
2006 accident year	(1.3)	0.1
2007 accident year	(0.2)	0.8
2008 accident year	(2.2)	0.4
2009 accident year	0.5	2.1
2010 accident year	1.8	(0.1)
2011 accident year	(8.1)	17.3
2012 accident year	26.4	-
Total	**16.9**	**20.6**

Note: Positive numbers denote favourable development.

The ratio of IBNR to total net loss reserves was 30.7% at 31 March 2013 compared to 33.4% at 31 March 2012.

Investments

Net investment income, excluding realised and unrealised gains and losses, was $6.1 million for the first quarter of 2013, a decrease of 29.9% from the first quarter of 2012. Average book yields over the quarter were lower than the first quarter of 2012. Total investment return, including net investment income, net realised gains and losses, impairments and net change in unrealised gains and losses, was $1.8 million for the first quarter of 2013 compared to $21.6 million for the first quarter of 2012. Treasury yields and credit spreads were close to flat in the first quarter of 2013 whereas in the corresponding quarter of 2012 our portfolio benefited from significant credit spread tightening, particularly in the emerging market debt portfolio.

Currently 4.4% of the portfolio is allocated to the emerging market debt portfolio with an overall average credit quality of BBB-. The corporate bond allocation represented 29.7% of managed invested assets at 31 March 2013 compared to 30.3% at 31 March 2012. During the first quarter of 2013 the Group increased its allocation to bank loans to 2.8% of the portfolio. The floating rate notes are part of our interest rate risk management strategy. Also in order to mitigate the impact of a future significant increase in interest rates, the Group has utilised derivative instruments. These instruments have reduced our duration by 0.2 years.

The managed portfolio was as follows:

	As at 31 March 2013	As at 31 March 2012
Fixed income securities	79.1%	88.6%
Cash and cash equivalents	20.9%	11.4%
Total	**100.0%**	**100.0%**

Key investment portfolio statistics are:

	As at 31 March 2013	As at 31 March 2012
Duration	1.3 years	1.8 years
Credit quality	AA-	AA-
Book yield	1.6%	2.1%
Market yield	1.1%	1.3%

Lancashire Capital Management

The share of profit of associates of $2.9 million for the first quarter of 2013 reflects Lancashire's 20% equity interest in the Accordion vehicle and 16.9% interest in the Saltire vehicle. Share of profit of associates was $2.9 million for the first quarter of 2012 and related entirely to the Accordion vehicle.

Other operating expenses

Operating expenses consist of the following items:

	Q1 2013 $m	Q1 2012 $m
Employee remuneration	9.9	18.5
Other operating expenses	7.1	5.9
Total	**17.0**	**24.4**

In the first quarter of 2012 employee remuneration included a one-off national insurance charge of $6.9 million, incurred as a result of the Group's tax residency move to the UK with effect from 1 January 2012.

Equity based compensation was $3.5 million in the first quarter of 2013 compared to $3.4 million in the same period last year.

Capital

At 31 March 2013, total capital was $1.494 billion, comprising shareholders' equity of $1.236 billion and $257.8 million of long-term debt. Leverage was 17.3%. Total capital at 31 March 2012 was $1.49 billion.

Dividends

During the first quarter of 2013, the Lancashire Board of Directors declared a final dividend in respect of 2012 of $0.10 (£0.07) per common share and an additional special dividend for 2012 of $1.05 (£0.69 pence) per common share. The dividends, totaling $220.6 million, were paid on 17 April 2013 to shareholders of record on 22 March 2013.

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

Financial information

Further details of our 2013 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 Thursday, 2 May 2013. The conference call will be hosted by Lancashire management.

The call can be accessed by dialling +44 (0) 203 139 4830 / + 1 718 873 9077 (Toll Free UK +44 (0) 808 237 0030 / Toll Free US + 1 866 928 7517) all with the confirmation code 56035128#. 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 Thursday, 16 May 2013. The dial in number for the replay facility is Toll +44 (0) 203 426 2807 or Toll Free UK +44 (0) 808 237 0026 with passcode 637851#. The replay facility will also be accessible at www.lancashiregroup.com

For further information, please contact:

Lancashire Holdings Limited

Christopher Head	+44 20 7264 4145 chris.head@lancashiregroup.com
Jonny Creagh-Coen	+44 20 7264 4066 jcc@lancashiregroup.com
Haggie Partners Peter Rigby	+44 20 7417 8989 (Peter Rigby mobile +44 7803851426)

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 operating subsidiaries, is a global provider of specialty insurance and reinsurance 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 authorised by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority in the UK.

NOTE REGARDING RPI METHODOLOGY

LANCASHIRE'S RENEWAL PRICE INDEX ("RPI") IS AN INTERNAL METHODOLOGY 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 METHODOLOGY, 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 TAX RESIDENCY OF THE COMPANY AND ITS SUBSIDIARIES (THE "GROUP"), ITS 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 THE GROUP WRITES; THE PREMIUM RATES AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN THE GROUP'S TARGETED BUSINESS LINES; THE LOW FREQUENCY OF LARGE

EVENTS; UNUSUAL LOSS FREQUENCY; THE IMPACT THAT THE GROUP'S 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 THE GROUP'S 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 THE GROUP'S LOSS LIMITATION METHODS; LOSS OF KEY PERSONNEL; A DECLINE IN THE GROUP'S 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 THE GROUP'S INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE THE GROUP CONDUCTS BUSINESS; LANCASHIRE HOLDINGS LIMITED OR ITS BERMUDIAN SUBSIDIARY BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE BERMUDIAN SUBSIDIARY BECOMING SUBJECT TO INCOME TAXES IN THE UNITED KINGDOM; THE UK TEMPORARY PERIOD EXEMPTION UNDER THE CFC REGIME FAILING TO REMAIN IN FORCE FOR THE PERIOD INTENDED; THE INAPPLICABILITY TO THE GROUP OF SUITABLE EXCLUSIONS FROM THE NEW UK CFC REGIME; ANY CHANGE IN THE UK GOVERNMENT OR THE UK GOVERNMENT POLICY WHICH IMPACTS THE NEW CFC REGIME; AND THE NEGATIVE IMPACT IN ANY MATERIAL WAY OF THE CHANGE IN TAX RESIDENCE OF LANCASHIRE HOLDINGS LIMITED ON ITS STAKEHOLDERS.

THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE 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 2013 $m	Quarter 1 2012 $m
Gross premiums written	214.9	234.0
Outwards reinsurance premiums	(96.3)	(101.9)
Net premiums written	118.6	132.1
Change in unearned premiums	(47.4)	(55.1)
Change in unearned premiums on premiums ceded	62.6	64.5
Net premiums earned	133.8	141.5
Net investment income	6.1	8.7
Net other investment (losses) income	(0.6)	0.7
Net realised gains (losses) and impairments	7.9	1.2
Share of profit of associates	2.9	2.9
Other income	0.3	-
Net foreign exchange gains	3.7	2.4
Total net revenue	154.1	157.4
Insurance losses and loss adjustment expenses	39.2	79.7
Insurance losses and loss adjustment expenses recoverable	(16.2)	(29.2)
Net insurance acquisition expenses	28.5	29.9
Other operating expenses	17.0	24.4
Equity based compensation	3.5	3.4
Total expenses	72.0	108.2
Results of operating activities	82.1	49.2
Financing costs	(3.2)	(2.7)
Profit before tax	78.9	46.5
Tax charge	(1.0)	(1.3)
Profit for the period attributable to equity shareholders	77.9	45.2
Net change in unrealised gains/losses on investments	(12.0)	11.1
Tax expense on net change in unrealised gains/losses on investments	0.4	(0.1)
Other comprehensive (loss) income	(11.6)	11.0
Total comprehensive income attributable to equity shareholders	66.3	56.2
Net loss ratio	17.2%	35.7%
Net acquisition cost ratio	21.3%	21.1%
Administrative expense ratio	12.7%	17.2%
Combined ratio	51.2%	74.0%
Basic earnings per share	$0.48	$0.29
Diluted earnings per share	$0.42	$0.25
Change in fully converted book value per share	4.7 %	3.4 %

Consolidated balance sheet

(Unaudited)

	31 Mar 2013 $m	31 Mar 2012 $m
Assets		
Cash and cash equivalents	507.6	287.1
Accrued interest receivable	8.5	10.7
Investments		
- Fixed income securities	1,689.0	1,803.2
- Other investments	0.8	-
Reinsurance assets		
- Unearned premiums on premiums ceded	74.1	73.3
- Reinsurance recoveries	77.6	94.3
- Other receivables	4.6	-
Deferred acquisition costs	75.5	67.7
Other receivables	15.4	25.0
Inwards premiums receivable from insureds and cedants	270.8	265.2
Deferred tax asset	7.7	8.2
Investment in associates	55.3	48.8
Property, plant and equipment	2.4	4.6
Intangible assets	-	2.2
Total assets	**2,789.3**	**2,690.3**
Liabilities		
Insurance contracts		
- Losses and loss adjustment expenses	500.3	589.9
- Unearned premiums	390.7	402.2
- Other payables	35.8	19.8
Amounts payable to reinsurers	74.3	85.4
Deferred acquisition costs ceded	6.1	6.6
Other payables	281.0	89.0
Corporation tax payable	0.4	0.6
Interest rate swap	7.2	6.7
Long-term debt	257.8	128.9
Total liabilities	**1,553.6**	**1,329.1**
Shareholders' equity		
Share capital	84.3	84.3
Own shares	(62.7)	(75.3)
Share premium	2.4	2.4
Contributed surplus	662.9	663.1
Accumulated other comprehensive income	23.8	28.6
Other reserves	56.8	54.7
Retained earnings	468.2	603.4
Total shareholders' equity attributable to equity shareholders	**1,235.7**	**1,361.2**
Total liabilities and shareholders' equity	**2,789.3**	**2,690.3**
Basic book value per share	$7.63	$8.55
Fully converted book value per share	$7.05	$7.78

Statement of consolidated cashflows
(Unaudited)

	Quarter 1 2013 $m	Quarter 1 2012 $m
Cash flows from operating activities		
Profit before tax	78.9	46.5
Tax paid	0.4	(0.7)
Depreciation	0.4	0.7
Interest expense on long-term debt	3.1	1.4
Interest and dividend income	(11.8)	(12.2)
Net amortisation of fixed income securities	3.5	2.6
Equity based compensation	3.5	3.4
Foreign exchange gains	(2.9)	(3.5)
Share of profit of associates	(2.9)	(2.9)
Net other investment losses (gains)	0.6	(0.7)
Net realised (gains) losses and impairments	(7.9)	(1.2)
Net unrealised losses (gains) on interest rate swaps	(0.8)	0.5
Changes in operational assets and liabilities		
-insurance and reinsurance contracts	(57.2)	9.1
-other assets and liabilities	0.1	6.1
Net cash flows from operating activities	**7.0**	**49.1**
Cash flows (used in) from investing activities		
Interest and dividends received	12.7	11.5
Service fee income	1.2	-
Purchase and development of intangible asset	-	(1.0)
Investment in associates	29.8	4.9
Purchase of fixed income securities	(350.9)	(496.3)
Proceeds on maturity and disposal of fixed income securities	527.1	417.7
Net settlement of other investments	0.4	(0.9)
Net cash flows from (used in) investing activities	**220.3**	**(64.1)**
Cash flows used in financing activities		
Interest paid	(4.8)	(1.4)
Distributions by trust	(1.4)	(7.3)
Net cash flows used in financing activities	**(6.2)**	**(8.7)**
Net increase (decrease) in cash and cash equivalents	**221.1**	**(23.7)**
Cash and cash equivalents at beginning of period	295.8	311.8
Effect of exchange rate fluctuations on cash and cash equivalents	(9.3)	(1.0)
Cash and cash equivalents at end of period	**507.6**	**287.1**