LANCASHIRE HOLDINGS LIMITED

GROWTH IN FULLY CONVERTED BOOK VALUE PER SHARE, ADJUSTED FOR DIVIDENDS, OF 5.7% IN Q3 2012, 13.2% YEAR TO DATE
COMBINED RATIO OF 48.9% IN Q3 2012, 61.1% YEAR TO DATE
FULLY CONVERTED BOOK VALUE PER SHARE OF $8.47 AT 30 SEPTEMBER 2012
SPECIAL DIVIDEND AND EQUIVALENTS OF $173 MILLION OR $0.90 PER COMMON SHARE

8 November 2012
Hamilton, Bermuda

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its results for the third quarter of 2012 and the nine month period ended 30 September 2012.

Financial highlights:

	As at 30 Sept 2012	As at 30 Sept 2011
Fully converted book value per share	**$8.47**	**$8.20**
Return on equity* – Q3	**5.7%**	**3.6%**
Return on equity* – YTD	**13.2%**	**10.4%**
Operating return on average equity – Q3	**5.0%**	**6.2%**
Operating return on average equity – YTD	**12.4%**	**13.3%**
Special dividend per common share**	**$0.90**	**$0.80**

* 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.

	Three months ended		Nine months ended	
	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011
Highlights ($m)				
Gross premiums written	113.5	142.9	628.3	522.7
Net premiums written	109.8	133.6	475.4	462.7
Profit before tax	78.0	79.0	185.1	178.4
Profit after tax	78.8	75.7	182.5	173.2
Comprehensive income	89.1	60.3	204.3	161.8
Net operating profit	74.1	87.7	176.7	180.9
Per share data				
Diluted earnings per share	$0.42	$0.42	$1.00	$0.98
Diluted earnings per share – operating	$0.40	$0.49	$0.97	$1.02
Financial ratios				
Total investment return	1.1%	(0.6)%	2.8%	1.2%
Net loss ratio	14.6%	12.2%	26.0%	29.3%
Combined ratio	48.9%	43.5%	61.1%	60.7%
Accident year loss ratio	14.2%	27.7%	35.8%	57.5%

Richard Brindle, Group Chief Executive Officer, commented:

"Sandy has caused tragic loss of life and significant damage in its progress from the Caribbean through North America. Our thoughts at Lancashire go out to all those affected.

Thankfully, the third quarter has been relatively quiet in terms of catastrophes and we have not suffered significant risk losses so Lancashire has produced another strong set of results. The third quarter return on equity of 5.7%, and 13.2% for the year to date, continues our record of consistent increase in book value per share, including dividends. We have now generated a compound annual return of 19.4% since inception, and with a combined ratio for the quarter of 48.9%, our inception to date combined ratio now stands at 58.3%.

In our view, the market outlook in our lines of business is stable. Premium rates will come under pressure for the January renewals with more than enough capacity in the great majority of our lines, but we believe that our emphasis on risk selection helps us to produce superior results across the cycle. We are surprised with the over positive note which we have seen from some about rate increases, as we do not believe that this will carry into 2013 for most classes.

As ever, Lancashire will focus on servicing its core portfolio of insurance and reinsurance clients, who make up the majority of our portfolio, whilst looking for opportunistic areas of dislocation, or new demand, to leverage the Lancashire brand. With the ever growing flow of alternative funds into our market place, we also continue to explore opportunities to build partnerships with capital market participants seeking underwriters with a proven track record for building shareholder value."

Elaine Whelan, Group Chief Financial Officer, commented:

"With the third quarter producing little in the way of major losses, and with solid investment performance in choppy markets, we are pleased to report our 5.7% return on equity. As we watch the U.S recovering from the massive amount of damage wreaked by Sandy, we will undoubtedly see some impact on our fourth quarter results. It is, however, simply too early to provide any meaningful estimate for reserves.

The announcement of our special dividend and dividend equivalent payments of $172.7 million brings our total capital return since inception to $1.5 billion, or 84.0% of total comprehensive income – or 98.6% of comprehensive income for the year to date. Market conditions in 2013 look stable overall for our portfolio – reasonable, if not spectacular, markets. Our recent debt issuance should allow us to absorb Sandy's impact and still carry more than normal excess headroom into the January 1 renewal season to take advantage of any unforeseen opportunities that may arise. As ever, if we can't find good ways to put our capital to work, we will re-assess our needs and return any surplus."

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). The RPI does not include new business. The following RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in 2011:

Class	YTD 2012	Q3 2012	Q2 2012	Q1 2012
Aviation (AV52)	95%	96%	98%	92%
Gulf of Mexico energy	100%	103%	100%	100%
Energy offshore worldwide	103%	104%	104%	102%
Marine	110%	100%	130%	103%
Property retrocession and reinsurance	120%	104%	145%	112%
Terrorism	98%	99%	98%	96%
Combined	**105%**	**101%**	**109%**	**103%**

Underwriting results

Gross premiums written

	Q3				YTD			
	2012 $m	2011 $m	Change $m	Change %	2012 $m	2011 $m	Change $m	Change %
Property	46.4	64.9	(18.5)	(28.5)	322.9	230.1	92.8	40.3
Energy	47.8	53.7	(5.9)	(11.0)	215.6	205.8	9.8	4.8
Marine	11.7	13.6	(1.9)	(14.0)	65.6	57.8	7.8	13.5
Aviation	7.6	10.7	(3.1)	(29.0)	24.2	29.0	(4.8)	(16.6)
Total	**113.5**	**142.9**	**(29.4)**	**(20.6)**	**628.3**	**522.7**	**105.6**	**20.2**

Gross premiums written decreased by 20.6% in the third quarter of 2012 compared to the third quarter of 2011. In the first nine months of 2012 gross premiums written increased by 20.2% compared to the first nine months of 2011. For both the quarter and the year to date, in dollar terms, the changes compared to the prior year periods were driven by the property book. The Group's four principal classes, and the key market factors impacting them, are noted below.

Property gross premiums written decreased by 28.5% for the quarter compared to the same period in 2011 and increased by 40.3% in the first nine months of 2012 compared to the first nine months of 2011. In 2012 the Japanese property catastrophe book renewals were included in the second quarter. In 2011, following the Tohoku earthquake and tsunami, these had been deferred to the third quarter, resulting in additional premium of $8.6 million in that quarter as compared to the current year. The decrease in property premiums in the third quarter of 2012 compared to the same period in 2011 also reflects the decision to cease writing property direct and facultative business from 1 July 2012 given current pricing conditions for this class. For the year to date, the increase in property premiums is largely due to increased property retrocession writings at 1 January 2012. In anticipation of a declining trading environment through the rest of the year, we increased our exposures at 1 January 2012 significantly, utilising the Accordion sidecar for a sizeable portion of this business. Year to date property catastrophe excess-of-loss premiums are also higher than the prior year. Within this class we replaced one significant contract, plus some

2011 post event back-up deals, with better priced new business, largely on loss affected contracts. 2012 year to date has also seen an increase in premium written in the political risk class compared to the same period of 2011. The political risk market tends to be more unpredictable than other classes of business and there is a limited amount of renewal business as policies often relate to specific one-off projects. Slightly, offsetting these increases, premium volumes were lower for our property direct and facultative book throughout the year as we reduced our appetite for this line of business prior to our formal exit on 1 July 2012.

Energy gross premiums written decreased in the third quarter of 2012 by 11.0% compared to the same period in 2011 and increased by 4.8% in the first nine months of 2012 compared to the first nine months of 2011. In the third quarter of 2011 a number of non-annual deals were written in the worldwide offshore and Gulf of Mexico books which were not yet due for renewal in the third quarter of 2012. This impact was somewhat offset by new multi-year business written in the construction energy class. The increase in premiums year on year was driven primarily by new business plus premium flow from prior year risks attaching in the offshore worldwide book. Due to a number of multi-year deals in 2011, we had anticipated a reduction in our Gulf of Mexico premiums this year. However, the expected reduction in renewing business for 2012 was almost entirely offset by new premium from prior underwriting year multi-year contracts which renewed in the second quarter of 2012 ahead of their expiration, as clients sought to lock-in wind cover beyond the original term.

Marine gross premiums written decreased by 14.0% for the quarter compared to the same period in 2011 and increased by 13.5% in the first nine months of 2012 compared to the first nine months of 2011. For the third quarter of 2012 pricing was broadly stable compared to the same period in 2011. The small decrease in quarter to date premium volumes was largely due to the timing of risks attaching on multi-year builders risk contracts. The year to date increase was largely driven by the timing of multi-year contract renewals, which included significant price increases on loss affected contracts following the first quarter Costa Concordia marine loss.

Aviation gross premiums written decreased by 29.0% for the quarter compared to the same period in 2011 and decreased by 16.6% in the first nine months of 2012 compared to the first nine months of 2011. While pricing and renewal rates remain under some pressure, the first three quarters of the year are not major renewal periods for the aviation sector and volumes are relatively light.

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Ceded reinsurance premiums decreased by $5.6 million, or 60.2%, for the quarter and increased by $92.9 million, or 154.8%, for the nine-month period ending 30 September 2012, as compared to the same periods in 2011. The third quarter ceded premium decreased due to opportunistic programs written in 2011 which were not renewed in 2012. Cessions to the Accordion sidecar were $3.9 million for the quarter compared to $5.4 million in the third quarter of 2011, bringing the total cession to Accordion for the year to date to $64.8 million versus $12.2 million for the first nine months of 2011.

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Net premiums earned as a proportion of net premiums written were 131.0% in the third quarter of 2012 compared to 111.4% in the same period in 2011 and 91.6% in the nine months ending 30 September 2012, compared to 94.3% in the same period in 2011. The higher earnings percentage in the current quarter compared to the same period in 2011 reflects the lower premiums written in the third quarter of 2012, as we front loaded our business to the first half of the year to take advantage of more favourable pricing conditions.

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The Group's net loss ratio for the third quarter of 2012 was 14.6% compared to 12.2% for the same period in 2011 and 26.0% for the nine month period ended 30 September 2012 compared to 29.3% for the same period in 2011. Both quarters reflect a low number of reported losses during the period.

The nine month period ended 30 September 2012 included a total estimated net loss of $59.0 million, after reinsurance and reinstatement premium, in relation to the total loss of the Costa Concordia. This compares to specific event net losses of $148.6 million in the first nine months of 2011 in relation to the Tohoku and Christchurch earthquakes and the Gryphon Floating Production Storage and Offloading ("FPSO") loss.

Prior year adverse development for the third quarter was $1.0 million, compared to favourable development of $21.1 million for the third quarter of 2011. The third quarter of 2012 included small amounts of adverse development across a number of claims and some newly reported prior year risk losses. The third quarter of 2011 benefited from $3.0 million of positive development on Hurricane Ike. Favourable development was $42.5 million for the 2012 year to date, compared to $118.0 million for the same period in 2011. In early 2011 an independent external reserve study was commissioned in order to incorporate the Group's own loss experience with industry factors previously used. On completion, net reserves of $36.9 million were released. Both years otherwise experienced releases due to lower than expected reported losses, with 2011 experiencing exceptionally low reported prior year losses.

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

	Q3 2012		**YTD 2012**	
	Losses	**Loss Ratio**	**Losses**	**Loss Ratio**
	$m	**%**	**$m**	**%**
At 30 September 2012	21.0	14.6	113.4	26.0
Absent Costa Concordia	20.9	14.5	67.6	15.1
Absent prior year development	20.0	13.9	155.9	35.8
Adjusted losses and ratio	**19.9**	**13.8**	**110.1**	**24.5**

Note: 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.

	Q3 2011		**YTD 2011**	
	Losses	**Loss Ratio**	**Losses**	**Loss Ratio**
	$m	**%**	**$m**	**%**
At 30 September 2011	18.1	12.2	127.9	29.3
Absent Tohoku & Christchurch	11.5	7.7	26.1	6.1
Absent Gryphon FPSO	18.1	12.2	79.8	18.1
Absent prior year development	39.2	26.3	245.9	56.4
Adjusted losses and ratio	**32.6**	**21.9**	**96.0**	**22.1**

Note: Adjusted loss ratio excludes large losses plus 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.

	Q3		**YTD**	
	2012	**2011**	**2012**	**2011**
	$m	**$m**	**$m**	**$m**
Property	(1.8)	4.9	(10.3)	40.2
Energy	1.2	11.6	29.8	47.0
Marine	(0.4)	4.5	22.9	25.2
Aviation	-	0.1	0.1	5.6
Total	**(1.0)**	**21.1**	**42.5**	**118.0**

Note: Positive numbers denote favourable development.

The accident year loss ratio for the third quarter of 2012, including the impact of foreign exchange revaluations, was 14.2% compared to 27.7% for the same period in 2011. The year to date accident year loss ratio was 35.8% compared to 57.5% for the nine months to 30 September 2011. The 2012 accident year loss ratio for the nine months to 30 September 2012 included 11.3% for the Costa Concordia loss.

The 2011 accident year loss ratio for the nine months to 30 September 2011 included:

- 17.3% for the Tohoku earthquake;
- 11.4% for the Gryphon FPSO loss; and
- 5.3% for the Christchurch 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 nine months of 2012 and 2011:

	Nine months ended 30 Sept 2012 $m	**Nine months ended 30 Sept 2011 $m**
2006 accident year	0.4	1.1
2007 accident year	2.3	10.2
2008 accident year	(1.4)	20.0
2009 accident year	6.2	30.4
2010 accident year	9.5	56.3
2011 accident year	25.5	-
Total	**42.5**	**118.0**

Note: Positive numbers denote favourable development.

The ratio of IBNR to total net loss reserves was 29.2% at 30 September 2012 compared to 31.9% at 30 September 2011.

Investments

Net investment income, excluding realised and unrealised gains and losses, was $7.4 million for the third quarter of 2012, a decrease of 29.5% from the third quarter of 2011. Overall lower yields and a reduction in both the emerging market debt and equity portfolios contributed to the decrease in investment income for the quarter compared to the third quarter of 2011. The Group liquidated its equity position in the third quarter of 2011 given the increasing volatility in the markets at that point. In addition, the Group disposed of virtually all of its non USD emerging market debt in the third quarter of 2011.

Currently 4.1% of the portfolio is allocated to the emerging market debt portfolio with an overall average credit quality of BBB. The Group has no exposure to European peripheral sovereign debt. Exposure to European peripheral corporate debt is approximately $2.7 million consisting of Spanish and Italian non-financial corporate debt. The corporate bond allocation, excluding Federal Deposit Insurance Corporation guaranteed bonds, represented 28.4% of managed invested assets at 30 September 2012 compared to 30.6% at 30 September 2011. During the third quarter of 2012 the Group invested a small portion of the portfolio, 0.4%, to bank loans. It is expected that this will increase to approximately 2.5% of total managed invested assets. The bank loan portfolio will consist of highly rated floating rate notes and is expected to help manage interest rate risk.

Total investment return, including net investment income, net realised gains and losses, impairments and net change in unrealised gains and losses, was $21.7 million for the third quarter of 2012 compared to a loss of $4.8 million for the third quarter of 2011, and was $55.7 million for the 2012 year to date versus $28.0 million for the same period in 2011. The losses from the third quarter of 2011 resulted primarily from the currency exposure in the non USD emerging market debt portfolio and the equity portfolio, both of which have since been liquidated. The 2012 quarter to date and year to date returns benefited from significant credit spread tightening, particularly in the emerging market debt portfolio.

The managed portfolio was invested as follows:

	As at 30 Sept 2012	**As at 31 Dec 2011**	**As at 30 Sept 2011**
Fixed income securities	84.8%	86.8%	85.2%
Cash and cash equivalents	15.2%	13.2%	14.8%
Total	**100.0%**	**100.0%**	**100.0%**

Key investment portfolio statistics are:

	As at 30 Sept 2012	**As at 31 Dec 2011**	**As at 30 Sept 2011**
Duration	1.6 years	1.8 years	1.7 years
Credit quality	AA	AA-	AA
Book yield	1.7%	1.9%	2.0%
Market yield	0.9%	1.5%	1.5%

Accordion

The share of profit of associate of $2.9 million for the third quarter of 2012 and the $4.4 million for the year to date reflects Lancashire's 20% equity interest in the vehicle. Share of profit of associate was $0.3 million for the same periods in 2011.

Other operating expenses

Operating expenses consist of the following items:

	Q3		**YTD**	
	2012 $m	**2011 $m**	**2012 $m**	**2011 $m**
Employee remuneration	11.0	10.2	38.8	31.7
Other operating expenses	10.0	7.5	23.7	24.6
Total	**21.0**	**17.7**	**62.5**	**56.3**

In the first quarter of 2012 employment 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 effective from 1 January 2012. During the third quarter of 2012, other operating expenses included a charge of $2.8 million in relation to the timing of certain IT software expenses. Excluding these expenses other operating expenses are $3.8 million lower in 2012 than the same period of 2011, reflecting the Group's commitment to a low cost operating structure.

Equity based compensation was $6.6 million in the third quarter of 2012 compared to $0.4 million in the same period last year. During the third quarter of 2011 there was an adjustment of $5.6 million to the estimated fair value of our existing RSS plan across all years, reflecting some minor revisions to underlying assumptions. For the nine months to 30 September 2012 and 2011 the equity compensation charge was $12.5 million and $12.6 million respectively. The charge in the third quarter of 2011 and for the first nine months of 2011 included $0.3 million and $3.5

million respectively, in relation to dividend strike price revisions on option awards under the Group's 2005 Long Term Incentive Plan Option Scheme, which was closed to further awards in 2008. By the first quarter of 2012 the majority of these previously issued option awards had been exercised and the remaining charges on them were negligible.

Capital

At 30 September 2012, total capital was $1.636 billion, comprising shareholders' equity of $1.508 billion and $127.9 million of long-term debt. Leverage was 7.8%. Total capital was $1.562 billion at 30 September 2011 and $1.455 billion at 31 December 2011.

On 5 October 2012 the Group launched and priced an offering of $130 million 5.70% senior unsecured notes due in 2022 (the "Notes") pursuant to a private offering to U.S. Qualified Institutional Buyers and elsewhere, according to applicable restrictions. The Notes were listed and admitted to trading on the London Stock Exchange on 16 October 2012. Lancashire expects to use the net proceeds of the offering for general corporate purposes.

Dividends

Lancashire announces that its Board has declared a special dividend for 2012 of $0.90 per common share (approximately £0.56 per common share at the current exchange rate), which will result in an aggregate payment of approximately $145 million. The dividend will be paid in Pounds Sterling on 19 December 2012 (the "Dividend Payment Date") to shareholders of record on 30 November 2012 (the "Record Date") using the £ / $ spot market exchange rate at 12 Noon London time on the Record Date.

In addition to the special dividend payment to shareholders, approximately $28 million in aggregate will be paid on the Dividend Payment Date to holders of share warrants issued by the Company pursuant to the terms of the warrants.

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 2012 third quarter results can be obtained from our Financial Supplement. This can be accessed via our website at 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 EST on Thursday 8 November 2012. The conference call will be hosted by Lancashire management.

The call can be accessed by dialling +44 208 817 9301 / +1 718 354 1226 with the confirmation code 8805130#. 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 22 November 2012. The dial in number for the replay facility is +44 207 769 6425 with passcode 8805130# .The replay facility will also be accessible at www.lancashiregroup.com

For further information, please contact:

Lancashire Holdings Limited

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Investor enquiries and questions can also be directed to info@lancashiregroup.com or by accessing the Group's website at 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 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 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 OMISSION FROM THE NEW CFC REGIME OF A SUITABLE EXCLUSION (E.G. RELATING TO INSURANCE OR REINSURANCE OF THIRD PARTY RISKS WRITTEN IN THE INTERNATIONAL INSURANCE MARKET); ANY CHANGE IN THE UK GOVERNMENT OR THE UK GOVERNMENT POLICY WHICH IMPACTS THE NEW CFC REGIME.

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 3 2012 $m	Quarter 3 2011 $m	YTD 2012 $m	YTD 2011 $m
Gross premiums written	113.5	142.9	628.3	522.7
Outwards reinsurance premiums	(3.7)	(9.3)	(152.9)	(60.0)
Net premiums written	**109.8**	**133.6**	**475.4**	**462.7**
Change in unearned premiums	65.2	20.7	(78.6)	(47.2)
Change in unearned premiums ceded	(31.2)	(5.5)	38.7	20.8
Net premiums earned	**143.8**	**148.8**	**435.5**	**436.3**
Net investment income	7.4	10.5	24.5	34.3
Net other investment income (losses)	0.2	(0.9)	0.7	(0.9)
Net realised gains (losses) and impairments	3.8	1.0	8.7	6.0
Share of profit of associate	2.9	0.3	4.4	0.3
Net foreign exchange losses	(0.3)	(9.7)	(0.7)	(8.8)
Total net revenue	**157.8**	**150.0**	**473.1**	**467.2**
Insurance losses and loss adjustment expenses	14.0	17.1	178.8	139.8
Insurance losses and loss adjustment expenses recoverable	7.0	1.0	(65.4)	(11.9)
Net insurance acquisition expenses	28.3	28.9	90.3	80.5
Equity based compensation	6.6	0.4	12.5	12.6
Other operating expenses	21.0	17.7	62.5	56.3
Total expenses	**76.9**	**65.1**	**278.7**	**277.3**
Results of operating activities	**80.9**	**84.9**	**194.4**	**189.9**
Financing costs	2.9	5.9	9.3	11.5
Profit before tax	**78.0**	**79.0**	**185.1**	**178.4**
Tax (credit) charge	(0.8)	3.3	2.6	5.2
Profit for the period attributable to equity shareholders	**78.8**	**75.7**	**182.5**	**173.2**
Net change in unrealised gains (losses) on investments	10.5	(15.6)	22.2	(11.2)
Tax on net change in unrealised gains (losses) on investments	(0.2)	0.2	(0.4)	(0.2)
Other comprehensive income	**10.3**	**(15.4)**	**21.8**	**(11.4)**
Total comprehensive income attributable to equity shareholders	**89.1**	**60.3**	**204.3**	**161.8**
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	48.9%	43.5%	61.1%	60.7%
Basic earnings per share	$0.49	$0.49	$1.15	$1.13
Diluted earnings per share	$0.42	$0.42	$1.00	$0.98
Change in fully converted book value per share	5.7%	3.6%	13.2%	10.4%

Consolidated balance sheet

	Unaudited 30 Sep 2012 $m	Unaudited 30 Sep 2011 $m	Audited 31 Dec 2011 $m
Assets			
Cash and cash equivalents	412.4	368.5	311.8
Accrued interest receivable	8.9	12.4	10.0
Investments			
- Fixed income securities, available for sale	1,824.0	1,844.1	1,714.0
- Fixed income securities, at fair value through profit or loss	-	0.7	-
- Other investments	(0.2)	(0.2)	(0.6)
Reinsurance assets			
- Unearned premiums on premiums ceded	47.5	23.7	8.8
- Reinsurance recoveries	101.3	42.4	69.7
- Other receivables	1.4	2.4	6.2
Deferred acquisition costs	78.2	66.2	61.4
Other receivables	3.9	21.4	48.6
Inwards premiums receivable from insureds and cedants	259.9	232.1	212.1
Deferred tax asset	7.8	9.0	8.2
Investment in associate	46.4	7.3	50.9
Property, plant and equipment	3.4	6.1	5.3
Intangible asset	-	-	1.2
Total assets	**2,794.9**	**2,636.1**	**2,507.6**
Liabilities			
Insurance contracts			
- Losses and loss adjustment expenses	546.9	556.9	571.2
- Unearned premiums	425.7	397.8	347.1
- Other payables	26.6	17.1	23.5
Amounts payable to reinsurers	53.2	20.0	17.8
Deferred acquisition costs ceded	3.6	1.2	0.7
Other payables	93.8	72.0	85.2
Corporation tax payable	0.5	3.4	1.2
Interest rate swap	8.4	5.6	6.1
Long-term debt	127.9	129.6	128.0
Total liabilities	**1,286.6**	**1,203.6**	**1,180.8**
Shareholders' equity			
Share capital	84.3	84.3	84.3
Own shares	(65.8)	(95.7)	(83.0)
Share premium	2.4	2.4	2.4
Contributed surplus	659.1	665.9	660.5
Accumulated other comprehensive income	39.4	16.8	17.6
Other reserves	57.8	68.4	67.6
Retained earnings	731.1	690.4	577.4
Total shareholders' equity attributable to equity shareholders	**1,508.3**	**1,432.5**	**1,326.8**
Total liabilities and shareholders' equity	**2,794.9**	**2,636.1**	**2,507.6**

Statement of consolidated cashflows
(unaudited)

	Unaudited Nine months 2012	Unaudited Nine months 2011	Audited Twelve months 2011
	$m	$m	$m
Cash flows from operating activities			
Profit before tax	185.1	178.4	218.6
Tax paid	(1.2)	(7.3)	(9.7)
Depreciation	2.1	2.2	2.9
Interest expense on long term debt	4.2	4.2	5.6
Interest and dividend income	(36.3)	(43.6)	(56.2)
Net amortisation of fixed income securities	8.7	5.9	8.7
Equity based compensation	12.5	10.9	18.8
Foreign exchange (gains) losses	(2.7)	12.6	11.5
Share of profit of associate	(4.4)	-	(0.9)
Net other investment (income) losses	(0.7)	0.9	0.5
Net realised (gains) losses and impairments	(8.7)	(6.0)	(8.6)
Loss on disposal of intangible asset	2.9	-	-
Net unrealised loss on interest rate swaps	2.3	4.8	5.4
Changes in operational assets and liabilities			
- Insurance and reinsurance contracts	(31.0)	59.1	38.2
- Other assets and liabilities	53.1	37.1	22.9
Net cash flows from operating activities	**185.9**	**259.2**	**257.7**
Cash flows used in investing activities			
Interest and dividends received	37.4	44.7	59.6
Net purchase of property, plant and equipment	(0.2)	(0.9)	(0.6)
Purchase and development of intangible asset	(1.7)	-	(1.2)
Investment in associate	8.9	(7.3)	(50.0)
Purchase of fixed income securities	(1,278.4)	(1,593.0)	(1,944.5)
Purchase of equity securities	-	(87.4)	(87.4)
Proceeds on maturity and disposal of fixed income securities	1,192.8	1,455.1	1,939.0
Proceeds on disposal of equity securities	-	80.2	80.2
Net proceeds on other investments	(2.6)	1.1	1.1
Net cash flows used in investing activities	**(43.8)**	**(107.5)**	**(3.8)**
Cash flows used in financing activities			
Interest paid	(4.2)	(4.2)	(5.6)
Dividends paid	(28.8)	(292.4)	(444.4)
Distributions by trust	(8.7)	(4.2)	(4.5)
Net cash flows used in financing activities	**(41.7)**	**(300.8)**	**(454.5)**
Net increase (decrease) in cash and cash equivalents	**100.4**	**(149.1)**	**(200.6)**
Cash and cash equivalents at beginning of period	311.8	512.5	512.5
Effect of exchange rate fluctuations on cash and cash equivalents	0.2	5.1	(0.1)
Cash and cash equivalents at end of period	**412.4**	**368.5**	**311.8**