

LANCASHIRE HOLDINGS LIMITED

27 July 2011
Hamilton, Bermuda

Lancashire Holdings Limited Intends to Move to UK Tax Residency

Lancashire Holdings Limited ("Lancashire") today announces that it plans to move to UK tax residency.

Lancashire is currently based in Bermuda and has both UK and Bermuda-based insurance subsidiaries. Lancashire's Board of Directors has been reviewing its Bermudian tax residence at regular intervals and, following the publication of the latest proposals for the reform of the UK's Controlled Foreign Companies ("CFC") rules, Lancashire intends to move its tax residence to the UK. In advance of the proposed move, Lancashire will seek shareholder approval for a change in its bye-laws to permit Board meetings to be held in the UK.

In moving its residence to the UK, Lancashire expects to meet the conditions for the temporary period exemption from the UK's CFC rules which is being introduced by the UK Finance Act 2011. This should therefore not impact Lancashire's UK tax position.

Lancashire is not required to move its place of incorporation in order to qualify for the temporary period exemption, and currently intends to remain incorporated in Bermuda. Its Bermuda-based insurance subsidiary will continue to operate and be incorporated in Bermuda.

Lancashire welcomes the UK Government's wish to explore ways of treating business written in the UK, but with limited UK connection, more favourably under the new CFC regime. Lancashire, in conjunction with other corporations, will be responding to the Government's consultation over the coming months with a view to ensuring that the final CFC rules operate fairly.

For further information, please contact:

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About Lancashire

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

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

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

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

Lancashire has capital in excess of \$1 billion and its Common Shares trade on the main market of the London Stock Exchange under the ticker symbol LRE. Lancashire has its corporate headquarters at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda. The mailing address is Lancashire Holdings Limited, P.O. Box HM 2358, Hamilton HM HX, 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.

Lancashire Marketing Services (Middle East) Limited is authorised and regulated by the Dubai Financial Services Authority.

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS 'WILL', 'INTENDS', 'BELIEVES', 'ANTICIPATES', 'PLANS', 'PROJECTS', 'FORECASTS', 'GUIDANCE', 'INTENDS', 'EXPECTS', 'ESTIMATES', 'PREDICTS', 'MAY', 'CAN', '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 TAX RESIDENCY, 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 UK TEMPORARY PERIOD EXEMPTION UNDER THE CURRENT CFC REGIME REMAINS IN FORCE FOR THE PERIOD INTENDED AND IS CONTAINED IN THE UK FINANCE ACT 2011; THE UK GOVERNMENT BRINGS BEFORE PARLIAMENT LEGISLATION CONTAINING A SUITABLE NEW CFC REGIME IN LINE WITH THE PROPOSALS OUTLINED IN THE CONSULTATION DOCUMENT; THE LEGISLATION AND NEW CFC REGIME INCLUDE A SUITABLE EXCLUSION RELATING TO LARGE RISKS WRITTEN IN THE INTERNATIONAL INSURANCE MARKET, ANY CHANGE IN UK GOVERNMENT OR THE UK GOVERNMENT POLICY DOES NOT IMPACT THE TEMPORARY PERIOD EXEMPTION, THE ANTICIPATED TERRITORIAL BUSINESS EXEMPTION OR OTHER ASPECTS OF THE NEW CFC REGIME; THE IMPLEMENTATION OF THE CHANGE IN TAX RESIDENCE DOES NOT NEGATIVELY IMPACT STAKEHOLDERS OF LANCASHIRE IN A MATERIAL WAY; AND CHANGES IN OTHER GOVERNMENTAL REGULATIONS OR TAX LAWS IN OTHER JURISDICTIONS WHERE LANCASHIRE CONDUCTS BUSINESS.

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.