

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser. The whole text of this document should be read.**

If you sell or otherwise transfer or have sold or otherwise transferred all of your common shares of US\$0.50 each in the capital of Lancashire Holdings Limited ("**Common Shares**"), please forward this document, together with the accompanying Form of Proxy, Form of Direction and the 2016 Annual Report and Accounts to the stockbroker, bank or other agent who arranged the sale or transfer for transmission to the purchaser or transferee. If you have sold or transferred part of your holding of Common Shares you are advised to consult your stockbroker, bank or other agent who arranged the sale or transfer.

## **Lancashire Holdings Limited**

*(Incorporated and registered in Bermuda under registration number EC37415)*

### **Notice of Annual General Meeting**

Notice of the Annual General Meeting of Lancashire Holdings Limited to be held at 29th Floor, 20 Fenchurch Street, London EC3M 3BY on 3 May 2017 commencing at 2.00pm UK time is set out on pages 7 and 8 of this document.

Holders of Common Shares ("**Shareholders**") will find enclosed a Form of Proxy for use at the Annual General Meeting. Holders of Depository Interests in the Common Shares will find a Form of Direction by which they can instruct Capita IRG Trustees Limited ("**Depository**") to vote in respect of their interest. To be valid, the enclosed Form of Proxy must be received by Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not later than 48 hours before the time appointed for the holding of the Annual General Meeting. To be valid, the enclosed Form of Direction must be received not later than 72 hours before the time appointed for the holding of the Annual General Meeting. Arrangements have also been made for CREST members to vote electronically through the CREST proxy voting service in accordance with the procedures set out in the CREST Manual. Further details regarding CREST are included in notes (iv) and (v) on page 9 of this document.

**Your attention is also drawn to the letter from the Chairman of Lancashire Holdings Limited, which is set out on pages 3-6 of this document, recommending that you vote in favour of the resolutions to be proposed at the Annual General Meeting.**

## Note Regarding Forward-Looking Statements

Certain statements and indicative projections (which may include modeled loss scenarios) made in the Chairman's letter in this document 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", "likely", "will", "seeks", "should", or, in each case, their negative or comparable terminology. All such statements other than statements of historical facts including, without limitation, the financial position of the Company and its subsidiaries (the "**Group**"), the Group's liquidity, results of operations, prospects, growth, capital management plans and efficiencies, ability to create value, dividend policy, operational flexibility, composition of management, 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 Group's ability to integrate its businesses and personnel; the successful retention and motivation of the Group's key management; the increased regulatory burden facing the Group; the number and type of insurance and reinsurance contracts that the Group writes or may write; the Group's ability to implement successfully its business strategy during 'soft' as well as 'hard' markets; the premium rates which may be available at the time of such renewals within the Group's targeted business lines; the possible low frequency of large events; potentially unusual loss frequency; the impact that the Group's future operating results, capital position and rating agency and other considerations may have on the execution of any capital management initiatives or dividends; 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; increased competition from existing alternative capital providers, insurance linked funds and collateralised special purpose insurers and the related demand and supply dynamics as contracts come up for renewal; the effectiveness of the Group's loss limitation methods; the potential loss of key personnel; a decline in the Group's operating subsidiaries' rating with A.M. Best, S&P Global Ratings, 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 maturity investments; the impact of swings in market interest rates, currency exchange rates and securities prices; changes by central banks regarding the level of interest rates; the impact of inflation or deflation in relevant economies in which the Group operates; the effect, timing and other uncertainties surrounding future business combinations within the insurance and reinsurance industries; the impact of terrorist activity in the countries in which the Group writes risks; 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; any of the Group's Bermudian subsidiaries becoming subject to income taxes in the United States or the United Kingdom; the inapplicability to the Group of suitable exclusions from the UK CFC regime; any change in UK government policy which impacts the CFC regime or other tax changes; and the impact of the 'Brexit' vote and future negotiations regarding the UK's relationship with the E.U. on the Group's business, regulatory relationships, underwriting platforms or the industry generally.

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.

## Expected Timetable of Principal Events

Publication of this document and posting to Shareholders	13 March 2017
Voting record date	Close of business on 31 March 2017
Latest time and date for receipt of Forms of Direction	2.00pm UK time on 30 April 2017
Latest time and date for receipt of Forms of Proxy	2.00pm UK time on 1 May 2017
Time and date of Annual General Meeting	2.00pm UK time on 3 May 2017

# Letter from the Chairman of Lancashire Holdings Limited (the "Company")

(Incorporated and registered in Bermuda under registration number EC37415)

## Directors:

**Peter Clarke**, *Non-Executive Chairman*  
**Michael Dawson**, *Non-Executive Director*  
**Simon Fraser**, *Senior Independent Director*  
**Samantha Hoe-Richardson**, *Non-Executive Director*  
**Robert Lusardi**, *Non-Executive Director*  
**Alex Maloney**, *Chief Executive Officer*  
**Tom Milligan**, *Non-Executive Director*  
**Elaine Whelan**, *Chief Financial Officer*

*Head Office:*  
29th Floor  
20 Fenchurch Street  
London EC3M 3BY  
United Kingdom

*Registered Office:*  
Power House  
7 Par-la-Ville Road  
Hamilton HM 11  
Bermuda

13 March 2017

## To all Shareholders:

Dear Shareholder,

### Notice of Annual General Meeting and recommendation to vote in favour of the Resolutions

I am writing to give you details of the business proposed to be considered at the Company's forthcoming Annual General Meeting ("AGM") to be held at 29th Floor, 20 Fenchurch Street, London EC3M 3BY on 3 May 2017 commencing at 2.00pm UK time. The notice convening the AGM is set out on pages 7 and 8 of this document.

## Proposed Business of the AGM

### 1. Annual Report and Accounts (Resolutions 1, 2, and 3)

Resolutions are proposed to receive the Company's audited consolidated financial statements for the year ended 31 December 2016 (**Resolution 1**) and to approve the Directors' Remuneration Policy (**Resolution 2**) and the Annual Report on Remuneration (**Resolution 3**), which are contained in the 2016 Annual Report and Accounts.

As a company incorporated in Bermuda, the Company is not bound by UK law or regulation in the area of Directors' remuneration to the same extent that it applies to UK incorporated companies. However, by virtue of the Company's premium listing on the London Stock Exchange, and for the purposes of disclosing its compliance or explaining its non-compliance against the requirements of the UK Corporate Governance Code published by the UK Financial Reporting Council (the "**Code**"), the Company's board of directors (the "**Board**") is committed to providing information on Directors' remuneration to Shareholders and complying with UK corporate governance standards and best practices to the appropriate extent, taking into account the Company's size and the nature of its business. The Company will therefore offer Shareholders a binding vote on the Company's forward looking remuneration policy (the "**Directors' Remuneration Policy**") at the AGM, in line with the requirement that companies bound by UK law or regulation must put their remuneration policy to a binding Shareholder vote at least once every three years. The Company's remuneration policy for 2014 and the following two years was approved by a binding Shareholder vote at the Company's annual general meeting held on 30 April 2014. Once effective, all future payments to Directors, past and present, must normally comply with the terms of the policy, unless specifically approved by Shareholders in a general meeting.

Accordingly, Resolution 2 seeks Shareholders' approval for the Directors' Remuneration Policy, which is set out in the first part of the Directors' Remuneration Report, on pages 63-68 of the 2016 Annual Report and Accounts.

Subject to such approval, the proposed effective date of the Directors' Remuneration Policy is 3 May 2017, being the date of the AGM.

Resolution 3 seeks Shareholders' approval for the Annual Report on Remuneration as set out in the second part of the Directors' Remuneration Report, on pages 69-79 of the 2016 Annual Report and Accounts. This vote is advisory in nature and the Directors' entitlement to receive remuneration is not conditional upon it. The Resolution and vote are a means of providing Shareholder feedback to the Board. The Company's auditors, Ernst & Young LLP, have audited those parts of the Directors' Remuneration Report required to be audited and their report may be found on pages 85-90 of the 2016 Annual Report and Accounts.

## 2. Auditors' Appointment and Remuneration (Resolutions 4 and 5)

As set out at page 54 of the 2016 Annual Report and Accounts, following the conclusion of a formal tender process for the statutory audit, the Board's audit committee has recommended, and the Board has approved, a proposal to recommend to Shareholders the appointment of KPMG LLP as the Company's new statutory auditors at the AGM. Ernst & Young LLP will therefore step down at the conclusion of the AGM. Resolution 4 asks Shareholders to approve the appointment of KPMG LLP with effect from the conclusion of the AGM. In accordance with regulatory requirements, Ernst & Young LLP has notified the Bermuda Monetary Authority that it is aware of the Company's intention not to reappoint it for the reason set out above.

Resolution 5 authorises the Board to set the auditors' remuneration.

## 3. Election of Directors (Resolutions 6, 7, 8, 9, 10, 11, 12 and 13)

The Code recommends that all Directors of FTSE 350 companies should be subject to annual re-election by shareholders. Accordingly, all the Directors of the Company are submitting themselves for re-election at the AGM. In the Board's view, each Director continues to make an effective contribution to the deliberations of the Board and to demonstrate commitment to their role. This view is supported by my own review of the Directors' performance following an externally facilitated evaluation of the Board during 2016.

Further information about the performance evaluation process and the Directors, including their biographies, is set out in the accompanying 2016 Annual Report and Accounts.

The Board considers all the Non-Executive Directors to be independent within the meaning of the Code.

Robert Lusardi was appointed by the Board as a Director with effect from 8 July 2016 and Michael Dawson was appointed by the Board as a Director with effect from 3 November 2016. In accordance with the Company's Bye-laws, Mr Lusardi and Mr Dawson stand for election by Shareholders at the AGM. The Board considers that their skills and experience, as described in their biographies on pages 44 and 45 of the 2016 Annual Report and Accounts, will be of great benefit to the Board and the Company.

## 4. Approval of the Lancashire Holdings Limited 2017 Restricted Share Scheme (Resolution 14)

The Company's existing long-term incentive arrangement for Executive Directors and other selected senior management is the Lancashire Holdings Limited Restricted Share Scheme (the "**Existing Scheme**"), which was initially approved by Shareholders on 4 January 2008 (and adopted by the Board on 14 February 2008) with a ten-year term. During 2016, the Board's remuneration committee undertook a review of the design, structure and rules of the Existing Scheme in light of business strategy, investor views and market practice.

The Board's remuneration committee recommends that the current long-term incentive arrangements as set out in the Existing Scheme are largely maintained as they continue to be a highly effective means of driving both performance and behaviours consistent with the Company's strategic goals. Resolution 14 proposes what would be in effect a renewal of the Existing Scheme on similar terms. A summary of the terms of the proposed new scheme (the "**2017 Scheme**") is attached as Appendix 1. The key terms of the 2017 Scheme are similar to those of the Existing Scheme; however changes have been made, principally to align the 2017 Scheme rules with the Remuneration Policy adopted in 2014 (and subject to approval for 2017 at the AGM pursuant to Resolution 2) and the restrictions that have since been applied to that Policy, as well as certain technical updates to reflect evolving market and best practice.

Subject to Shareholder approval for the 2017 Scheme, it would be used for future incentive arrangements for Executive Directors and other members of staff as from the date of the AGM, and the Existing Scheme would be closed to further awards.

A copy of the draft rules of the 2017 Scheme will be available for inspection at the offices of New Bridge Street (an Aon Hewitt Ltd company) at 10 Devonshire Square, London EC2M 4YP during normal business hours on any weekday (English public holidays excepted) until the close of the AGM and at the place of the AGM for at least 15 minutes prior to and during the AGM.

## 5. Renewal of general and unconditional authority to allot shares (Resolution 15)

Pursuant to Bye-law 2.4 of the Company's Bye-laws, the Board is seeking Shareholders' approval to renew the general and unconditional authority granted to the Directors to allot Relevant Securities (as defined in Bye-law 2.4(b)) up to an aggregate nominal value of US\$33,556,986, an amount equal to approximately one-third of the issued share capital of the Company as at the date of this document. The Directors of the Company have no present intention of issuing any Relevant Securities pursuant to this authority, but believe it to be in the best interests of the Company for the Board to be granted this authority to take advantage of appropriate opportunities.

The authority granted by this resolution will be exercised only if the Directors of the Company believe that to do so would be in the best interests of the Company. Unless otherwise renewed or revoked by the Shareholders in general meeting, this authority will expire at the conclusion of the annual general meeting of the Company in 2018 or, if earlier, 15 months from the date the relevant resolution is passed.

## 6. Renewal of authority to allot shares for cash on a non pre-emptive basis (Resolutions 16, 17 and 18)

Pursuant to Bye-law 2.6 of the Company's Bye-laws, the Board is seeking Shareholders' authorisation for the Directors of the Company to allot Equity Securities (as defined in Bye-law 2.5(g)) up to an aggregate nominal value of US\$15,100,644 on a non pre-emptive basis, such amount being approximately 15 per cent of the Company's issued share capital as at the date of this document. The Bye-laws of the Company require that, unless Shareholders resolve otherwise, any Equity Securities allotted for cash must be offered to existing holders of Relevant Shares or Relevant Employee Shares (each as defined in Bye-law 2.5(g)) pro rata to their existing shareholdings. The Bye-laws permit this requirement to be disapplied and the

purpose of these resolutions is to authorise the Board to allot Equity Securities as if such provisions did not apply in certain circumstances, when the Board considers that to do so would be in the best interests of the Company.

The Board acknowledges that the total amount of the pre-emption disapplication for which authority is requested is above the levels that are considered routine by UK investors and investor groups. In seeking this authorisation, the Board's resolve has been strengthened over a number of years through its extensive engagement with Shareholders, to whom we have explained the need to maintain competitiveness and flexibility in the face of changing market circumstances.

In the last few years similar resolutions have been overwhelmingly supported by Shareholders: at the annual general meeting held on 1 May 2013 a Special Resolution requesting authority at the 15 per cent level was approved by 96.46 per cent of the votes cast, and at the annual general meeting held on 30 April 2014 a similar resolution was approved by 95.34 per cent of the votes cast. At the annual general meetings held on 29 April 2015 and 4 May 2016 similar resolutions were approved by 95.97 per cent and 96.09 per cent, respectively, of the votes cast.

The strategic business case is described in more detail below. In the Board's view it wholly justifies the larger pre-emption disapplication, in line with principles supported by UK investor groups, allowing for an appropriate level of flexibility in circumstances where an issuance of equity securities on a non pre-emptive basis would be in the interests of a company and its owners.

The Company has given close consideration to the Statement of Principles that was published by the UK Pre-Emption Group in 2015. While the Statement of Principles is not tailored to the specific requirements of catastrophe (re)insurers such as the Company, the Company recognises the importance of providing Shareholders with a clear explanation of the basis and context for a proposed disapplication of pre-emption rights by the Company. Accordingly, the Board urges Shareholders to support the following three separate resolutions and has set out below some of the general considerations that are likely to be relevant to Shareholders' voting decisions in response to the Company's request for a disapplication of pre-emption rights as follows:

- The first resolution (Resolution 16) requests a five per cent disapplication authority to be used on an unrestricted basis;
- The second resolution (Resolution 17) requests an additional five per cent disapplication authority to be used to raise capital in the circumstances described below or for the purposes of an acquisition or capital investment approved by the Board; and
- The third resolution (Resolution 18) requests an additional five per cent disapplication authority to be used to raise capital in the circumstances described below.

As a Company, we seek to be nimble in our capital management strategy, returning our Shareholders' capital to them when we do not need it for underwriting purposes. The Board believes strongly that the converse of this strategy is that the Company should have the flexibility to raise capital quickly if the need ever arises, particularly with the influx of third party capital to the sector, in structures that allow it to be put to use at very short notice. At current share prices (calculated during the period immediately prior to the printing of this document), the proposed total 15 per cent authority would enable the Company to raise up to approximately US\$256 million. The Company does not expect to utilize this full authority (in particular that conferred by Resolutions 17 and 18) as a response to normal loss events. Rather, this authority will be utilized to respond to a significant 'market moving' loss event, for example, an industry loss in excess of Hurricane Katrina. The request for the total 15 per cent authority at the current share price (calculated during the period immediately prior to the printing of this document) would largely enable the Company to replenish the capital exposed under its maximum one in one hundred peak loss exposure for a Gulf of Mexico – U.S. Hurricane loss, which averaged US\$258.9 million for the last five financial year ends.

The Company operates in a market that rewards the fastest to react; those who can play a role in benchmarking an adjusted pricing regime, as well as meeting brokers' needs for immediate capacity. In this way, first movers make the new market. The Board is recommending that, as in previous years, Shareholders vote for this first mover advantage. Your support for Resolutions 16, 17 and 18 will help give the Company greater competitive parity with its insurance company peers, particularly those of its listed competitors operating in the Bermuda and U.S. markets, as well as providers of and vehicles for third-party capital.

However, the Board has no current intention to use this authority. If as a result of a major market loss current capital levels are reduced, the Board considers that it is important to provide the Company with immediate access to a full range of financing options both from a risk management perspective and to reinforce the Company's strategy of managing capital actively and prudently. With regard to Resolution 17 specifically, the Company also may use the authority to issue up to five per cent (in addition to the five per cent sought under Resolution 16) of the Company's shares on a non pre-emptive basis for the purposes of funding an acquisition or capital investment, if considered appropriate to develop the strategy of the Company and approved by the Board. It should be noted that at present the Company does not have plans for an acquisition or capital investment in the near future.

Were the Board to exercise any of these authorities, it intends to continue its consultation and dialogue with Shareholders and make disclosures in the announcement regarding the share issue and in the subsequent Annual Report and Accounts, each as contemplated in the Statement of Principles that was published by the UK Pre-Emption Group in 2015.

The Company's active capital management strategy continues to be demonstrated by the special dividend declared in November 2016 for the 2016 year of US\$0.75 per Common Share.

Unless otherwise renewed or revoked by the Shareholders in general meeting, these authorities will expire at the conclusion of the annual general meeting of the Company in 2018 or, if earlier, 15 months from the date the relevant resolutions are passed.

#### **7. Resolution to authorise the Company to purchase its own shares (Resolution 19)**

The Board is seeking Shareholders' approval to renew the authority granted to the Company by the Shareholders at the annual general meeting held on 4 May 2016. Pursuant to such authority, the Company is generally and unconditionally authorised to make one or more market purchases of the issued Common Shares of the Company up to an aggregate nominal value of US\$10,067,096, an amount equal to approximately ten per cent of the issued share capital of the Company as at the date of this document, at a price of not less than the nominal value of the Common Shares (exclusive of expenses payable by the Company).

The maximum price per Common Share (exclusive of expenses payable by the Company) that may be paid under the authority shall not exceed the higher of: (i) five per cent above the average of the closing middle market quotations of the Company's Common Shares derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made; and (ii) an amount equal to the higher of the price of the last independent trade and the highest current independent bid for the Common Shares on the London Stock Exchange at the time of purchase. Purchases may otherwise be made in such manner and on such terms as the Board or any authorised committee may from time to time determine. Purchases would only be made if the effect would be expected to improve earnings per share and the Board considers that it would be in the best interests of the Company to do so. Pursuant to the Bye-laws of the Company, no purchase can be made if the Board determines that it would result in a non-de minimis adverse tax, legal or regulatory consequence to the Company, any of its subsidiaries or any holder of shares or its affiliates.

The Company cannot by law (in respect of the par value of the shares to be purchased) purchase its own shares except out of:

- (a) the capital paid up thereon; or
- (b) the funds of the Company which would otherwise be available for dividend payment or distribution; or
- (c) the proceeds of a fresh issue of shares made for the purpose of the repurchase, and

the premium if any payable on the repurchase is provided out of the funds of the Company which would otherwise be available for dividend payment or distribution or out of the Company's share premium account before the repurchase date.

Unless otherwise renewed or revoked by the Shareholders in general meeting, this authority will expire on the conclusion of the annual general meeting of the Company in 2018 or, if earlier, 15 months from the date the relevant resolution is passed.

This resolution complies with the current guidance issued by The Investment Association and the Board will have regard to any guidance issued by The Investment Association that may be published at the time of any such purchase of issued Common Shares of the Company.

Any shares repurchased by the Company will be cancelled or held as treasury shares.

#### **Voting**

**A Form of Proxy for use by Shareholders at the AGM is enclosed with this document. Whether or not you propose to attend the AGM, you are urged to complete and sign the Form of Proxy in accordance with the instructions printed thereon and to return it to the Company's Registrars, Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, as soon as possible and in any event so as to be received no later than 2.00pm UK time on 1 May 2017 (being 48 hours before the time appointed for the holding of the AGM). The return of a completed Form of Proxy or the submission by CREST members of an electronic proxy appointment will not preclude you from attending the AGM and voting in person, should you so wish.**

**Holders of Depository Interests in the Company wishing to instruct Capita IRG Trustees Limited, the Depository, to vote in respect of the holder's interest should use the enclosed Form of Direction. The completed Form of Direction must be received by Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, as soon as possible and in any event so as to be received no later than 2.00pm UK time on 30 April 2017 (being 72 hours before the time appointed for the holding of the AGM).**

#### **Record Date**

Only Shareholders entered on the register of members of the Company at the close of business on 31 March 2017 shall be entitled to attend and vote at the AGM in respect of the number of Common Shares registered in their name at that time. Changes to entries on the register of members after the close of business on 31 March 2017 shall be disregarded in determining the rights of any person to attend or vote at the meeting. The length of time between the record date and the AGM is necessary to allow sufficient time to complete the voting cut-back calculations as required by Bye-laws 40 and 41 (inclusive) of the Bye-laws of the Company.

#### **Recommendation**

The Directors believe that the resolutions to be proposed at the AGM and set out in the notice convening the AGM are in the best interests of the Company and its Shareholders as a whole, for the reasons stated. Accordingly, the Board recommends Shareholders to vote in favour of all resolutions to be proposed at the AGM. Each Director who holds Common Shares in the Company intends to vote in favour of all the resolutions in respect of his or her own shareholding.

Yours faithfully,

**Peter Clarke**  
*Chairman*

# Lancashire Holdings Limited

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 2017 Annual General Meeting of the Company will be held at 29th Floor, 20 Fenchurch Street, London EC3M 3BY on 3 May 2017 commencing at 2.00pm UK time, for the purpose of considering and, if thought fit, passing the following resolutions.

Resolutions 1-15 (inclusive) will be considered and, if thought fit, passed as ordinary resolutions. Resolutions 16-19 will be considered and, if thought fit, passed as Special Resolutions (as defined in the Bye-laws).

### ORDINARY RESOLUTIONS

1. To receive the Company's audited consolidated financial statements for the year ended 31 December 2016.
2. To approve the Directors' Remuneration Policy as set out in the first part of the Directors' Remuneration Report for the year ended 31 December 2016.
3. To approve the Annual Report on Remuneration as set out in the second part of the Directors' Remuneration Report for the year ended 31 December 2016.
4. To appoint KPMG LLP of 15 Canada Square, London E14 5GL, England as auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next annual general meeting at which the Company's financial statements are presented.
5. To authorise the Board of Directors, who may delegate this authority to the Board's audit committee, to set the auditors' remuneration.
6. To elect Michael Dawson as a Director of the Company, to hold office until the next annual general meeting or until his successor is elected or appointed or his office is otherwise vacated.
7. To elect Robert Lusardi as a Director of the Company, to hold office until the next annual general meeting or until his successor is elected or appointed or his office is otherwise vacated.
8. To re-elect Peter Clarke as a Director of the Company, to hold office until the next annual general meeting or until his successor is elected or appointed or his office is otherwise vacated.
9. To re-elect Simon Fraser as a Director of the Company, to hold office until the next annual general meeting or until his successor is elected or appointed or his office is otherwise vacated.
10. To re-elect Samantha Hoe-Richardson as a Director of the Company, to hold office until the next annual general meeting or until her successor is elected or appointed or her office is otherwise vacated.
11. To re-elect Alex Maloney as a Director of the Company, to hold office until the next annual general meeting or until his successor is elected or appointed or his office is otherwise vacated.
12. To re-elect Tom Milligan as a Director of the Company, to hold office until the next annual general meeting or until his successor is elected or appointed or his office is otherwise vacated.
13. To re-elect Elaine Whelan as a Director of the Company, to hold office until the next annual general meeting or until her successor is elected or appointed or her office is otherwise vacated.
14. To approve and adopt the Lancashire Holdings Limited 2017 Restricted Share Scheme (the "**2017 Scheme**") and to authorise the Board to (a) make such modifications to the 2017 Scheme as they may consider appropriate to take account of the requirements of best practice and for the implementation of the 2017 Scheme and to adopt the 2017 Scheme as so modified and to do all such other acts and things as they may consider appropriate to implement the 2017 Scheme; and (b) establish further schemes based on the 2017 Scheme but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any Common Shares made available under such further schemes are treated as counting against the limits on individual or overall participation in the 2017 Scheme.
15. To grant the Directors of the Company a general and unconditional authority, pursuant to Bye-law 2.4 of the Company's Bye-laws, to allot Relevant Securities (within the meaning of that Bye-law), up to an aggregate nominal value of US\$33,556,986, an amount equal to approximately one-third of the issued share capital of the Company as at the date of this document, provided that: (i) unless otherwise renewed or revoked in general meeting, this authority will expire at the conclusion of the annual general meeting of the Company in 2018 or, if earlier, 15 months from the date the relevant resolution is passed; (ii) the Company shall be entitled to make, before expiry of such authority, any offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the Directors may allot such Relevant Securities in pursuance of such offer or agreement as if such authority had not expired; and (iii) such authority shall be in substitution for any and all authorities previously conferred upon the Directors for the purposes of Bye-law 2.4 but without prejudice to the allotment of any Relevant Securities already made or to be made pursuant to such authorities.

### SPECIAL RESOLUTIONS

16. That, subject to and conditional on the passing of Resolution 15, the Directors of the Company be authorised, in accordance with Bye-law 2.6 of the Company's Bye-laws, to allot Equity Securities (within the meaning of Bye-law 2.5(g)) for cash pursuant to the authority conferred by Resolution 15 as if Bye-law 2.5(a) of the Company's Bye-laws did not apply to such authority up to an aggregate nominal value of US\$5,033,548, such amount being approximately five per cent of the Company's issued share capital as at the date of this document, provided that, unless otherwise renewed or revoked by the Shareholders in general meeting, this authority will expire at the conclusion of the annual general meeting of the Company in 2018 or, if earlier, 15 months from the date the relevant resolution is passed and provided that the Company may before such expiry make any offer or agreement which would or might require Common Shares to be allotted after such expiry and the Directors may allot such Common Shares in pursuance of such offer or agreement as if Bye-law 2.5(a) did not apply.
17. That, subject to and conditional on the passing of Resolutions 15 and 16, the Directors of the Company be authorised in addition to any authority granted under Resolution 16, in accordance with Bye-law 2.6 of the Company's Bye-laws, to allot Equity Securities (within the meaning of Bye-law 2.5(g)) for cash pursuant to the authority conferred by Resolution

**Lancashire Holdings Limited**  
**Notice of Annual General Meeting continued**

15 as if Bye-law 2.5(a) of the Company's Bye-laws did not apply to such authority up to an aggregate nominal value of US\$5,033,548, such amount being approximately a further five per cent of the Company's issued share capital as at the date of this document; provided that such authority will only be used for the purposes of raising capital in response to a significant 'market moving' loss event or financing a transaction that the Board of Directors of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on disapplying pre-emption rights most recently published by the Pre-Emption Group prior to the date of this notice; and provided further that, unless otherwise renewed or revoked by the Shareholders in general meeting, this authority will expire at the conclusion of the annual general meeting of the Company in 2018 or, if earlier, 15 months from the date the relevant resolution is passed and provided that the Company may before such expiry make any offer or agreement which would or might require Common Shares to be allotted after such expiry and the Directors may allot such Common Shares in pursuance of such offer or agreement as if Bye-law 2.5(a) did not apply.

18. That, subject to and conditional on the passing of Resolutions 15, 16 and 17, the Directors of the Company be authorised in addition to any authorities granted under Resolutions 16 and 17, in accordance with Bye-law 2.6 of the Company's Bye-laws, to allot Equity Securities (within the meaning of Bye-law 2.5(g)) for cash pursuant to the authority conferred by Resolution 15 as if Bye-law 2.5(a) of the Company's Bye-laws did not apply to such authority up to an aggregate nominal value of US\$5,033,548, such amount being approximately a further five per cent of the Company's issued share capital as at the date of this document; provided that such authority will only be used for the purposes of raising capital in response to a significant 'market moving' loss event; and provided further that, unless otherwise renewed or revoked by the Shareholders in general meeting, this authority will expire at the conclusion of the annual general meeting of the Company in 2018 or, if earlier, 15 months from the date the relevant resolution is passed and provided that the Company may before such expiry make any offer or agreement which would or might require Common Shares to be allotted after such expiry and the Directors may allot such Common Shares in pursuance of such offer or agreement as if Bye-law 2.5(a) did not apply.
19. That the Company be generally and unconditionally authorised, in accordance with Bye-law 3 of the Company's Bye-laws and pursuant to section 42A of the Companies Act of Bermuda, to make one or more market purchases of any of its common shares of US\$0.50 each ("**Common Shares**") in such manner and on such terms as the Directors of the Company or any authorised committee thereof may from time to time determine provided that:
- (a) the maximum number of Common Shares hereby authorised to be purchased shall be 20,134,191 (representing approximately ten per cent of the issued Common Share capital of the Company as at the date of this document);
  - (b) the minimum price (exclusive of expenses payable by the Company) which may be paid for a Common Share shall be US\$0.50;
  - (c) the maximum price (exclusive of expenses payable by the Company) which may be paid for a Common Share shall be the higher of:
    - i five per cent above the average of the closing middle market quotations for a Common Share of the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Common Share is contracted to be purchased; and
    - ii the higher of the price of the last independent trade and the highest current independent bid for the Common Shares on the London Stock Exchange at the time of purchase as stipulated by Article 3(1) of the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 implementing the Market Abuse Regulation (EU) No 596/2014 of 16 April 2014 as regards exemptions for buy-back programmes and stabilisation of financial instruments;
  - (d) unless otherwise renewed or revoked by the Shareholders in a general meeting this authority will expire on the conclusion of the annual general meeting of the Company in 2018 or, if earlier, 15 months from the date the relevant resolution is passed; and
  - (e) the Company shall be entitled under such authority to make at any time before its expiry or termination any contract to purchase its own shares which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Common Shares in pursuance of any such contract.

**By order of the Board**  
**Christopher Head**  
*Company Secretary*

13 March 2017

Head Office:  
29th Floor  
20 Fenchurch Street  
London EC3M 3BY  
United Kingdom

Registered Office:  
Power House  
7 Par-la-Ville Road  
Hamilton HM 11  
Bermuda

Registration number:  
EC37415

**Notes:**

- (i) Only those Shareholders entered on the register of members of the Company at the close of business on 31 March 2017 shall be entitled to attend and vote at the meeting in respect of the number of Common Shares registered in their name at that time. Changes to entries on the register of members after the close of business on 31 March 2017 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (ii) A Shareholder entitled to attend and vote at the meeting convened by this notice or any adjournment thereof is entitled to appoint one or more proxies to attend, speak and vote instead of him. A proxy need not be a member of the Company.
- (iii) To be valid, the enclosed Form of Proxy must be lodged with Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not later than 48 hours before the time appointed for the meeting or any adjournment thereof, together, if appropriate, with the power of attorney or other written authority, if any, under which it is signed (or a duly certified copy of such power) or, where the Form of Proxy has been signed by an officer on behalf of a corporation, a duly certified copy of an authority under which it is signed. Completion and return of a Form of Proxy (or submission of proxy instructions electronically) will not preclude a Shareholder from attending the meeting and voting in person.
- (iv) CREST members who wish to vote using the CREST electronic proxy voting service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Capita Asset Services (CREST Participant ID: **RA10**), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- (v) Any holders of Depository Interests in the Company who do not lodge their voting instructions via the CREST Electronic Proxy Appointment Service may submit the enclosed Form of Direction together with the power of attorney or other authority (if any) under which it is signed, or a notarially or otherwise certified copy of such power or authority, to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not later than 72 hours before the time appointed for the holding of the Annual General Meeting.
- (vi) As at 2 March 2017, being the latest practicable business day prior to the publication of this notice, the Company's issued share capital consisted of 201,341,918 Common Shares of \$0.50 each of which 1,415,058 Common Shares were held in treasury. Therefore, total exercisable voting rights in the Company as at 2 March 2017 was 199,926,860.
- (vii) Copies of the letters of appointment of the Non-Executive Directors are available for inspection during normal business hours at the Company's registered office, Power House, 7 Par-la-Ville Road, Hamilton HM11, Bermuda and at Lancashire's head office, 29th Floor, 20 Fenchurch Street, London EC3M 3BY and at the place of the AGM for 15 minutes prior to the meeting and during the meeting.

# Appendix 1

## Summary Terms of the Lancashire Holdings Limited 2017 Restricted Share Scheme

### General

The Lancashire Holdings Limited 2017 Restricted Share Scheme (the “**2017 Scheme**”) is a proposed new long term incentive scheme under which awards to acquire the Company’s Common Shares may be granted to participants subject to certain time and, normally, performance conditions (“**Awards**”).

The 2017 Scheme will be administered by the Board’s remuneration committee or such other committee or person as may be appointed by the Board (the “**Committee**”). In respect of participants other than executive officers and senior management, subject to such restrictions or terms as set by the Committee, decisions on: (i) who should participate in the 2017 Scheme; (ii) the quantum of their Awards (within any overall limit set by the Board’s remuneration committee); (iii) what, if any, performance conditions should apply to their Awards; and (iv) the administration of the Awards after grant (for example, the application of the early leaver provisions summarised below) shall be at the discretion of the Company’s Chief Executive Officer and references to the “Committee” in this summary shall be interpreted accordingly in relation to such participants.

The terms of participation in respect of Awards to Executive Directors of the Company shall be in line with the applicable Shareholder approved Directors’ Remuneration Policy from time to time.

Resolution 2 seeks Shareholder approval for a revised Directors’ Remuneration Policy, the full details of which are described on pages 63 to 68 of the 2016 Annual Report and Accounts.

### Eligibility

The employees and Executive Directors of the Company and its subsidiaries will be eligible to participate in the 2017 Scheme at the discretion of the Committee.

### Grant of Awards

The Committee may grant Awards at such times as it considers appropriate.

The Committee may grant Awards as conditional Common Shares or as a nil (or nominal) cost option with a short exercise period. The Committee may also decide to grant cash-based Awards of an equivalent value to share-based Awards or to satisfy Awards in cash, although it does not currently intend to do so.

An Award may not be granted more than 10 years after Shareholder approval of the 2017 Scheme.

No payment is required for the grant of an Award. Awards are not transferable, except on death. Awards are not pensionable.

### Individual Limit under the 2017 Scheme

If an Award is subject to a performance condition, the recipient of the Award may not receive such awards in any financial year over Common Shares having a market value in excess of 350 per cent of their annual base salary in that financial year.

If an Award is not subject to a performance condition, the recipient of the Award may not receive such awards in any financial year over Common Shares having a market value in excess of such percentage of their annual base salary in that financial year as the Committee may, in its discretion, determine.

Market value for the purposes of the above limit shall be based on the market value of Common Shares on the dealing day immediately preceding the grant of the Award or such alternative basis as the Committee considers appropriate.

### Vesting and Performance Conditions

Awards may vest over such period, and in such instalments (if any), as the Committee shall specify at the time of grant.

The vesting of the Awards may be subject to the attainment of one or more performance conditions and, where this is to be the case, such performance conditions will be set by the Committee at the time of grant.

As noted above, the terms of participation in respect of Awards to Executive Directors of the Company shall be in line with the applicable Shareholder approved Directors’ Remuneration Policy from time to time.

The Committee may vary the performance conditions applying to existing Awards if an event has occurred which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

### Voting Rights and Dividend Rights

Awards of conditional Common Shares and options will not confer any Shareholder rights until the Awards have vested or the options have been exercised and the participants have received their Common Shares.

The Committee may, and currently intends to, decide that participants will receive a payment (in cash and/or Common Shares) in connection with the release of shares under their Awards of an amount equivalent to the dividends that would have been paid on those Common Shares between the time when the Awards were granted and the time when they vest or are exercised as relevant. Alternatively, participants may have their Awards increased as if dividends had been paid on the Common Shares subject to their Awards and then reinvested in further Common Shares.

### **Holding Period**

The terms of the 2017 Scheme provide that a holding period shall apply (i) in relation to Awards granted to Executive Directors of the Company except for any such Awards relating to deferral of bonus and (ii) to such other individuals in respect of such of their Awards as the Committee specifies on or before the grant of such Awards.

Where the holding period terms apply, the relevant participants will ordinarily be required to retain any vested Common Shares (on an after-tax basis) acquired under the 2017 Scheme (or, where relevant, the full number of the vested Common Shares whilst held under an unexercised but vested Award) until at least the secondary anniversary of the vesting of the relevant Award.

Exceptionally, the Committee may, in its discretion, allow such participants to sell, transfer, assign or dispose of some or all of these Common Shares before the end of the holding period, subject to such additional terms and conditions that the Committee may specify.

### **Termination of Employment**

As a general rule, an Award will lapse upon a participant ceasing to hold employment or be a director within the Company's group. However, if a participant ceases to be an employee or a director because of death, injury, disability, retirement, his or her employing company or the business for which he or she works being sold out of the Company's group or in other circumstances at the discretion of the Committee, then his or her Award will normally vest on the date or dates when it would have vested if he or she had not ceased such employment or office, subject to: (i) the performance conditions, if any, measured at that/those time(s); and (ii) pro-rating by reference to the time of cessation, although the Committee can decide not to pro-rate an Award (or pro-rate to a lesser extent) if it regards it as appropriate to do so in the particular circumstances.

Alternatively, if a participant ceases to be an employee or director in the Company's group for one of the "good leaver" reasons specified above, the Committee can decide that his or her Award will vest when he or she leaves. The extent to which an Award will vest in these situations will depend upon two factors: (i) the extent to which the performance conditions, if any, have been satisfied by reference to the date of cessation or, if the Committee so determines, the extent to which, in the opinion of the Committee, the performance conditions would have been met had the performance period(s) run its/their full course; and (ii) the pro-rating of the Award to reflect the reduced period of time between its grant and vesting, although the Committee can decide not to pro-rate an Award (or pro-rate to a lesser extent) if it regards it as appropriate to do so in the particular circumstances.

### **Change of Control**

Notwithstanding any provision of the 2017 Scheme to the contrary, if there should be a change in control (which will occur if the Company becomes aware that any person has the power to secure, by holding the Company's Common Shares or through the possession of voting rights, that the affairs of the Company are managed in accordance with the wishes of such person), not being an internal corporate reorganisation or a winding up of the Company, all Awards will vest early subject to: (i) the extent that the performance conditions, if any, have been satisfied at that time; and (ii) the pro-rating of the Awards to reflect the reduced period of time between their grant and vesting, although the Committee can decide not to pro-rate an Award (or pro-rate to a lesser extent) if it regards it as appropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation pursuant to which a new holding company is inserted above the Company, Awards will be replaced by equivalent new Awards over shares in that new holding company unless the Committee decides that Awards should vest on the basis which would apply in the case of a change of control as described above.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of Common Shares to a material extent, then the Committee may decide that Awards will vest on the basis which would apply in the case of a change of control as described above.

### **Adjustments in Event of Change of Share Capital**

In the event of changes to the Company's share capital by reason of any dividend, recapitalisation, reorganisation, merger, amalgamation, consolidation, split-up, combination or exchange of shares, the number and type of shares that may be awarded under the 2017 Scheme and which are subject to outstanding Awards, and the exercise price payable (if any) in relation to outstanding Awards, may be adjusted in such manner as the Committee deems equitable to prevent substantial dilution or enlargement of the rights granted to or available for participants.

### **Rights Attaching to Common Shares**

Any Common Shares allotted when an Award vests or is exercised will rank equally with Common Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

### **Overall Limits under the 2017 Scheme**

The 2017 Scheme may operate over new issue Common Shares, treasury Common Shares or Common Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than ten per cent of the issued share capital of the Company under the 2017 Scheme and any other employee share scheme adopted by the Company.

In addition, and in conformity with current stock market views typically held by bodies representing institutional investors, treasury Common Shares used to satisfy awards made under the 2017 Scheme will also count towards this limit, for so long as those views continue to be held.

## Appendix 1

### Summary Terms of the Lancashire Holdings Limited 2017 Restricted Share Scheme continued

#### **Clawback**

The Committee may apply the 2017 Scheme's clawback provisions if, within three years of the vesting of an Award (or within three years of the grant of an Award relating to deferral of bonus as relevant), it is discovered that there has been a material misstatement of the Company's financial results, an error of calculation (including on account of inaccurate or misleading information) or in the event of serious misconduct.

Such clawback powers may be satisfied by way of a reduction in the amount of any future bonus, subsisting award or future share awards under any incentive plan and/or a requirement to make a cash payment.

#### **Amendment of the 2017 Scheme**

The 2017 Scheme may be amended at any time, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Common Shares or the transfer of treasury Common Shares, the basis for determining a participant's entitlement to, and the terms of, the Common Shares or cash to be acquired and the adjustment of Awards.

However, no Shareholder approval is necessary for minor amendments or additions to benefit the administration of the 2017 Scheme, to take into account any changes in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the participants or for any company in the Company's group.