

**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. The whole text of this document should be read.**

If you have sold or transferred all of your common shares in the capital of Lancashire Holdings Limited ("Common Shares"), please forward this document together with the accompanying Form of Proxy and Form of Direction 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.

Notice of a Special General Meeting of Lancashire Holdings Limited to be held at Mintflower Place, 8 Par-la-Ville Road, Hamilton, Bermuda on 16 December 2009 at 11 am (Bermuda time) is set out on page 5 of this document. Holders of Common Shares ("Shareholders") will find enclosed a Form of Proxy for use at the Special 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 ("Capita") to vote in respect of their interest. To be valid, the enclosed Form of Proxy must be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU, not later than 48 hours before the time appointed for the holding of the Special 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 Special General Meeting.

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## **LANCASHIRE HOLDINGS LIMITED**

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

### **Notice of Special General Meeting**

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**Your attention is also drawn to the letter from the Chairman of Lancashire Holdings Limited which is set out on pages 2 to 4 of this document recommending that you vote in favour of the resolution to be proposed at the Special General Meeting.**

**LETTER FROM THE CHAIRMAN  
LANCASHIRE HOLDINGS LIMITED  
(the "Company")**

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

*Directors:*

**John Bishop**, *Non-Executive Director*  
**Richard Brindle**, *Chief Executive Officer*  
**Simon Burton**, *Deputy Chief Executive Officer*  
**Jens Juul**, *Non-Executive Director*  
**Neil McConachie**, *President and Chief Financial Officer*  
**Ralf Oelssner**, *Senior Independent Director*  
**Robert Spass**, *Non-Executive Director*  
**William Spiegel**, *Non-Executive Director*  
**Martin Thomas**, *Non-Executive Chairman*  
**Barry Volpert**, *Non-Executive Director*

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

**23 November 2009**

**To Shareholders and for information only to holders of depository interests:**

Dear Shareholder,

**Special General Meeting**

I am writing to give you details of the business proposed to be considered at the Company's forthcoming Special General Meeting to be held at Mintflower Place, 8 Par-la-Ville Road, Hamilton, Bermuda on 16 December 2009 at 11 am (Bermuda time). The notice convening the SGM is set out towards the end of this letter.

**Background to the Business to be considered**

At the Board Meeting held on 4 November 2009, the Board of Directors (the "Board") approved a new share repurchase program, as more fully described below, for the repurchase of Common Shares in the Company up to a total value of US\$150,000,000, to expire 12 months after its approval at the SGM unless such approval is renewed at the next annual general meeting of the Company in 2010. It is anticipated that the Company's previous share repurchase program will be completed shortly.

As a Bermudian-registered company, the Company is not required to seek Shareholder approval for the repurchase of its own shares under applicable Bermudian company law and the Company's Bye-laws. However, it is sought as best practice and in compliance with the guidelines issued by the Association of British Insurers ("ABI"), which provides, *inter alia*, that market purchases should be approved by a special resolution, that an authority to purchase up to 10% of the issued ordinary share capital should not usually cause concern to the ABI and that such authority should be renewed each year.

**Proposed Business – Resolution to authorise the Company to purchase its own shares**

The Board is seeking Shareholders' approval to authorise the Company generally and unconditionally to make one or more market purchases of the issued Common Shares of the Company up to a maximum number of 18,250,306 Common Shares, an amount equal to approximately 10% of the issued Common 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) 5% 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 5 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 and instruct management. 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, 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
- (d) 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 a general meeting this authority will expire 12 months after its approval at the SGM unless such approval is renewed at the next annual general meeting of the Company in 2010.

#### **Voting**

**Shareholders will find enclosed with this document a Form of Proxy for use in connection with the Special General Meeting. You are requested to complete the Form of Proxy in accordance with the instructions printed thereon and to return it to Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU, not later than 48 hours before the time appointed for the holding of the Special General Meeting. The return of a completed Form of Proxy will not preclude you from attending the Special General Meeting and voting in person, should you so wish.**

**Holders of depository interests in the Company wishing to instruct Capita 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 Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU, not later than 72 hours before the time appointed for the holding of the Special General Meeting.**

#### **Record Date**

Only Shareholders entered on the register of members of the Company at 5.00pm (Bermuda time) on 20 November 2009 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 5.00pm (Bermuda time) on 20 November 2009 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 Special General Meeting is necessary to allow sufficient time to complete the voting cut-back calculations related to US 9.5% Shareholders as required by Bye-laws 40 and 41 of the Company's Bye-laws.

#### **Recommendation**

The directors believe that the resolution set out in the Special General Meeting notice is in the best interests of the Company and its Shareholders as a whole and recommend that you vote in favour of the resolution.

Each director who holds Common Shares in the Company intends to vote in favour of the resolution in respect of his own shareholdings.

Yours faithfully,

**Martin Thomas**  
*Chairman*

**LANCASHIRE HOLDINGS LIMITED**  
**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a Special General Meeting of the Company will be held at Mintflower Place, 8 Par-la-Ville Road, Hamilton, Bermuda on 16 December 2009 at 11 am (Bermuda time), for the purpose of considering and, if thought fit, passing the following resolution:

**To consider, and if thought fit, pass the following resolution as a Special Resolution (as defined in the Company's Bye-laws):**

1. 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 purchases of Common Shares in such manner and on such terms as the Directors or any authorised committee may from time to time determine provided that:
  - (a) the maximum number of Common Shares hereby authorised to be purchased shall be 18,250,306 (representing approximately 10% of the issued Common Share capital of the Company as at the date of this Notice);
  - (b) the minimum price (exclusive of expenses payable by the Company) which may be paid for a Common Share shall be US\$0.10;
  - (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 5% 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 5 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 5(1) of the Commission Regulation (EC) No.2273/2003 of 22 December 2003 implementing the Market Abuse Directive (Directive 2003/6/EC of the European Parliament and of the Council) as regards exemptions for buy-back programmes and stabilisation of financial instruments;
  - (d) the authority hereby conferred shall, unless previously varied, revoked or renewed, expire 12 months after the passing of this resolution unless such approval is renewed at the next annual general meeting of the Company in 2010; 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**

**Greg Lunn**  
*Company Secretary*

23 November 2009

Registered Office:  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

Registration number:  
EC37415

**Notes:**

- (i) 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 and to vote instead of him. A proxy need not be a member of the Company.
- (ii) To be valid, the enclosed Form of Proxy must be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU, not later than 48 hours before the time appointed for the holding of the Special General Meeting.
- (iii) Any holders of depository interests in the Company wishing to instruct Capita 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 Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU, not later than 72 hours before the time appointed for the holding of the Special General Meeting.
- (iv) Only those Shareholders entered on the register of members of the Company at 5.00pm (Bermuda time) on 20 November 2009 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 5.00pm (Bermuda time) on 20 November 2009 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

**LANCASHIRE HOLDINGS LIMITED**  
**("the Company")**

**FORM OF PROXY**

For use by Shareholders at the Special General Meeting of the Company to be held at Mintflower Place, 8 Par-la-Ville Road, Bermuda on 16 December 2009 at 11 am (Bermuda time).

I/We [name in full] \_\_\_\_\_

Of \_\_\_\_\_  
 being (a) member(s) of the above-named Company, as referred to in the notice dated 23 November 2009 (the "Notice") from the Company to its Shareholders HEREBY APPOINT the duly appointed Chairman of the Special General Meeting or

\_\_\_\_\_ as my/our proxy to vote for me/us on my/our behalf at the Special General Meeting and at any adjournment thereof, as indicated below.

I/We direct my/our proxy to vote on the resolution set out in the Notice as follows:

RESOLUTION	FOR	AGAINST	VOTE WITHHELD
1 – To authorise the Company to purchase its own shares			

Signature: .....

Dated: ..... 2009

**NOTES :**

1. Please indicate how you wish to vote by marking an X opposite to the resolution. A vote withheld is not a vote in law and if you abstain on a resolution your vote will not be counted in the calculation of the proportion of the votes for and against that resolution.
2. A proxy need not be a member of the Company.
3. If this form is signed and returned without any indication as to how the proxy shall vote, he will exercise his discretion both as to how he votes and as to whether or not he abstains from voting.
4. In the case of joint holders of Common Shares, the vote of the senior who tenders a vote whether in person or by proxy or by representative, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the share register of the Company.
5. A corporation's form of proxy shall be executed pursuant to a resolution of its directors or any other managing body thereof.
6. If you wish to appoint one or more proxies to attend or vote other than the Chairman of the meeting, a space has been provided for his or her full name (in capitals). Please delete the reference to the Chairman and initial it.
7. This Form of Proxy, to be valid, must be lodged with Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU not less 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. Any alterations made to this Form of Proxy should be initialled.

**LANCASHIRE HOLDINGS LIMITED**  
**("the Company")**

**FORM OF DIRECTION**

Form of Direction for completion by holders of depository interests representing Common Shares on a 1 for 1 basis in the Company in respect of its Special General Meeting to be held at Mintflower Place, 8 Par-la-Ville Road, Bermuda on 16 December 2009 at 11 am (Bermuda time).

I/We [name in full] \_\_\_\_\_

Of \_\_\_\_\_  
being a holder of depository interests in the Company, as referred to in the notice dated 23 November 2009 (the "Notice") from the Company to its Shareholders HEREBY APPOINT Capita IRG Trustees Limited ("Capita") to vote for me/us on my/our behalf at the Special General Meeting and at any adjournment thereof, as indicated below.

I/We direct Capita to vote on the resolution set out in the Notice as follows:

RESOLUTION	FOR	AGAINST	VOTE WITHHELD
1 – To authorise the Company to purchase its own shares.			

Signature: .....

Dated: ..... 2009

**NOTES :**

1. Please indicate how you wish Capita to vote by marking an X opposite to the resolution. A vote withheld is not a vote in law and if you indicate that you would like Capita to abstain on a resolution the vote will not be counted in the calculation of the proportion of the votes for and against that resolution.
2. If this form is signed and returned without any indication as to how Capita shall vote, Capita will exercise its discretion both as to how it votes and as to whether or not it abstains from voting.
3. In the case of joint holders of depository interests, the direction of the senior shall be accepted to the exclusion of the direction of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of depository interests.
4. A corporation's form of direction shall be executed pursuant to a resolution of its directors or any other managing body thereof.
5. This Form of Direction, to be valid, must be lodged with Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU not less than 72 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 Direction has been signed by an officer on behalf of a corporation a duly certified copy of an authority under which it is signed. Any alterations made to this Form of Direction should be initialled.