

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 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.

LANCASHIRE HOLDINGS LIMITED

(Incorporated and registered in Bermuda under registration number EC37415)

Notice of Special General Meeting

Notice of a Special General Meeting of Lancashire Holdings Limited to be held at Power House, 7 Par-la-Ville Road, Hamilton, Bermuda on Thursday 18 August 2011 at 12 noon (Bermuda time) is set out at the end of this document.

Holders of Common Shares ("**Shareholders**") will find enclosed a Form of Proxy for use at the Special General Meeting. Holders of depositary 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 PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the holding of the Special General Meeting. To be valid the Forms of Direction must be received not later than 72 hours before the time appointed for the holding of the Special General Meeting.

Your attention is also drawn to the letter from the Chairman of Lancashire Holdings Limited which is set out on pages 4 to 9 of this document recommending that you vote in favour of the resolutions to be proposed at the Special General Meeting.

Note Regarding Forward-Looking Statements

Certain statements and indicative projections (which may include modelled 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 tax residency of the Company and its subsidiaries (the "**Group**"), its financial position, results of operations, liquidity, prospects, growth, capital management plans, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group's insurance business) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

These factors include, but are not limited to: the impact that the Group's future operating results, capital position and rating agency and other considerations have on the execution of any capital management initiatives; the possibility of greater frequency or severity of claims and loss activity than the Group's underwriting, reserving or investment practices have anticipated; the UK temporary period exemption under the current CFC regime not remaining in force for the period intended and not applying to the Company; the UK Government bringing before parliament legislation containing a suitable new CFC regime which is different to the proposals outlined in the consultation document; the legislation and new CFC regime not including a suitable exclusion relating to large risks written in the international insurance market, there being changes in UK government or the UK government policy which may impact the temporary period exemption, the anticipated territorial business exemption or other aspects of the new CFC regime; the impact of the implementation of the change in tax residence on stakeholders of the Company; and changes in other governmental regulations or tax laws in other jurisdictions where the Company conducts business.

These forward-looking statements speak only as at the date of publication. The Company 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

Voting record date	25 July 2011
Publication of this document and posting to Shareholders	27 July 2011
Latest time and date for receipt of Form of Direction	12 noon (Bermuda time) on 15 August 2011
Latest time and date for receipt of Form of Proxy	12 noon (Bermuda time) on 16 August 2011
Time and date of Special General Meeting	12 noon (Bermuda time) on 18 August 2011

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

(Incorporated and registered in Bermuda under registration number EC37415)

Directors:

John Bishop, *Non-Executive Director*
Richard Brindle, *Chief Executive Officer*
Emma Duncan, *Non-Executive Director*
Alex Maloney, *Chief Underwriting Officer*
Neil McConachie, *President*
Ralf Oelssner, *Senior Independent Director*
Robert Spass, *Non-Executive Director*
William Spiegel, *Non-Executive Director*
Martin Thomas, *Non-Executive Chairman*

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

27 July 2011

To Shareholders and for information only to holders of depositary interests:

Dear Shareholder,

Notice of Special 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 Special General Meeting (the "SGM") to be held at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda on 18 August 2011 at 12 noon (Bermuda time). The notice convening the SGM is set out at the end of this document.

Summary background to the business to be considered

This SGM, which was approved at a meeting of the board of directors of the Company (the "**Board**") held on 26 July 2011, is being convened for two different purposes.

First, at the Annual General Meeting of the Company held on 5 May 2011 (the "**AGM**"), the Board had sought the approval of the Shareholders to grant authority for the directors of the Company (the "**Directors**") to allot and issue Common Shares up to an aggregate nominal value of US\$8,430,121 on a non pre-emptive basis, such amount being approximately 10 per cent. of the Company's issued share capital as at the date of the notice convening the AGM. This resolution was not passed by the requisite number of Shareholders. The Board wishes to put this resolution to the Shareholder vote again.

Shareholders may wish to ask why, this matter having been tabled for Special Resolution at the AGM in May, and that vote having been lost, the Board is now tabling a vote on the same issue again. It is because the Board does not believe the vote in May was truly representative of Shareholders' views. Overall the participation of Shareholders at the AGM on this issue (taking those in favour and those against) involved only 44 per cent. of all Shareholders, such that the 20 million Common Shares voted against the resolution amounted to only 13.1 per cent. of the Company's Shareholders.

The Board accepts responsibility for not having engaged more actively on this issue with those Shareholders, who it believes to be well over 75 per cent. of the Shareholder base, who would prefer the Company to maintain the ability to act quickly to raise equity capital when market circumstances so dictate. This ability to act quickly can be hugely significant. 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 Shareholders vote for this first mover advantage and that those who voted against last time should re-consider.

As Richard Brindle, our Group CEO, has recently said:

"It has always been a key part of the Lancashire story, part of its very DNA if you will, that the Company will react nimbly and quickly, not only in reducing levels of risk where rating has been inadequate such as this year's US catastrophe market, but in sharply increasing exposures subsequent to large market losses, where rates move up rapidly in certain classes or regions of the world. We have done this consistently since our inception, most recently in Australasia and Japan after the various natural catastrophes there, but the opportunities were not of such magnitude as to leave us requiring more capital. However, the market is now in an uncertain state and a major hurricane in the US this wind season, for example, could create a broadly-based hard market, and we believe the vast majority of our Shareholders would expect and indeed want us to use every tool at our disposal to raise capital quickly and help shape the ensuing market. This is one such tool, and an important one at that, so we urge all Shareholders to vote in favour."

Secondly, also at the Board meeting on 26 July 2011, the Board approved a proposal to achieve the migration of LHL's tax residence from Bermuda to the United Kingdom. The second purpose of the SGM is for Shareholders to consider and approve various amendments to the Company's bye-laws (the "**Bye-laws**") in connection with the migration of the tax residence to the United Kingdom by allowing board meetings to be held in the UK. It is intended that the Company will become UK tax resident on 1 January 2012.

Resolution 1: Grant of authority to allot shares for cash on a non pre-emptive basis – rationale for the recommendation of the Board

At the AGM held in May 2011, pursuant to Bye-law 2.6 of the Bye-laws, the Board had sought Shareholders' approval to grant authority for the Directors of the Company to allot and issue Common Shares up to an aggregate nominal value of US\$8,430,121 on a non pre-emptive basis, such amount being approximately 10 per cent of the Company's issued share capital as at the date of the notice convening the AGM. As a Special Resolution (as defined in the Bye-laws), this resolution needed to be passed by a majority of not less than 75 per cent. of those Shareholders who voted on it but only 69 per cent. of the votes cast were in favour. Accordingly, this resolution was not passed.

The Bye-laws of the Company require that, unless Shareholders resolve otherwise, any Equity Securities (as defined in Bye-law 2.5(g)) allotted for cash must be offered to existing Shareholders *pro rata* to their existing shareholdings. The Bye-laws permit this requirement to be disapplied and the purpose of the resolution was to authorise the Board to issue Common Shares 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 notes that the amount of the pre-emption disapplication for which authority had been requested is above the 5 per cent. level which is considered routine by UK investor groups. While a larger percentage is not routine, the Board had considered in detail the specific strategic and business case for authorising a larger pre-emption disapplication, in line with the principles published by the UK Pre-emption Group and which are supported by UK investor groups. The Company has historically sought, and has historically achieved, Shareholder approval for the issue of new equity on a non pre-emptive basis of up to 10 per cent. of issued share capital (and, in 2008, up to 15 per cent.).

The Board continues to consider that is in the best interests of the Company and its Shareholders to be able to raise an increased amount of additional capital as quickly as possible. Accordingly, the Board requests that Shareholders again consider the resolution to be put forward at the SGM to authorise the Directors to allot and issue Common Shares on a non pre-emptive basis up to an aggregate nominal value of US\$8,430,121, such amount being approximately 10 per cent. of the Company's issued share capital as at the date of this document.

The Board has no immediate intention to use this authority; however, if 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. Unless otherwise renewed or revoked by the Shareholders in general meeting this authority will expire at the conclusion of the AGM of the Company in 2012 or, if earlier, 15 months from the date the relevant resolution is passed.

The Board considers that the reasons discussed below satisfy many of the critical considerations relating to non-routine requests for disapplication set out in the Pre-Emption Group's Guidelines.

Our track record in capital management

The Company has a strong track record of generating shareholder value. In the five years since its inception, the Company has produced consistently strong results, demonstrated not least by a combined ratio of 56.7 per cent. and a compound annual return on equity of 20.3 per cent. in the Company's first five years. For 2010, net profit after tax was US\$330.8 million or US\$1.86 diluted earnings per common share and return on equity was 23.3 per cent. These results have been achieved through a combination of rigorous underwriting discipline and nimble capital management. The Board urges Shareholders to continue to show confidence in its judgement to achieve these robust results.

The Company's track record in managing capital responsibly is as follows. As at 30 June 2011 the Company had returned US\$1,137.2 million to Shareholders since inception (excluding any interim dividend for 2011). This represents 116.2 per cent. of the Company's initial share capital. The Company aims to carry what it considers as the right level of capital at all times.

With this in mind, the Company has utilised three distinct capital management strategies, including the repurchase of Common Shares pursuant to its share repurchase programme, the payment of ordinary dividends and the payment of special dividends. Since inception, the Company has repurchased US\$311.5 million of Common Shares. The Company's stated policy on dividends provides for the payment of a recurring annual dividend, supplemented by special dividends from time to time when there are insufficient business reasons to utilise all capital held. In three out of five years since inception the Company has paid substantial special dividends to its Shareholders after the windstorm season.

The Board considers nimbleness in its capital management as one of the Company's core strengths and also a key feature which distinguishes the Group from its competitors. The possibility of raising capital very quickly through the issue of new equity is a significant component to the Group's ability to act nimbly and for this reason the Company has historically sought, and has historically achieved, Shareholder approval for the issue of new equity on a non pre-emptive basis of up to 10 per cent. of issued share capital (and in 2008, up to 15 per cent.).

If current capital levels are reduced in the short-term, 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.

Underwriting opportunities and competitive position

The Group may have substantial exposure to losses resulting from natural disasters and other catastrophic events and any large loss event is likely to impact on pricing and capacity across the insurance market. When a market changing event occurs (such as happened with the World Trade Centre attack in 2001 and Hurricanes Katrina, Rita and Wilma in 2005), having the ability to raise additional capital through the issue of new Common Shares as quickly as possible means the Company is well-positioned to capitalise on underwriting opportunities, such as hardening rates, as soon as possible following the event.

The cyclical nature of the insurance market and the impact of loss events on pricing and capacity means the Company should position itself to be able to take advantage of underwriting opportunities when they present themselves, for instance following large industry losses. The Board notes that the Company writes a diverse portfolio of insurance business and it is therefore appropriate for the Company to position itself to be able quickly to take advantage of market opportunities or react to loss events throughout the year and not just during the hurricane season.

In addition, the Board considers that the pre-emption requirement puts the Group at a competitive disadvantage. Many of the Group's competitors, such as those not listed on the London Stock Exchange or which are not UK-incorporated public limited companies, may raise equity capital more quickly without first making pre-emptive offers. Typically, capital raises on a pre-emptive basis (for example, rights issues and open offers) can take up to 8 weeks, by which time the opportunity may well have

ceased to exist. By having the authority to allot and issue up to (but no more than) 10 per cent. of the Company's issued share capital, the Board believes that it will be able to respond more quickly and in a similar way as some of its competitors.

The Board considers that it is in the best interests of the Company to be able to raise additional capital by non pre-emptive share issues in order to maintain the financial strength ratings of the Group ("A" (Excellent) from A.M. Best, "A3" from Moody's and "A-" from Standard & Poor's) following large loss events. If the Company does not have such flexibility, it could be at a competitive disadvantage, particularly if industry ratings are impacted by large loss events.

Use of additional capital

In the event that additional capital is required, the Board will consider various available financing methods to determine the most appropriate means of raising capital before carrying out a non pre-emptive issue of equity. Although the Board has no current intention to raise capital this way, it considers it desirable due to the flexibility it will afford.

In addition, in accordance with best practice and the advice of UK investor groups, the Board does not intend to use any Common Shares pursuant to this authority at a discount of greater than 5 per cent. of the market price at the time of any such issue.

Capital raising after a significant loss event is not a power that would be used lightly. It may be that the Company would wish to raise some capital immediately, with a second tranche being raised through the slower process entailed by a rights issue. The Company has a track record in managing capital responsibly, as detailed above.

Resolution 2: Migration of the Company's tax residence – rationale for the recommendation of the Board

The Board has approved a proposal to achieve the migration of LHL's tax residence from Bermuda to the United Kingdom. For a non-UK incorporated company like LHL, tax residence depends on the location from where a company is centrally managed and controlled. This may be a different jurisdiction from the one where a company is registered and incorporated. Tax residency and domicile need not be in the same jurisdiction.

Since inception, it has been necessary for LHL to be tax resident outside the United Kingdom to avoid being subject to UK corporation tax on the profits of Lancashire Insurance Company Limited ("**LICL**"), its Bermuda-based insurance subsidiary, under the UK controlled foreign company ("**CFC**") regime. However, the UK Finance Act 2011, which was given Royal Assent on 19 July 2011, permits the profits of qualifying CFCs to be temporarily exempt from UK corporation tax, subject to certain qualifying conditions. The Board has received confirmation from Her Majesty's Revenue & Customs ("**HMRC**") that, on the basis of the current facts and circumstances disclosed to HMRC, LICL meets the requirements for the temporary period exemption. Accordingly, for the first time since inception LHL can become tax resident in the United Kingdom with no impact on its UK tax position as a result of the UK CFC regime. LHL currently intends to remain incorporated in Bermuda and LICL will continue to operate and be tax resident in Bermuda.

The Board considers that the UK is a natural home for LHL. London remains the centre of the insurance market and is already an important trading centre for the Group. Through Lancashire Insurance Company (UK) Limited, the majority of the Group's premiums written, the majority of its employees and the majority of its senior management are already based in the United Kingdom.

Moreover, the Board considers that the migration is likely to improve long-term returns by facilitating the more timely and efficient operation of the Board and management, most notably through enabling executive management to make Group decisions in the United Kingdom. The UK move should also reduce operational and frictional costs, enabling the recruitment of executive management from a wider UK pool, improving access to the UK talent pool and reducing Bermuda employee costs and work permit restrictions. As the migration of tax residence will allow management decisions to be made in the United Kingdom, the Company proposes to amend the Bye-laws to allow Board meetings to be held in the United Kingdom.

LHL intends to become UK tax resident on 1 January 2012. This means that the temporary period exemption should apply until 31 December 2014.

In addition, the UK government is in the process of introducing further changes to the UK CFC regime which may permanently exempt genuine overseas insurance operations of the CFC of a UK tax resident insurance group, such as LICL, although the timing or outcome of this process is not yet known.

Resolutions to authorise the Company to amend its Bye-laws

In connection with the migration of tax residence, the Company is proposing to amend the Bye-laws in order to remove the restrictions on holding Board and shareholder meetings in the UK and certain other similar restrictions. Accordingly, the Board is seeking Shareholders' approval at the SGM to amend the Bye-laws as follows:

- (i) To amend Bye-law 22 to remove the restriction on annual general meetings being held in the United Kingdom.
- (ii) To amend Bye-law 23 to remove the restriction on special general meetings being held in the United Kingdom.
- (iii) To amend Bye-law 56(g) to remove the restriction that committees appointed by the Board must consist of a majority of members who are non-resident for tax purposes in the United Kingdom.
- (iv) To amend Bye-law 56(h) to remove the restriction that any delegation of the Board's powers must be to a person resident outside the United Kingdom.
- (v) To amend Bye-law 64 to remove the restriction on Board meetings being held in the United Kingdom.
- (vi) To amend Bye-law 66 to remove the restriction on the participation by telephone, electronic or other communication facilities in meetings by Directors who are physically present in the United Kingdom.
- (vii) To amend Bye-law 67 to remove the provision that no meeting of the Board shall be quorate if the majority of the Directors present consist of persons who are personally resident in the United Kingdom for tax purposes.
- (viii) To amend Bye-law 70 to remove the restriction on the signature by Directors of written resolutions when physically present in the United Kingdom.
- (ix) To amend Bye-law 75.2 to remove the restriction on records of account being kept in the United Kingdom.

A draft version of those Bye-laws which are proposed to be amended and incorporating the above changes is enclosed at Appendix 1.

Voting

A Form of Proxy for use by Shareholders at the SGM is enclosed with this document. Whether or not you propose to attend the SGM, 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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible and in any event so as to be received no later than 12 noon (Bermuda time) on 16 August 2011 (48 hours before the time appointed for the holding of the SGM). 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 depositary 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 PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as

possible and in any event so as to be received no later than 12 noon (Bermuda time) on 15 August 2011 (72 hours before the time appointed for the holding of the SGM).

Record Date

Only Shareholders entered on the register of members of the Company at 5.00 p.m. (Bermuda time) on 25 July 2011 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 5.00 p.m. (Bermuda time) on 25 July 2011 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 SGM 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 SGM and set out in the notice convening the SGM 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 SGM. 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,

A handwritten signature in blue ink, appearing to read 'Martin Thomas', is written over a faint rectangular stamp.

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 Power House, 7 Par-la-Ville Road, Hamilton, Bermuda on Thursday 18 August 2011 at 12 noon (Bermuda time), for the purpose of considering and, if thought fit, passing the following resolutions.

Resolution 1 will be considered and, if thought fit, passed as a Special Resolution (as defined in the Bye-laws) and Resolution 2 as an ordinary resolution.

1. Granting authority for the Company to issue shares for cash on a non pre-emptive basis

That the Directors of the Company be authorised, in accordance with Bye-law 2.6 of the Company's Bye-laws, to allot and issue Common Shares for cash (pursuant to the authority conferred by resolution 9 passed at the annual general meeting of the Company held on 5 May 2011) 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\$8,430,121, such amount being approximately 10 per cent. of the Company's issued share capital as at the date of this document, provided that unless otherwise renewed or revoked by a resolution of the Shareholders in general meeting this authority will expire at the conclusion of the annual general meeting of the Company in 2012 or, if earlier, 15 months from the date this 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.

2. Approval of various amendments to the Company's Bye-laws

That the Company's Bye-laws be amended as follows:

- (i) that Bye-law 22 be amended by the removal of the restriction on annual general meetings being held in the United Kingdom;
- (ii) that Bye-law 23 be amended by the removal of the restriction on special general meetings being held in the United Kingdom;
- (iii) that Bye-law 56(g) be amended by the removal of the restriction that committees appointed by the Board must consist of a majority of members who are non-resident for tax purposes in the United Kingdom;
- (iv) that Bye-law 56(h) be amended by the removal of the restriction that any delegation of the Board's powers must be to a person resident outside the United Kingdom;
- (v) that Bye-law 64 be amended by the removal of the restriction on Board meetings being held in the United Kingdom;
- (vi) that Bye-law 66 be amended by the removal of the restriction on the participation by telephone, electronic or other communication facilities in meetings by Directors who are physically present in the United Kingdom;
- (vii) that Bye-law 67 be amended by the removal of the provision that no meeting of the Board shall be quorate if the majority of the Directors present consist of persons who are personally resident in the United Kingdom for tax purposes;
- (viii) that Bye-law 70 be amended by the removal of the restriction on the signature by Directors of written resolutions when physically present in the United Kingdom; and
- (ix) that Bye-law 75.2 be amended by the removal of the restriction on records of account being kept in the United Kingdom.

BY ORDER OF THE BOARD

Christopher Head
Company Secretary

27 July 2011

Registered Office:
Power House
7 Par-la-Ville Road
Bermuda 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 PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time appointed for the holding of the Special General Meeting.
- (iii) Any holders of depositary 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 PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 72 hours before the time appointed for the holding of the Special General Meeting.

Only those Shareholders entered on the register of members of the Company at 5.00 p.m. (Bermuda time) on 25 July 2011 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 5.00 p.m. (Bermuda time) on 25 July 2011 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Appendix 1 – proposed amended Bye-laws of Lancashire Holdings Limited

MEETINGS OF MEMBERS

22. Annual General Meetings

The annual general meeting of the Company shall be held each year (other than the year of incorporation) at such time and place as the President or the Chairman (if any) or the Board shall appoint, ~~provided that no annual general meeting shall be held in the United Kingdom.~~

23. Special General Meetings

The President or the Chairman (if any) or the Board may convene a special general meeting of the Company whenever in their judgment such a meeting is necessary, ~~provided that no special general meeting shall be held in the United Kingdom.~~

DIRECTORS AND OFFICERS

56. Powers of the Board of Directors

The Board may:

...

(g) delegate any of its powers (including the power to sub-delegate) to a committee appointed by the Board which may consist partly or entirely of non-Directors, provided that every such committee shall conform to such directions as the Board shall impose on them and provided further that the meetings and proceedings of any such committee shall be governed by the provisions of these Bye-laws regulating the meetings and proceedings of the Board, so far as the same are applicable and are not superceded by directions imposed by the Board ~~and provided also that such committee shall consist of a majority of members who are non resident for tax purposes in the United Kingdom;~~

(h) delegate any of its powers (including the power to sub-delegate) to any person on such terms and in such manner as the Board may see fit ~~provided that such person is resident outside the United Kingdom~~ whether nominated directly or indirectly by the Board;

...

MEETINGS OF THE BOARD OF DIRECTORS

64. Board Meetings

The Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit, ~~provided that no meeting of the Board shall be held in the United Kingdom.~~ Subject to the provisions of these Bye-laws, a resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

66. Electronic Participation in Meetings

Directors may participate in any meeting by such telephonic, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting, ~~provided that such person is physically outside the United Kingdom.~~ Such a meeting shall be deemed to take place ~~outside the United Kingdom~~ where the largest group of those Directors participating in the meeting is physically assembled, or, if there is no such group, where the chairman of the meeting then is.

67. Quorum at Board Meetings

The quorum necessary for the transaction of business at a meeting of the Board shall be two Directors. ~~No meeting of the Board shall be quorate if the majority of the Directors present consist of persons who are personally resident in the United Kingdom for United Kingdom tax purposes unless the Board has previously resolved otherwise in respect of that particular meeting.~~

70. Written Resolutions

A resolution signed by all the Directors, which may be in counterparts, shall be as valid as if it had been passed at a meeting of the Board duly called and constituted, such resolution to be effective on the date on which the last Director signs the resolution, provided that any such resolution shall be valid only if (i) the signature of the last Director to sign is affixed outside ~~the United Kingdom and~~ the United States of America, and (ii) the Board has not determined that the use of a resolution in writing would result in a non-de minimis adverse tax, regulatory or legal consequence to the Company, any subsidiary of the Company, or any direct or indirect holder of shares or its affiliates. For the purposes of this Bye-law only, "Director" shall not include an Alternate Director. Such resolution shall be deemed to be adopted, as an act of the Board, at the place where, and at the time when, the signature of the last Director to sign is affixed thereto. ~~The terms of this Bye-law shall be subject to the requirement that any Director signing a written resolution shall be physically outside the United Kingdom when signing such written resolution.~~

ACCOUNTS

75. Books of Account

75.2 Such records of account shall be kept at the registered office of the Company, or subject to the provisions of the Act, at such other place as the Board thinks fit and shall be available for inspection by the Directors during normal business hours ~~provided that such records of account shall not be kept in the United Kingdom.~~

