

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

Lancashire Holdings Limited

(Incorporated and registered in Bermuda under registration number EC37415)

NOTICE OF ANNUAL GENERAL MEETING

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, Form of Direction and the Annual Report 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 the 2007 Annual General Meeting of Lancashire Holdings Limited to be held on 1 May 2007 is set out on page 4 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.

Your attention is also drawn to the letter from the Chairman set out below

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

(Incorporated and registered in Bermuda under registration number EC37415)

4 April 2007

To Shareholders and for information only to holders of depository interests

Dear Shareholder

2007 Annual General Meeting

The notice for the Company's 2007 Annual General Meeting to be held at Mintflower Place, 8 Par-la-Ville Road, Hamilton, Bermuda on 1 May 2007 at 1.00pm is set out on page 4.

Business of the AGM

1. Shareholders' resolutions will be proposed as set out in the Annual General Meeting Notice to receive and consider the Company's audited consolidated financial statements for the year ended 31 December 2006 which are included in the accompanying Annual Report (**Resolution 1**), to reappoint Ernst & Young as the Company's auditors (**Resolution 2**) and to authorise the Company's board of Directors ("Board") to establish the level of auditors' remuneration. (**Resolution 3**)
2. The Directors seek to amend the Company's bye-laws to reduce the quorum requirement for general meetings to two or more persons (being shareholders or proxy holders) present in person at the start of and throughout the meeting and to remove the current requirement for representation, in person or by proxy, of 50 per cent of the voting power of the Company's issued Common Shares. The Directors consider that the current quorum requirements are impractical for an AIM listed company and believe this amendment is necessary to ensure that quorum requirements do not restrict the Company's ability to convene general meetings. This amendment will not affect Shareholders' rights to attend and vote at general meetings either in person or by proxy. (**Resolution 4**)
3. As provided in the Company's bye-laws, the Board is divided into three classes of Directors. The current class I, II, and III Directors are respectively appointed until the 2009, 2008 and 2007 annual general meetings of the Company. The term of office of the current class III Directors, Neil McConachie and Martin Thomas, will expire at this year's annual general meeting. The Board confirms the continued satisfactory performance of Neil McConachie who is the Company's Chief Financial Officer and Martin Thomas who is a non-executive director of the Company and recommends their re-election as class III Directors for further three year terms of office until the Company's 2010 annual general meeting. Neil McConachie and Martin Thomas' dates of appointment and further biographical information is set out in the accompanying Annual Report. (**Resolutions 5 and 6**)
4. The Directors seek to refresh the general and unconditional authority previously granted to the Directors to allot and issue unissued share capital up to an aggregate nominal value of US\$30 million, an amount equal to approximately one-third of the issued share capital of the Company as at the date of this letter. The Directors have advised that there is no current intention to exercise this authority to allot and issue such Common Shares. The authority granted by this resolution will be exercised only if the Directors believe that to do so would be in the best interests of the Company. Unless otherwise renewed or revoked in a general meeting this authority will expire 5 years from the date the relevant resolution is passed. (**Resolution 7**)

5. The Directors also seek to refresh the authority to allow the Directors to allot and issue Common Shares up to an aggregate nominal value of US\$4,893,000 on a non pre-emptive basis, such amount being approximately five per cent of the Company's issued share capital as at the date of this letter. The Directors have advised that there is no current intention to exercise this authority. This authority will be exercised only if the Board believes that to do so would be in the best interests of the Company. This authority will be proposed as a special resolution and unless otherwise renewed or revoked by the Shareholders in a general meeting it will expire on the same date as the related authority to allot the Common Shares. **(Resolution 8)**
6. In accordance with its bye-laws, if the Company is required or entitled to vote at a general meeting of its non-US subsidiaries, the Directors are obliged to refer the subject matter of the vote to the Shareholders to seek authority from them (via a poll vote in a general meeting of the Shareholders) as to how the Company should vote on the resolution proposed by such non-US subsidiary.
7. Lancashire Insurance Company Limited ("LICL"), a subsidiary of the Company, is seeking the approval of the Company in its capacity as its sole shareholder: to receive audited financial statements for the year ended 31 December 2006; to appoint auditors for the 2007 financial year; to authorise the Directors of LICL to fix the auditors' remuneration; and to re-appoint its Directors Richard Brindle, Neil McConachie, Colin Alexander and Simon Burton. **(Resolutions 9 (i) to (vii))**

Voting

Shareholders will find enclosed with this document a Form of Proxy for use in connection with the Annual General Meeting. You are requested to complete the Form of Proxy in accordance with the instructions printed thereon and to return it to the Proxy Processing Centre, Telford Road, Bicester OX26 4LD, England, as soon as possible and not later than 48 hours before the time appointed for the holding of the Annual General Meeting. You may also deliver the Form of Proxy within this time-limit by hand to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Kent BR3 4TU, England within usual business hours. The return of a completed Form of Proxy will not preclude you from attending the Annual General Meeting and voting in person, should you so wish.

Holders of depository interests in the Company wishing to instruct 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 the Proxy Processing Centre, Telford Road, Bicester OX26 4LD, England not later than 72 hours before the time appointed for the Annual General Meeting. You may also deliver the Form of Direction within this time-limit by hand to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Kent BR3 4TU, England during usual business hours.

Record date

Only Shareholders entered on the register of members of the Company at 5.00pm (Bermuda time) on 28 March 2007 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 28 March 2007 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 Annual 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 39 and 40 of the Company's bye-laws.

Recommendation

The Directors believe that the resolutions set out in the Annual General Meeting Notice are in the best interests of the Company and its Shareholders as a whole, and recommend that you vote in favour of the resolutions. Each Director who holds Common Shares in the Company intends to vote in favour of the resolutions in respect of their own shareholdings.

Yours faithfully,

Robert Alan Spass
Chairman

LANCASHIRE HOLDINGS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2007 Annual General Meeting of the Company will be held at Mintflower Place, 8 Par-la-Ville Road, Hamilton, Bermuda on 1 May 2007 at 1.00 pm (Bermuda time), for the purpose of considering and, if thought fit, passing the following resolutions:

1. To receive and consider the Company's audited consolidated financial statements for the year ended 31 December 2006.
2. To reappoint Ernst & Young, Reid Hall, 3 Reid Street, Hamilton HM 11 Bermuda as auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which the Company's financial statements are presented.
3. To authorise the Board, which may delegate this authority to the Board's audit committee, to establish the auditors' remuneration.
4. To amend the bye-laws of the Company to replace bye-law 28.1 with the following bye-law: "At any general meeting of the Company two or more persons (being shareholders or proxy holders) present in person at the start of and throughout the meeting shall form a quorum for the transaction of business."
5. To re-elect Neil McConachie as a class III Director of the Company to hold office until the date of the 2010 annual general meeting of the Company.
6. To re-elect Martin Thomas as a class III Director of the Company to hold office until the date of the 2010 annual general meeting of the Company.
7. To authorise the Directors generally and unconditionally, in accordance with 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 amount of US\$30 million with such authority to expire 5 years from the date on which this resolution is passed (unless such authority is revoked or varied by a resolution of the Shareholders in a general meeting) except that the Company may before such expiry make 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, such authority being 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.

To consider and, if thought fit, pass the following resolution as a special resolution:

8. Subject to and conditional upon the passing of resolution 7, and pursuant to bye-law 2.6(a)(i) of the Company's bye-laws, the authority granted pursuant to resolution 7 may be exercised by the Directors in respect of Equity Securities (within the meaning of bye-law 2.6(a)(i)) up to an aggregate nominal value of US\$4,893,000 as if bye-law 2.5(a) of the Company's bye-laws did not apply with such authority to expire on the same date as the authority conferred in resolution 7 which is 5 years from the date on which this resolution is passed (unless the authority is revoked or varied by a resolution of the Shareholders in a general meeting) except that if the Company may before such expiry make any offer or agreement which would or might require Equity Securities to be allotted after such expiry then the Directors may allot such Equity Securities in pursuance of such offer or agreement as if bye-law 2.5(a) of the Company's bye-laws did not apply, such authority being in substitution for any and all authorities previously conferred upon the Directors for the purposes of disapplying bye-law 2.5(a) but without prejudice to the allotment of any Equity Securities already made or to be made pursuant to such authorities.

To consider and, if thought fit, pass the following resolutions in respect of the Company's subsidiary Lancashire Insurance Company Limited:

9. To authorise the Company to vote in its capacity as sole shareholder of Lancashire Insurance Company Limited to resolve:
- (i) to receive audited financial statements for the year ended 31 December 2006;
 - (ii) to appoint Ernst & Young, Hamilton, Bermuda as auditors for the 2007 financial year;
 - (iii) to authorise the Directors of Lancashire Insurance Company Limited to fix the auditors' remuneration;
 - (iv) to re-appoint Richard Brindle as a Director of Lancashire Insurance Company Limited;
 - (v) to re-appoint Neil McConachie as a Director of Lancashire Insurance Company Limited;
 - (vi) to re-appoint Colin Alexander as a Director of Lancashire Insurance Company Limited;
 - (vii) to re-appoint Simon Burton as a Director of Lancashire Insurance Company Limited.

4 April 2007

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 the Proxy Processing Centre, Telford Road, Bicester OX26 4LD, England, not later than 48 hours before the time appointed for the holding of the Annual General Meeting. You may also deliver the Form of Proxy within this time-limit by hand to Capita IRG Trustees Limited, Proxy Department, The Registry, 34 Beckenham Road, Kent BR3 4TU, England within usual business hours.
- (iii) Any holders of depository interests in the Company wishing to instruct 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 the Proxy Processing Centre, Telford Road, Bicester OX26 4LD, England not later than 72 hours before the time appointed for the Annual General Meeting. You may also deliver the Form of Direction within this time-limit by hand to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Kent BR3 4TU, England during usual business hours.
- (iv) Only those Shareholders entered on the register of members of the Company at 5.00pm (Bermuda time) on 28 March 2007 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 5.00pm (Bermuda time) on 28 March 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (v) Copies of service agreements and letters of appointment under which Directors of the Company are employed or serve, are available for inspection at the Company's registered office and at the offices of LeBoeuf, Lamb, Greene & MacRae, No. 1 Minster Court, Mincing Lane, London, EC3R 7YL during normal business hours from the date of this Notice until the date of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

LANCASHIRE HOLDINGS LIMITED

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