

**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 2013 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 Level 11, Vitro, 60 Fenchurch Street, London EC3M 4AD on 30 April 2014 commencing at 1.30pm UK time is set out on pages 9 to 12 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 PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the holding of the Annual 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 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 12 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 to 8 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", "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**"), 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 may 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 premium rates which may be available at the time of such renewals within its 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; the effectiveness of its loss limitation methods; the potential loss of key personnel; a decline in the Group's operating subsidiaries' rating with A.M. Best, Standard & Poor's, Moody's or other rating agencies; increased competition on the basis of pricing, capacity, coverage terms or other factors; cyclical downturns of the industry; the impact of a deteriorating credit environment for issuers of fixed income investments; the impact of swings in market interest rates and securities prices; a rating downgrade of, or a market decline in, securities in its investment portfolio; changes in governmental regulations or tax laws in jurisdictions where the Group conducts business; any of Lancashire'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 new UK CFC regime; and any change in the UK government or UK government policy which impacts the new CFC regime.

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	10 March 2014
Voting record date	5.00pm UK time on 21 March 2014
Latest time and date for receipt of Form of Direction	1.30pm UK time on 27 April 2014
Latest time and date for receipt of Form of Proxy	1.30pm UK time on 28 April 2014
Time and date of Annual General Meeting	1.30pm UK time on 30 April 2014

# Letter from the Chairman of 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*  
**Emma Duncan**, *Non-Executive Director*  
**Simon Fraser**, *Non-Executive Director*  
**Samantha Hoe-Richardson**, *Non-Executive Director*  
**Alex Maloney**, *Chief Underwriting Officer*  
**Neil McConachie**, *Non-Executive Director*  
**Ralf Oelssner**, *Senior Independent Director*  
**Robert Spass**, *Non-Executive Director*  
**William Spiegel**, *Non-Executive Director*  
**Martin Thomas**, *Non-Executive Chairman*  
**Elaine Whelan**, *Chief Financial Officer*

*Head Office:*  
Level 11, Vitro  
60 Fenchurch Street  
London EC3M 4AD  
United Kingdom

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

10 March 2014

## 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 Level 11, Vitro, 60 Fenchurch Street, London EC3M 4AD on 30 April 2014 commencing at 1.30pm UK time. The notice convening the AGM is set out on pages 9 to 12 of this document.

### Proposed Business of the AGM

#### 1. Accounts and Auditors (Resolutions 1, 2, 3, 4 and 5)

Resolutions are proposed to receive the Company's audited consolidated financial statements and to approve the Directors' Remuneration Policy and the Annual Report on Remuneration, which are contained in the 2013 Annual Report and Accounts (**Resolutions 1, 2 and 3**), to re-appoint the Company's auditors (**Resolution 4**), and to authorise the Company's board of directors (the "**Board**") to set the auditors' remuneration (**Resolution 5**).

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 explaining its compliance against the requirements of the UK Corporate Governance Code (the "**Code**"), 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. Therefore, in order to track new legislation that came into force in the UK on 1 October 2013, the Company will offer Shareholders a binding vote on the Company's forward looking remuneration policy (the "**Directors' Remuneration Policy**") and a separate advisory vote on the implementation of the Company's existing remuneration policy in terms of the payments and share awards made to Directors during the year (the "**Annual Report on Remuneration**").

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 72 to 77 of the 2013 Annual Report and Accounts.

Subject to such approval, the proposed effective date of the Directors' Remuneration Policy is 30 April 2014, 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 78 to 88 of the 2013 Annual Report and Accounts.

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 96 and 97 of the 2013 Annual Report and Accounts.

## **2. Reduction of the Company's share premium account (Resolution 6)**

The Board has recommended and asks that you approve a resolution to reduce the Company's share premium account from US\$192,164,662 to US\$Nil by transferring US\$192,164,662 to the Company's contributed surplus.

Under Bermuda law, when a company issues shares, the aggregate paid in par value of the issued shares comprises the company's share capital account. When shares are issued at a 'premium', that is, where the actual sum paid for a share exceeds the par value of the share, the amount paid in excess of the par value must be allocated to and maintained in a capital account called the 'share premium account'. The Bermuda Companies Act 1981, as amended, requires shareholder approval prior to any reduction of the share capital or share premium accounts. Bermuda law also requires that the Company maintain a contributed surplus, to which must be allocated, amongst other things, shareholder capital that is unrelated to any share subscription.

Under Bermuda law, a dividend may not be declared or a distribution made out of contributed surplus if there are reasonable grounds for believing that either the Company is, or would after the payment be, unable to pay its liabilities as they become due, or that the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company has a high share premium account due to the significant difference between the US\$0.50 par value of its Common Shares and the amounts paid for those Common Shares in recent and historical placings.

The Directors consider that it is in the best interests of the Company to reduce the share premium account and allocate US\$192,164,662 to the Company's contributed surplus. This requires Shareholders' approval. Distributions from contributed surplus, however, may be approved by the Board without Shareholders' approval. This resolution will afford the Board greater flexibility in managing the Company's capital flexibly and efficiently.

Assuming Shareholders vote in favour of this resolution, following such vote the reallocated capital will continue to form part of the Company's capital structure yet be more flexibly available for use to the benefit of its creditors and Shareholders.

## **3. Election of Directors (Resolutions 7, 8, 9, 10, 11, 12, 13, 14 and 15)**

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 (except for John Bishop, Neil McConachie and Ralf Oelssner who will retire from the Board at the conclusion of the AGM) are submitting themselves for re-election at the AGM. In the Board's view, each Director (including those who are not being proposed for re-election) 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 their performance following a formal evaluation of the performance of the Board and that of its committees and individual Directors.

Further information about the performance evaluation process and the Directors, including their biographies, is set out in the accompanying 2013 Annual Report and Accounts.

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

Simon Fraser was appointed by the Board as a Director with effect from 5 November 2013 and, in accordance with the Company's Bye-laws, stands for election by Shareholders at the AGM. Prior to his appointment, the Board gave careful consideration to the matter of Mr Fraser's independence, given his position as Head of Corporate Banking at Merrill Lynch from 2004 to 2011 (and in that capacity a provider of corporate broking services to the Company). The Board considers that Mr Fraser is independent in character and judgment. For a more detailed discussion of this matter I would refer shareholders to pages 61 and 62 of the 2013 Annual Report and Accounts. The Board considers that Mr Fraser's skills and experience, as described in his biography on page 59 of the 2013 Annual Report and Accounts, will be of great benefit to the Board and the Company.

#### **4. Amendment of the Company's Memorandum of Association (Resolution 16)**

The Company's Memorandum of Association restricts the amount of shares that may be held in treasury to 10 per cent of the Company's issued share capital. This restriction was adopted as part of the Company's constitution to mirror the requirements of section 725 of the UK Companies Act 2006, which has been repealed. In order to provide the Company with greater flexibility in its capital management, the Board is seeking Shareholders' approval to amend the Company's Memorandum of Association to remove the 10 per cent limit on the Company's holdings of its treasury shares. A draft of the Company's Memorandum of Association, including the proposed amendment, is available on the Company's website at [www.lancashiregroup.com](http://www.lancashiregroup.com)

#### **5. Renewal of general and unconditional authority to allot shares (Resolution 17)**

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\$30,907,635, an amount equal to approximately one-third of the issued Common 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 2015 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 (Resolution 19)**

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\$13,908,436 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, Relevant Employee Shares and Relevant Warrant 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 this resolution 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 amount of the pre-emption disapplication for which authority is requested is above the 5 per cent level that is considered routine by UK investors and investor groups. In seeking this authorisation, the Board's resolve has been strengthened in recent years through its extensive engagement with the Company's Shareholders, to whom we have explained the need to maintain competitiveness in the face of changing market circumstances.

In the last few years a similar resolution has been overwhelmingly supported by the Company's Shareholders: in 2011, a Special Resolution requesting authority at 10 per cent was approved on 18 August 2011 by 95.62 per cent of the votes cast; at the annual general meeting held on 3 May 2012 a similar resolution was approved by 94.74 per cent of the votes cast; and 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.

The strategic business case is described in more detail below. And in the Board's view it wholly justifies the larger pre-emption disapplication, in line with the principles published by the UK Pre-emption Group, which are supported by UK investor groups.

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 authority would enable the Company to raise around US\$340 million. The Company does not expect to utilize this authority 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. Shareholders will note the peak zone elemental loss exposures of the Company as at the end of 2013, set out at page 111 of the 2013 Annual Report and Accounts. The request for 15 per cent authority at the current share price (calculated during the period immediately prior to the printing of this document) would enable the Company to replenish all of the capital exposed under its maximum one in one hundred peak loss exposure for a Gulf of Mexico Hurricane loss, which as at 31 December 2013 stood at US\$307.6 million.

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 Resolution 19 will help give the Company greater competitive parity with its insurance company peers, particularly those of its competitors operating in the Bermuda and U.S. markets, as well as providers of and vehicles for third-party capital.

As Richard Brindle, Group CEO, says: "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..., 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."

However, the Board has no immediate 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.

The Company's active capital management strategy continues to be demonstrated by the special dividends declared in November 2013 and February 2014, which combined amounted to returns to Shareholders by way of special dividends for the 2013 year of US\$0.65 per share.

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 2015 or, if earlier, 15 months from the date the relevant resolution is passed.

#### **7. Resolution to authorise the Company to purchase its own shares (Resolution 20)**

The Board is seeking Shareholders' approval to renew the authority granted to the Company by the Shareholders at the annual general meeting held on 1 May 2013. 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\$9,272,290, an amount equal to approximately 10 per cent 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 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 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. 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 2015 or, if earlier, 15 months from the date the relevant resolution is passed.

This resolution complies with the current guidance issued by the Association of British Insurers ("ABI") and the Board will have regard to any guidance issued by the ABI which 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.

## **8. Resolutions to amend the Company's Bye-laws (Resolutions 18 and 21)**

Pursuant to Bye-law 88.1 and, in the case of amendments to Bye-law 90, Bye-law 88.2 of the Company's Bye-laws, the Board is seeking Shareholders' approval to amend the Company's Bye-laws in order to update them in line with changes to UK regulation, predominantly to change the references to the Financial Services Authority to the Financial Conduct Authority, together with several consequential amendments and certain corrections, which the Board believes to be immaterial amendments. The amendments are as follows:

- (a) in Bye-law 1.1:
  - (i) the deletion of the words "(including the Substantial Acquisition Rules)" from the definition of the City Code, as this language is now redundant;
  - (ii) an amendment of the definition of the FSA to the FCA with a corresponding amendment from the Financial Services Authority to the Financial Conduct Authority;
  - (iii) an amendment of the reference to the FSA to the FCA in the definition of Listing Rules;
  - (iv) an amendment of the reference to the FSA to the FCA in the definition of UKLA;
  - (v) the deletion of the definition of Substantial Acquisition Rules;
- (b) in Bye-laws 7.1, 12.1, 14.2 and 34.1 to amend the references in each from "200[ ]" to "20[ ]" throughout;
- (c) in Bye-law 90.A(1)(d), to replace the reference to the FSA with the FCA;
- (d) in Bye-law 90.A(1)(l), to replace the reference to the FSA with the London Stock Exchange and to replace the reference to [www.fsa.gov.uk](http://www.fsa.gov.uk) with [www.londonstockexchange.com](http://www.londonstockexchange.com);
- (e) in Bye-law 90.B(6), to replace the reference to the FSA with the FCA and to replace the reference to [www.fsa.gov.uk](http://www.fsa.gov.uk) with [www.fca.org.uk](http://www.fca.org.uk);
- (f) in Bye-law 90.B(8), to replace the references to the FSA with the FCA;
- (g) in Bye-laws 90.A and B, to correct certain specific words, letters, references and capitalisation of letters that were typographical errors; and
- (h) in Bye-law 91.4(b), to remove the language "(i) the Substantial Acquisition Rules (for so long as they form part of the City Code); or (ii)" and "the Substantial Acquisition Rules (for so long as they form part of the City Code) or".

The amendments to Bye-law 90 are presented as a separate resolution, as required by Bye-law 88.2, which requires the affirmative vote of not less than 66 per cent of the votes attaching to all shares in issue. The other amendments are presented in a single ordinary resolution in accordance with the Company's Bye-laws.

A draft of the Bye-laws, including the proposed amendments, is available on the Company's website at [www.lancashiregroup.com](http://www.lancashiregroup.com)

**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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible and in any event so as to be received no later than 1.30pm UK time on 28 April 2014 (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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible and in any event so as to be received no later than 1.30pm UK time on 27 April 2014 (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 5.00pm UK time on 21 March 2014 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 5.00pm UK time on 21 March 2014 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,

**Martin Thomas**  
*Chairman*

# Lancashire Holdings Limited

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 2014 Annual General Meeting of the Company will be held at Level 11, Vitro, 60 Fenchurch Street, London EC3M 4AD on 30 April 2014 commencing at 1.30pm UK time, for the purpose of considering and, if thought fit, passing the following resolutions.

Resolutions 1-18 (inclusive) will be considered and, if thought fit, passed as ordinary resolutions. Resolutions 19 and 20 will be considered and, if thought fit, passed as Special Resolutions (as defined in the Bye-laws). Resolution 21 will be considered and, if thought fit, passed as a resolution pursuant to Bye-law 88.2.

### ORDINARY RESOLUTIONS

1. To receive the Company's audited consolidated financial statements for the year ended 31 December 2013.
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 2013.
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 2013.
4. To re-appoint Ernst & Young LLP of 1 More London Place, London SE1 2AF, 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 approve the reduction of the Company's share premium account from US\$192,164,662 to US\$Nil and the credit of the amount so reduced to the Company's contributed surplus.
7. To 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.
8. To re-elect Richard Brindle 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 Emma Duncan 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.
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 Robert Spass 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 William Spiegel 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.
14. To re-elect Martin Thomas 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.
15. 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.
16. To approve that the Company's Memorandum of Association be amended by deleting paragraph 7.(3) thereof in its entirety and replacing same with the following: "7.(3) pursuant to Section 42B of the Act, the Company shall have the power to acquire its own shares to be held as treasury shares."
17. 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\$30,907,635, an amount equal to approximately one-third of the issued Common 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 2015 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.

18. To approve that the Company's Bye-laws be amended as follows:

- (a) in Bye-law 1.1:
  - (i) deletion of the words "(including the Substantial Acquisition Rules)" from the definition of the City Code;
  - (ii) amendment of the definition of the FSA to the FCA with a corresponding amendment from "Financial Services Authority" to "Financial Conduct Authority";
  - (iii) amendment of the reference to the FSA to the FCA in the definition of Listing Rules;
  - (iv) amendment of the reference to the FSA to the FCA in the definition of UKLA;
  - (v) deletion of the definition of Substantial Acquisition Rules;
- (b) in Bye-laws 7.1, 12.1, 14.2 and 34.1 amend the references in each from "200[ ]" to "20[ ]" throughout; and
- (c) in Bye-law 91.4(b), to remove the language "(i) the Substantial Acquisition Rules (for so long as they form part of the City Code); or (ii) and "the Substantial Acquisition Rules (for so long as they form part of the City Code) or".

#### **SPECIAL RESOLUTIONS**

19. That, subject to and conditional on the passing of Resolution 17, 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 17 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\$13,908,436, such amount being approximately 15 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 2015 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.
20. 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 18,544,580 (representing approximately 10 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 5 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 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) 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 2015 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.

**RESOLUTION PURSUANT TO BYE-LAW 88.2**

21. That Bye-law 90 be amended as follows:

- (a) in Bye-law 90.A(1)(d), to replace the reference to the FSA with the FCA;
- (b) in Bye-law 90.A(1)(l), to replace the reference to the FSA with the London Stock Exchange and to replace the reference to [www.fsa.gov.uk](http://www.fsa.gov.uk) with [www.londonstockexchange.com](http://www.londonstockexchange.com);
- (c) in Bye-law 90.B(6), to replace the reference to the FSA with the FCA and to replace the reference to [www.fsa.gov.uk](http://www.fsa.gov.uk) with [www.fca.org.uk](http://www.fca.org.uk);
- (d) in Bye-law 90.B(8), to replace the references to the FSA with the FCA;
- (e) in Bye-laws 90.A and B to amend certain specific words, letters, references and capitalisation of letters that were typographical errors.

**By order of the Board**

**Christopher Head**

*Company Secretary*

10 March 2014

Head Office:

Level 11, Vitro

60 Fenchurch Street

London EC3M 4AD

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 5.00pm UK time on 21 March 2014 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 UK time on 21 March 2014 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 PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU 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 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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 72 hours before the time appointed for the holding of the Annual General Meeting.
- (vi) As at 28 February 2014, being the latest practicable business day prior to the publication of this notice, the Company's issued share capital consists of 185,445,809 Common Shares of \$0.50 each of which 2,258,974 Common Shares are held in Treasury. Therefore, total exercisable voting rights in the Company as at 28 February 2014 is 183,186,835.
- (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 and at Lancashire's head office, Level 11, Vitro, 60 Fenchurch Street, London EC3M 4AD and at the place of the AGM for 15 minutes prior to the meeting and during the meeting.