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

Notice of a Special General Meeting of Lancashire Holdings Limited to be held at Mintflower Place, 8 Par-la-Ville Road, Hamilton, Bermuda on 4 January 2008 at 11.00am (Bermuda time) is set out on page 9 of this document. Holders of Common Shares ("Shareholders") will find enclosed a Form of Proxy for use at the Special General Meeting. Holders of depository interests in the Common Shares will find a Form of Direction by which they can instruct Capita IRG Trustees Limited ("Capita") to vote in respect of their interest. To be valid, the enclosed Form of Proxy must be received by Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, 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.

LANCASHIRE HOLDINGS LIMITED

(Incorporated and registered in Bermuda under registration number EC37415)

Notice of Special General Meeting

Your attention is also drawn to the letter from the Chairman of Lancashire Holdings Limited which is set out on pages 2 to 5 of this document recommending that you vote in favour of the resolutions to be proposed at the Special General Meeting.

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

(Incorporated and registered in Bermuda under registration number EC37415)

Directors:

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

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

3 December 2007

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

Dear Shareholder,

Special General Meeting

The notice for a Special General Meeting of the Company to be held at Mintflower Place, 8 Par-la-Ville Road, Hamilton, Bermuda on 4 January 2008 at 11.00am (Bermuda time) is set out on page 9.

Capital Management – Background to Proposals 1 and 2

The Board has been reviewing the Company's capital requirements for 2008. The Company's strategy is that underwriting opportunities will drive capital. As we have consistently said, should underwriting opportunities decrease, we intend to reduce capital to an appropriate level and we will make a further assessment on capital requirements nearer the end of the year. Rates appear to be softening and therefore we expect our 2008 portfolio to require less capital than we currently have available. On 29 October 2007 we announced that the Board had approved a \$100 million share repurchase programme and on 12 and 16 November 2007 we duly repurchased approximately 11 million Common Shares. We also anticipate returning at least 50% of the profits realized in 2007 via a single substantial dividend. We are putting forward Proposals 1 and 2 in connection with the Company's capital planning.

Long Term Incentive Arrangements – Proposals 3 and 4

Following a review conducted by the Board in consultation with external remuneration advisers, we are putting forward Proposals 3 and 4 better to align the Company's long term remuneration incentives with its primary long-term performance goals. The Board believes that these Proposals, if accepted, will motivate and retain certain individuals who are responsible for the attainment of these primary long-term performance goals more appropriately than current arrangements.

Other Proposals

We are requesting our Shareholders' approval to make certain changes to the Company's Memorandum of Association, following recent changes to the Bermuda Companies Act 1981 (Proposal 5).

In addition, we are requesting our Shareholders' approval for our Bermuda and Dubai subsidiary companies to appoint additional directors (Proposal 6).

Proposals

1. Disapplication of Pre-emption Rights (Resolution 1)

The Board is seeking the authority to allow the directors to allot and issue Common Shares on a non pre-emptive basis up to an aggregate nominal amount equal to US\$13,867,281 or 15% of the issued share capital at the date of exercise of the authority (whichever is the lower amount). The Bye-laws 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 disappplied and the purpose of this resolution is to authorize the Board to issue Common Shares as if such provisions did not apply. The Board notes that the amount of the pre-emption disapplication for which authority is requested is above the 5% level approved at the Company's previous AGM, which is considered routine by UK investor groups. However, in line with the principles published by the UK Pre-emption Group, which are supported by UK investor groups, the Board requests Shareholders to consider the specific business case, including rating agency and regulatory capital requirements applicable to insurance companies, for authorizing the larger disapplication so that the Company will have the ability quickly to issue this larger number of Common Shares should the need for additional capital arise. 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 its A.M. Best rating following large loss payments. In addition, 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 payments throughout the year and not just during the hurricane season. If the Company requires additional capital the Board will consider alternative financing methods to determine the most appropriate means of raising capital before carrying out a non pre-emptive issue of shares. The Board has no immediate intention to use this authority, however, if, as anticipated, current capital levels are reduced in the short-term by returns to Shareholders (as discussed above), 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. In addition, in accordance with best practice and the advice of UK investor groups, the Board does not intend to issue any Common Shares pursuant to this authority at a discount of greater than 5% of the market price at the time of the issue. The Board will seek to refresh this authority and review the size of the authority requested at the 2009 AGM.

2. Treasury Shares (Resolution 2)

Under recent amendments to the Bermuda Companies Act 1981, a company may, if permitted by its memorandum of association or its bye-laws, acquire its own shares to be held as treasury shares. The Board considers that, if in the future the Company carries out a further repurchase of its Common Shares, it will be in the best interests of the Company to have the flexibility to hold these in treasury. The Board is proposing resolution 2 to amend the Company's Memorandum of Association to provide that the Company may acquire its own shares to be held as treasury shares provided that the number of shares held in treasury does not exceed 10% of the Company's issued share capital.

3. Amendments to the Long Term Incentive Plan (Resolution 3)

The Company operates a Long Term Incentive Plan (the "Option Plan") which was approved by the Shareholders prior to the Company's admission to AIM. The Option Plan provides for the issuance of options over the Company's Common Shares ("Options") to the group's employees and executive directors. The Options are time-vesting and, under the current terms of the Option Plan, have an exercise price based on the market value of the Company's Common Shares at the date of grant. The Company's share price, as is common in the short tail insurance sector, is closely correlated to its book value. In light of the expected

return of capital to Shareholders (discussed above), the Board has considered the impact this may have on the efficacy of the Option Plan. If dividend payments cause a reduction in the Company's share price, the Options will lose some of their intrinsic value and the long term incentive benefits of the Option Plan will be diminished. In order to retain the retention function of the Option Plan, and so as to act fairly to employees by maintaining the intended value of their Options, resolution 3 is proposed to amend the Option Plan to provide that the Remuneration Committee, as it may deem appropriate, may adjust the number of Common Shares comprised in, and/or the exercise price of the Options on the payment of any dividends by the Company in order to neutralise the devaluing impact of such dividend payments on the value of the Options.

It is proposed that, if approved, the amendments to the Option Plan will be effective retrospectively from the date of this notice (3 December 2007) so that the new provisions will apply to any special or strategic dividends with a record date on or after that date. In addition, if this Proposal and Proposal 4 below are accepted, the Option Plan will be closed to further awards.

4. Restricted Share Scheme (Resolution 4)

Having consulted with external advisers, the Board is proposing to introduce a new incentive arrangement and is recommending the adoption of a Restricted Share Scheme ("RSS") under which group employees and executive directors will be awarded shares subject to time and, normally, performance vesting conditions. A summary of the terms of the RSS is set out in the Appendix to this letter. If approved, going forward, the RSS will replace the current Option Plan in relation to future equity awards to employees and executives. The purpose of the RSS awards will be to motivate and retain certain individuals who are responsible for the attainment of the primary long-term performance goals of the Company and its subsidiaries. The Board is proposing resolution 4 to obtain Shareholder approval for the adoption of the RSS.

5. Amendments to the Memorandum of Association (Resolution 5)

Under recent amendments to the Bermuda Companies Act 1981, Bermuda companies are now permitted to have all the capacity of a natural person, instead of a list of objects in its memorandum of association. The Board recommends that the Company should take advantage of the flexibility offered by this new legislation. The Board is proposing resolution 5 to remove the objects clause from the Company's Memorandum of Association and provide that the objects, for which the Company is to be treated as having been formed and incorporated, are unrestricted.

6. Appointment of Subsidiary Officers (Resolutions 6 and 7)

In accordance with its Bye-laws, if the Company is 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.

Lancashire Insurance Company Limited ("LICL"), a subsidiary of the Company, is seeking approval of the Company in its capacity as its sole shareholder to appoint Elaine Whelan and Charles Mathias as additional directors of LICL and, in accordance with such appointments, to approve that the number of directors of LICL be increased to 6. Elaine Whelan is the Chief Financial Officer and Financial Controller of LICL and Charles Mathias is the Vice President and Underwriting Manager of LICL.

Lancashire Marketing Services (Middle East) Limited is seeking approval of the Company in its capacity as its sole shareholder to appoint Elaine Whelan as an additional director and Finance Officer subject to approval from the Dubai Financial Services Authority.

Voting

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

Holders of depository interests in the Company wishing to instruct Capita to vote in respect of the holder's interest should use the enclosed Form of Direction. The completed Form of Direction must be received by Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Kent BR3 4TU not later than 72 hours before the time appointed for the holding of the Special General Meeting.

Record Date

Only Shareholders entered on the register of members of the Company at 5.00pm (Bermuda time) on 3 December 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 3 December 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 Special General Meeting is necessary to allow sufficient time to complete the voting cut-back calculations related to US 9.5% Shareholders as required by Bye-laws 39 and 40 of the Company's Bye-laws.

Recommendation

The directors believe that the resolutions set out in the Special 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 them. Each director who holds Common Shares in the Company intends to vote in favour of the resolutions in respect of his own shareholdings.

Yours faithfully,

Martin Thomas
Chairman

APPENDIX

SUMMARY TERMS OF THE RESTRICTED SHARE SCHEME

General

The Restricted Share Scheme ("RSS") will be a long term incentive scheme under which awards to acquire the Company's Common Shares may be granted to participants subject to certain time and, normally, performance conditions ("Awards").

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

Eligibility

The employees, executive directors of the Company and its subsidiaries, and, if approved by the Board, the Chairman of the Company will be eligible to participate in the RSS.

Grant of Awards

The Committee may grant Awards at any time when it is not in a Close Period (as defined in the rules for companies listed on AIM).

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

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

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

Individual limit under the RSS

The Remuneration Committee may, from time to time, determine the maximum market value of Common Shares over which Awards may be granted to any particular participant in any financial year of the Company.

Vesting and Performance Conditions

Awards may vest over such period, and in such instalments, as the Committee shall specify at the time of grant. The current intention is that the initial grant of Awards will vest in equal instalments on the first, second and third anniversaries of the date of grant.

The vesting of the Awards may be subject to the attainment of one or more performance conditions and, where this is to be the case, such performance conditions will be set by the Committee at the time of grant. The performance conditions shall be chosen from among earnings per share, economic value added, net income, operating income, return on assets, return on capital, return on equity, return on investment, gross or net underwriting results, revenue, share price, stock price growth or total shareholder return.

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

Voting rights and dividend rights

Awards of conditional Common Shares and options will not confer any Shareholder rights until the Awards have vested or the options have been exercised and the participants have received their Common Shares. Holders of Awards of forfeitable Common Shares will have Shareholder rights from when the Awards are made (except they may be required to waive their rights to receive dividends).

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

Termination of Employment

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

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

Change of Control

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

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

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

Adjustments in Event of Change of Share Capital

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

Rights attaching to Common Shares

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

Overall limits under the RSS

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

In any ten calendar year period, the Company may not issue (nor grant rights to issue) more than 10 per cent of the issued common share capital of the Company under the RSS and any other employee share plan adopted by the Company.

In addition, and in conformity with current stock market views typically insisted upon by bodies representing institutional investors, treasury Common Shares used to satisfy awards made under the RSS will also count towards this limit, for as long as those views continue to be held. Common Shares issued or to be issued under awards or options granted before the Company was listed on AIM will not count towards this limit.

For the avoidance of doubt, Common Shares issued under the Company's management ordinary warrants and management performance warrants which were described in the Company's AIM Admission Document will not count towards this limit.

Amendment of the RSS

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

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

LANCASHIRE HOLDINGS LIMITED
NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of the Company will be held at Mintflower Place, 8 Par-la-Ville Road, Hamilton, Bermuda on 4 January 2008 at 11.00am (Bermuda time), for the purpose of considering and, if thought fit, passing the following resolutions:

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

1. That pursuant to Bye-law 2.6(a)(i) of the Company's Bye-laws, the directors' authority to allot Relevant Securities (within the meaning of Bye-law 2.4), may be exercised by the directors' in respect of Equity Securities (within the meaning of Bye-law 2.5(g)) up to an aggregate nominal amount equal to US\$13,867,281 or 15% of the issued share capital at the date of exercise of this authority (whichever is the lower amount), as if Bye-law 2.5(a) of the Company's Bye-laws did not apply with such authority to expire at the conclusion of the Company's 2009 annual general meeting or, if earlier, 18 months 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 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 made or to be made pursuant to such authorities.

To consider, and if thought fit, pass the following resolutions:

2. To accept the recommendation of the Board of directors of the Company that the Memorandum of Association of the Company be amended so that the following words are added at the end of paragraph 7 (either as amended pursuant to resolution 5 below or at the end of the existing paragraph 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 provided that the amount of shares held in treasury shall not exceed 10% of the Company's issued share capital."

3. To approve the following amendments to the Company's Long Term Incentive Plan:

(i) the inclusion of a new Rule 10.2 as follows: "The Committee may determine that, following the record date for any cash dividend or other cash distribution by the Company to its shareholders, the Exercise Price of, and/or the number of Shares comprised in, the Options held by Participants as at that record date (or, where Options have been exercised but no Shares have been Released after such exercise, the number of Shares which may be Released and/or the relevant Exercise Price) may be adjusted in such manner as the Committee may deem appropriate except that the Exercise Price may not be adjusted below the par value of a Share. This Rule 10.2 shall apply to any dividend or distribution with a record date on or after 3 December 2007".

(ii) Rule 10.2 be renumbered as Rule 10.3 and consequently amended to read: "The Committee may take such steps as it considers necessary to notify Participants of any adjustments made under Rule 10.1 or 10.2 and may call in, cancel, endorse, issue or re issue any Option Certificate consequent upon such adjustment".

(iii) the definition of Exercise Price be correspondingly amended to be "the price at which each Share subject to an Option may be acquired on the exercise of the Option as determined by the Committee, but, unless adjusted pursuant to Rule 10, which shall not be less than (i) the Market Value or (ii) the par value of a Share, provided that if in the Committee's discretion the denomination is to be in US dollars then the Market Value shall be converted using the £/\$ exchange rate (quoted on a service provider such as Bloomberg US determined in the Company's sole discretion) as at the close of business on the Date of Grant".

4. To approve the Lancashire Holdings Limited Restricted Share Scheme (the "Scheme"), the rules of which are produced to the meeting and a summary of which is set out in the Appendix to the circular to Shareholders accompanying this notice, and resolve that, for the purposes of the Company's Bye-laws, the Scheme is an Employee Share Scheme (as defined in the Bye-laws) so that Bye-law 2.5(a) of the Company's Bye-laws does not apply to the allotment and issue of Common Shares pursuant to awards made under the rules of the Scheme.
5. To accept the recommendation of the Board of directors of the Company that the Memorandum of Association of the Company be amended by deleting paragraphs 6(1) through 6(11) and 7(1) and 7(2) thereof in their entirety and replacing same with the following:
 - "6. The objects, for which the Company is formed and incorporated, are unrestricted.
 7. Subject to paragraph 4, the Company may do all such things as are incidental or conducive to the attainment of its objects and shall have the capacity, rights, powers and privileges of a natural person, and –
 - (1) pursuant to Section 42 of the Act, the Company shall have the power to issue preference shares which are, at the option of the holder, liable to be redeemed;
 - (2) pursuant to Section 42A of the Act, the Company shall have the power to purchase its own shares for cancellation."

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

6. To authorize the Company to vote in its capacity as sole shareholder of Lancashire Insurance Company Limited to resolve:
 - (i) that the number of directors of Lancashire Insurance Company Limited be increased from four to six;
 - (ii) to appoint Elaine Whelan as an additional director of Lancashire Insurance Company Limited; and
 - (iii) to appoint Charles Mathias as an additional director of Lancashire Insurance Company Limited.

To consider, and if thought fit, pass the following resolutions in respect of the Company's subsidiary Lancashire Marketing Services (Middle East) Limited:

7. To authorize the Company to vote in its capacity as sole shareholder of Lancashire Marketing Services (Middle East) Limited to resolve to appoint Elaine Whelan as an additional director and Finance Officer of Lancashire Insurance (Middle East) Limited subject to the approval of the Dubai Financial Services Authority.

BY ORDER OF THE BOARD

Greg Lunn
Company Secretary

3 December 2007

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

Registration number:
EC37415

Notes:

- (i) A Shareholder entitled to attend and vote at the meeting convened by this notice or any adjournment thereof is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a member of the Company.
- (ii) To be valid, the enclosed Form of Proxy must be received by Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Kent BR3 4TU, not later than 48 hours before the time appointed for the holding of the Special General Meeting.
- (iii) Any holders of depository interests in the Company wishing to instruct Capita to vote in respect of the holder's interest should use the enclosed Form of Direction. The completed Form of Direction must be received by Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Kent BR3 4TU not later than 72 hours before the time appointed for the holding of the Special General Meeting.
- (iv) Only those Shareholders entered on the register of members of the Company at 5.00pm (Bermuda time) on 3 December 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 3 December 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (v) The rules of the Company's Long-Term Incentive Plan (incorporating the proposed amendments) and the rules of the Company's proposed Restricted Share Scheme are available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of New Bridge Street Consultants LLP, 20 Little Britain, London EC1A 7DH from the date of this notice until the date of the Special General Meeting and at the place of the Special General Meeting from at least 15 minutes prior to and until the conclusion of the Special General Meeting.

LANCASHIRE HOLDINGS LIMITED
("the Company")

FORM OF PROXY

For use by Shareholders at the Special General Meeting of the Company to be held at Mintflower Place, 8 Par-la-Ville Road, Bermuda on 4 January 2008 at 11.00am (Bermuda time).

I/We [name in full] _____

Of _____
 being (a) member(s) of the above-named Company, as referred to in the notice dated 3 December 2007 (the "Notice") from the Company to its Shareholders HEREBY APPOINT the duly appointed Chairman of the Special General Meeting or _____ as my/our proxy to vote for me/us on my/our behalf at the Special General Meeting and at any adjournment thereof, as indicated below.

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

RESOLUTION	FOR	AGAINST	VOTE WITHHELD
1 – To disapply pre-emption rights.			
2 – To amend the Company's Memorandum of Association to permit the Company to hold shares in treasury.			
3 – To approve amendments to the Long Term Incentive Plan.			
4 – To approve the adoption of a Restricted Share Scheme.			
5 – To amend the Company's Memorandum of Association to provide that the Company has unrestricted objects and the capacity of a natural person.			
6(i) – To increase the number of Lancashire Insurance Company Limited's directors from 4 to 6.			
6(ii) – To appoint Elaine Whelan as an additional director of Lancashire Insurance Company Limited.			
6(iii) – To appoint Charles Mathias as an additional director of Lancashire Insurance Company Limited.			
7 – To appoint Elaine Whelan as an additional director and Finance Officer of Lancashire Marketing Services (Middle East) Limited subject to the approval of the Dubai Financial Services Authority.			

Signature:

Dated: 2007

NOTES :

1. Please indicate how you wish to vote by marking an X opposite to the resolution. A vote withheld is not a vote in law and if you abstain on a resolution your vote will not be counted in the calculation of the proportion of the votes for and against that resolution.
2. A proxy need not be a member of the Company.
3. If this form is signed and returned without any indication as to how the proxy shall vote, he will exercise his discretion both as to how he votes and as to whether or not he abstains from voting.
4. In the case of joint holders of Common Shares, the vote of the senior who tenders a vote whether in person or by proxy or by representative, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the share register of the Company.
5. A corporation's form of proxy shall be executed pursuant to a resolution of its directors or any other managing body thereof.
6. If you wish to appoint one or more proxies to attend or vote other than the Chairman of the meeting, a space has been provided for his or her full name (in capitals). Please delete the reference to the Chairman and initial it.
7. This Form of Proxy, to be valid, must be lodged with Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Kent BR3 4TU not less than 48 hours before the time appointed for the meeting or any adjournment thereof, together, if appropriate, with the power of attorney or other written authority, if any, under which it is signed (or a duly certified copy of such power) or, where the Form of Proxy has been signed by an officer on behalf of a corporation a duly certified copy of an authority under which it is signed. Any alterations made to this Form of Proxy should be initialled.

LANCASHIRE HOLDINGS LIMITED
 ("the Company")

FORM OF DIRECTION

Form of Direction for completion by holders of depository interests representing Common Shares on a 1 for 1 basis in the Company in respect of its Special General Meeting to be held at Mintflower Place, 8 Par-la-Ville Road, Bermuda on 4 January 2008 at 11.00am (Bermuda time).

I/We [name in full] _____

Of _____
 being a holder of depository interests in the Company, as referred to in the notice dated 3 December 2007 (the "Notice") from the Company to its Shareholders HEREBY APPOINT Capita IRG Trustees Limited ("Capita") to vote for me/us on my/our behalf at the Special General Meeting and at any adjournment thereof, as indicated below.

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

RESOLUTION	FOR	AGAINST	VOTE WITHHELD
1 – To disapply pre-emption rights.			
2 – To amend the Company's Memorandum of Association to permit the Company to hold shares in treasury.			
3 – To approve amendments to the Long Term Incentive Plan.			
4 – To approve the adoption of a Restricted Share Scheme.			
5 – To amend the Company's Memorandum of Association to provide that the Company has unrestricted objects and the capacity of a natural person.			
6(i) – To increase the number of Lancashire Insurance Company Limited's directors from 4 to 6.			
6(ii) – To appoint Elaine Whelan as an additional director of Lancashire Insurance Company Limited.			
6(iii) – To appoint Charles Mathias as an additional director of Lancashire Insurance Company Limited.			
7 – To appoint Elaine Whelan as an additional director and Finance Officer of Lancashire Marketing Services (Middle East) Limited subject to the approval of the Dubai Financial Services Authority.			

Signature:

Dated: 2007

NOTES :

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