

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser. The whole text of this document should be read.

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

Notice of a Special General Meeting of Lancashire Holdings Limited to be held at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda on Wednesday 22 December 2010 commencing at 12 noon (Bermuda time) is set out on page 6 of this document. Holders of Common Shares (“Shareholders”) will find enclosed a Form of Proxy for use at the Special General Meeting. Holders of depository interests in the Common Shares will find a Form of Direction by which they can instruct Capita IRG Trustees Limited (“Capita”) to vote in respect of their interest. To be valid, the enclosed Form of Proxy must be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the holding of the Special General Meeting. To be valid the Form 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:

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

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

29 November 2010

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

Dear Shareholder,

Special General Meeting

I am writing to give you details of the business proposed to be considered at the Company’s forthcoming Special General Meeting to be held at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda on Wednesday 22 December 2010 commencing at 12 noon (Bermuda time). The notice convening the SGM is set out towards the end of this letter.

Background to the Business to be considered

At Board Meetings held on 5 November 2010 and 26 November 2010, the Board of Directors (the “Board”) approved resolutions to convene a Special General Meeting of the Company for the purposes of considering and approving various amendments to (i) the Company’s bye-laws (the “Bye-laws”) and (ii) the rules of the Company’s Restricted Share Scheme.

Proposed Business

(1) Resolutions to amend the Company’s Bye-laws

The Board is seeking Shareholders’ approval to amend the Company’s Bye-laws. It is proposed that the Bye-laws be amended as follows:

- (i) The Board is seeking Shareholders’ approval to amend Bye-laws 3 and 4 to permit the Company to purchase its own shares for cancellation or acquire them as Treasury Shares (subject to the Memorandum of Association). All the rights attaching to a Treasury Share shall be suspended and shall not be exercised by the Company while it holds such Treasury Share and, except where required by law, all Treasury Shares shall be excluded from the calculation of any percentage or fraction of the Company’s share capital. The Company’s Memorandum of Association was amended in 2008 to permit the Company to hold Treasury Shares (not to exceed 10% of the issued share capital). Generally, the rights attaching to Common Shares are curtailed while they are held as Treasury Shares.
- (ii) The Board is seeking Shareholders’ approval to amend Bye-laws 8, 56(e) and 74 to reflect that it is no longer a mandatory requirement of the Bermuda Companies Act 1981 (the “Companies Act”) that deeds or other documents be executed under seal in order to be

effective. The requirements for issuing share certificates under seal have also been amended, and consequently an amendment is required to Bye-law 8 to simplify the provisions relating to the execution of share certificates. An amendment is also required to Bye-law 56(e) to delete the requirement for a common seal on a power of attorney. An amendment is also required to Bye-law 74 on the form and use of seal. Instead of a seal being mandatory, the Company may adopt a seal in such form as the Board may determine. The seal may be affixed to any deed, instrument or document, and if the seal is to be affixed thereto, it shall be attested by the signature of any director, officer, or the Secretary or any person appointed by the Board for that purpose. Also, any person appointed to act as the Company's Resident Representative may affix the seal of the Company to certify the authenticity of any copies of documents.

- (iii) The Board is seeking Shareholders' approval to amend Bye-law 10.2 to reflect the change in Bermuda law that the register of members should now be open to inspection at the registered office of the Company without charge.
- (iv) The Board is seeking Shareholders' approval to amend Bye-laws 22, 23, 30, 58, 59 and 69 to reflect the change to Bermuda law that removes the requirement for companies to have officers with specific titles such as "President" and "Chairman". The only specific title now required is that of "Secretary". The Companies Act now also provides that a company may appoint as officers, persons who may or may not be directors. Bye-laws 58 and 59 should be amended to reflect these changes. Should a company elect to have officers, it can give its officers whatever title is preferred. Bye-laws 22, 23, 30, and 69, which refer to the Chairman or President, need to be amended to take account of the fact that there may not be officers with such titles.
- (v) The Board is seeking Shareholders' approval to amend Bye-laws 26, 28, 32, 65 and 66 to take account of the new provisions permitting the delivery of electronic records, and empowering companies to conduct their meetings via webcam or other electronic means. The law has made provision for electronic record delivery and specifically, an electronic record is also deemed to have been delivered if it is published on a website and the person to whom the document is to be provided has agreed to that method and been given access to the necessary webpage (this method being commonly referred to as "Notice and Access"). Bye-law 26 should be amended to take account of the changes to giving notice and access. An amendment is required to Bye-law 28 to allow Shareholders to participate in any general meeting by such telephonic, electronic or other communication facilities or means that allow all persons participating in the meeting to communicate with each other simultaneously. Amendments are required to Bye-law 32, where a vote is taken by poll, to allow persons to be present by telephone, electronic or other communication facilities or means and to cast their vote in such manner as the chairman of the meeting shall direct, and for votes cast in such manner to be included in the examination and count at the conclusion of the poll. Bye-law 65 should be amended to reflect the fact that notice of board meetings can also be given by electronic means, and Bye-law 66 should be amended to reflect that electronic participation in meetings is permitted.
- (vi) The Board is seeking Shareholders' approval to modify the subsidiary voting push-up provision in Bye-law 45, so that Bye-law 45 is only applicable in the event that the voting rights of Shares of the Company held by U.S. Shareholders are adjusted pursuant to Bye-laws 40-44. The primary purpose of these provisions in Bye-laws 40-44 is to mitigate the risk of a direct or indirect U.S. Shareholder of the Company having current income inclusions pursuant to the controlled foreign corporation rules under the U.S. Internal Revenue Code. If no voting rights are adjusted under Bye-laws 40-44, then Bye-law 45 would not be applicable either, which is the reason for the proposed change.
- (vii) The Board is seeking Shareholders' approval to amend Bye-law 63.6 to give the Company the ability to advance money to a director or an officer for his defence in any civil or criminal proceedings, on the condition that the director or officer shall repay the advance if any allegation of fraud or dishonesty is proved against him. The Companies Act now expressly states that a company may indemnify its directors and officers not only from an eventual award against them, but for the costs of defending themselves. In the

event that a case for fraud or dishonesty is proved, the directors or officers will be required to repay the funds provided for their defence.

(viii) The Board is seeking Shareholders' approval to amend Bye-law 67 to clarify the quorum requirement for Board meetings.

The reason for listing the resolutions separately is to ensure that failure to approve any one need not preclude approval of any other. A draft version of the Bye-laws incorporating all the above changes (Appendix 1) is available for review on the Company's website at www.lancashiregroup.com and is available for inspection by prior appointment (by emailing CL2010@dl.com) during normal business hours on any weekday until the close of the meeting at the offices of Dewey & LeBoeuf, No. 1 Minster Court, Mincing Lane, London, EC3R 7YL United Kingdom, and at the Company's registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

(2) Resolutions to amend the rules of the Company's Restricted Share Scheme

(ix) The Board is seeking Shareholders' approval to amend the rules of the Company's Restricted Share Scheme.

Changes in relation to the Restricted Share Scheme

The Company operates the Lancashire Holdings Limited Restricted Share Scheme (the "RSS") as its primary, share-based, long-term incentive arrangement for selected employees (including the Company's executive directors).

Implemented in 2008, the RSS provides for the grant of conditional rights over Common Shares. Under current policy, awards under the RSS ordinarily vest three years from grant, subject to the award holder's continued employment and the satisfaction of performance conditions (if applicable).

Following a review of the current terms of the RSS, the remuneration committee of the Company's board of directors (the "Committee") has proposed two minor changes in relation to the current terms of the RSS.

The Board is seeking Shareholders' approval to authorise the Company to amend the terms of the RSS: firstly, to provide for an exercise period for awards structured as nil (or nominal) cost options, which would continue until the tenth anniversary of the grant of the awards. This amendment should enable the holders of such awards to better manage the timing of the tax charge associated with the exercise of their awards. This should encourage recipients to retain their interests in the Company arising from RSS awards for a longer period.

The Board is seeking Shareholders' approval to authorise the Company to amend the terms of the RSS: secondly, to provide that in the case of awards structured as nil (or nominal) cost options, the dividend equivalent payment may also include sums in relation to dividends paid during the period from the time the awards vest and the time such awards are exercised.

A draft version of the RSS rules incorporating all the above changes (Appendix 2) is available for review on the Company's website at www.lancashiregroup.com and is available for inspection by prior appointment (by emailing CL2010@dl.com) during normal business hours on any weekday until the close of the meeting at the offices of Dewey & LeBoeuf, No. 1 Minster Court, Mincing Lane, London, EC3R 7YL United Kingdom and at the Company's registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

Voting

Shareholders will find enclosed with this document a Form of Proxy for use in connection with the Special General Meeting. You are requested to complete the Form of Proxy in accordance with the instructions printed thereon and to return it to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, 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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 72 hours before the time appointed for the holding of the Special General Meeting.

Record Date

Only Shareholders entered on the register of members of the Company at 5.00pm (Bermuda time) on 26 November 2010 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 26 November 2010 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 any U.S. 9.5% Shareholders as required by Bye-laws 40 and 41.

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

Yours sincerely,

Martin Thomas
Chairman

LANCASHIRE HOLDINGS LIMITED
NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of the Company will be held at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda on Wednesday 22 December 2010 commencing at 12 noon (Bermuda time), for the purpose of considering and, if thought fit, passing the following resolutions:

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

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

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

- (i) Amend Bye-laws 3 and 4 to add a reference to Treasury Shares, and the terms upon which they may be held.
- (ii) Amend Bye-laws 8, 56(e) and 74 to take account of the fact corporate seals are no longer required.
- (iii) Amend Bye-law 10.2 to reflect that the register of members may be inspected free of charge.
- (iv) Amend Bye-laws 22, 23, 30, 58, 59 and 69 to reflect the fact that the requirement for specific titles for officers has been removed.
- (v) Amend Bye-laws 26, 28, 32, 65 and 66 to take account of the new provisions in the Act allowing for electronic delivery of notice and access to Shareholders.
- (vi) Amend Bye-law 45 to modify the subsidiary voting push-up provision in Bye-law 45, so that Bye-law 45 is only applicable in the event that the voting rights of any shares of the Company held by U.S. Shareholders are adjusted pursuant to Company Bye-laws 40-44.
- (vii) Amend Bye-law 63.6 to authorise the Company to advance defence funds to indemnified parties.
- (viii) Amend Bye-law 67 to authorise the Company to clarify the quorum requirement for Board meetings.

2. Approval of amendments to the rules of the Company's Restricted Share Scheme

- (ix) That amendments to the terms of the Lancashire Holdings Limited Restricted Share Scheme (the "RSS") referred to in the Chairman of the Board's letter to Shareholders dated 29 November 2010 and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the directors be authorised to adopt such amendments into the RSS.

BY ORDER OF THE BOARD

Greg Lunn
Company Secretary

29 November 2010

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

Registration number:
EC37415

Notes:

- (i) A Shareholder entitled to attend and vote at the meeting convened by this notice or any adjournment thereof is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a member of the Company.
- (ii) To be valid, the enclosed Form of Proxy must be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham, 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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 72 hours before the time appointed for the holding of the Special General Meeting.

Only those Shareholders entered on the register of members of the Company at 5.00pm (Bermuda time) on 26 November 2010 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 26 November 2010 shall be disregarded in determining the rights of any person to attend or vote at the meeting.