

**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 2011 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 3 May 2012 commencing at 2pm UK time is set out on pages 8 to 10 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 ("**Capita**") to vote in respect of their interest. To be valid, the enclosed Form of Proxy must be received by PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the holding of the 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.

**Your attention is also drawn to the letter from the Chairman of Lancashire Holdings Limited which is set out on pages 4 to 7 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 modelled 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 "will", "intends", "believes", "anticipates", "plans", "projects", "forecasts", "guidance", "intends", "expects", "estimates", "predicts", "may", "can", "seeks", "should", or, in each case, their negative or comparable terminology. All statements other than statements of historical facts including, without limitation, those regarding the tax residency of the Company and its subsidiaries (the "**Group**"), its financial position, results of operations, liquidity, prospects, growth, capital management plans, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group's insurance business) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

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

These forward-looking statements speak only as at the date of publication. The Company expressly disclaims any obligation or undertaking (save as required to comply with any legal or regulatory obligations including the rules of the London Stock Exchange) to disseminate any updates or revisions to any forward-looking statements to reflect any changes in the Group's expectations or circumstances on which any such statement is based.

## Expected Timetable of Principal Events

Publication of this document and posting to Shareholders	15 March 2012
Voting record date	23 March 2012
Latest time and date for receipt of Form of Direction	2 pm UK time on 30 April 2012
Latest time and date for receipt of Form of Proxy	2 pm UK time on 1 May 2012
Time and date of Annual General Meeting	2 pm UK time on 3 May 2012

# 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*  
**Alex Maloney**, *Chief Underwriting Officer*  
**Neil McConachie**, *President*  
**Ralf Oelssner**, *Senior Independent Director*  
**Robert Spass**, *Non-Executive Director*  
**William Spiegel**, *Non-Executive Director*  
**Martin Thomas**, *Non-Executive Chairman*

*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

15 March 2012

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

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 3 May 2012 commencing at 2pm UK time. The notice convening the AGM is set out on pages 8 to 10 of this document.

## Proposed Business of the AGM

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

Resolutions are proposed to receive the Company's audited consolidated financial statements and to approve the Directors' Remuneration Report for the year ended 31 December 2011 which are contained in the Annual Report and Accounts (**Resolutions 1 and 2**), to re-appoint the Company's auditors (**Resolution 3**), and to authorise the Company's Board of Directors (the "Board") to set the auditors' remuneration (**Resolution 4**).

### 2. Amendment of the Company's Bye-laws (Resolutions 5 and 6)

The Bye-laws currently provide that one-third of the Directors (or, if their number (excluding, for this purpose, Directors eligible for re-election under Bye-law 47.2) is not three or a multiple of three, the number nearest to, but (except where less than three Directors are subject to retirement by rotation) not greater than, one-third) shall retire from office by rotation at each AGM. The UK Corporate Governance Code (the "**Code**") published by the Financial Reporting Council recommends that, in the interests of greater accountability, all Directors of FTSE 350 companies should be subject to annual re-election. As a result of discussions with our major shareholders, the Board believes that there is an appetite for a change in our practice to date, and a desire that all Directors should submit themselves for re-election every year, in compliance with the recommendation of the Code. The Company is therefore proposing to amend the Bye-laws to provide for the annual re-election of all Directors and, subject to the approval of such amendment to the Bye-laws, all Directors of the Company will submit themselves for re-election at the forthcoming AGM (see Resolutions 7 to 15).

It is also proposed to repeal Bye-law 6 of the Company's Bye-laws following a recent amendment to the Companies Act of Bermuda that removes the financial assistance provisions in their entirety.

Accordingly, the Board is seeking Shareholders' approval at the AGM to amend the Bye-laws as follows:

#### Resolution 5:

- (i) To amend Bye-law 47.3 to remove the reference to a Director retiring.
- (ii) To amend Bye-law 49 to provide that a Director's term of office will conclude at each annual general meeting.

In order for these Bye-laws to be amended, Bye-law 88.2 requires Shareholders voting in person or by proxy holding not less than 66 per cent of the votes attaching to all Common Shares in issue to vote in favour of Resolution 5 (a "**Super Majority Vote**"). In the event that this majority is not reached at the AGM, the Board will nominate for re-election at the AGM Ralf Oelssner and William Spiegel only (as discussed below).

**Resolution 6:**

- (i) To delete Bye-law 6.

A draft extract of the Bye-laws, incorporating the proposed amendments, is enclosed at Appendix 1.

**3. Re-election of Directors (Resolutions 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 and 17)**

Subject to and conditional on the passing of Resolution 5 and the amendments to the Bye-laws proposed thereby, and with recommended practice under the Code, it is proposed that all Directors shall retire at the AGM and thus be eligible for re-election.

John Bishop, Richard Brindle, Emma Duncan, Alex Maloney, Neil McConachie, Ralf Oelssner, Robert Spass, William Spiegel and Martin Thomas have offered themselves for re-election.

The Board, having conducted a formal performance evaluation, is satisfied with the performance of each of the Directors and proposes their re-election until the next AGM.

Further information about the performance evaluation process and the Directors, including biographies, is set out in the accompanying 2011 Annual Report and Accounts.

In the event that Resolution 5 is not approved by a Super-Majority Vote, Shareholders will be asked to vote on the re-election of Ralf Oelssner and William Spiegel only, who were appointed as Directors of the Company on 12 December 2005 and 9 December 2005, respectively, who shall retire at the AGM and thus be eligible for re-election in accordance with the existing Bye-laws.

Shareholders are asked to note that Neil McConachie, who is currently President of the Company, is proposed for re-election in his capacity as an Executive Director (Resolution 11), but that he has given notice of his intention to step down as President and a member of executive management with effect from 31 December 2012. Mr McConachie will continue to serve on the Board as a Non-Executive Director (albeit he will not be treated at that time as being independent in character for the purposes of the Code).

**4. Renewal of general and unconditional authority to allot shares (Resolution 18)**

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\$28,100,404, 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 AGM of the Company in 2013 or, if earlier, 15 months from the date the relevant resolution is passed.

**5. 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' approval to renew the authority 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\$8,430,121 on a non pre-emptive basis, such amount being approximately 10 per cent of the Company's issued share capital as at the date of 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

# Letter from the Chairman of Lancashire Holdings Limited ("the Company") *continued*

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 notes that the amount of the pre-emption disapplication for which authority is requested is above the 5 per cent level which is considered routine by UK investor groups. While a larger percentage is not routine, the Board has considered in detail the specific strategic and business case for authorising a larger pre-emption disapplication, in line with the principles published by the UK Pre-emption Group and which are supported by UK investor groups. Until the 2011 AGM, the Company had historically sought, and received, Shareholder approval for the issue of new equity on a non pre-emptive basis of up to 10 per cent of issued share capital (and, in 2008, up to 15 per cent). At the 2011 AGM this resolution failed. After detailed consideration of this result, the Company convened a special general meeting, which was held on 18 August 2011, at which Shareholders were asked to vote again on a Special Resolution to grant authority for the Directors of the Company to allot and issue common shares on a non pre-emptive basis for an amount being approximately 10 per cent of the Company's issued share capital as at that date. The Special Resolution was approved on 18 August 2011 by 95.62 per cent of the votes cast. I would like to stress the continuing importance of Resolution 19 to the Company, and to repeat what I said in my letter to Shareholders of 27 July 2011 sent with the notice convening the special general meeting held on 18 August 2011:

"The Board accepts responsibility for not having engaged more actively on this issue with those Shareholders, who it believes to be well over 75 per cent of the Shareholder base, who would prefer the Company to maintain the ability to act quickly to raise equity capital when market circumstances so dictate. This ability to act quickly can be hugely significant. The Company operates in a market that rewards the fastest to react, those who can play a role in benchmarking an adjusted pricing regime, as well as meeting brokers' needs for immediate capacity. In this way, first movers make the new market. The Board is recommending that Shareholders vote for this first mover advantage and that those who voted against last time should reconsider."

The Board continues to believe strongly that it is in the best interests of the Company and its Shareholders to be able to raise an increased amount of additional capital as quickly as possible. The Board has no immediate intention to use this authority; however, if current capital levels are reduced, the Board considers that it is important to provide the Company with immediate access to a full range of financing options both from a risk management perspective and to reinforce the Company's strategy of managing capital actively and prudently. Unless otherwise renewed or revoked by the Shareholders in general meeting this authority will expire at the conclusion of the AGM of the Company in 2013 or, if earlier, 15 months from the date the relevant resolution is passed.

## **6. 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 AGM held on 5 May 2011. 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\$8,430,121, 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 AGM of the Company in 2013 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.

## 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 2pm UK time on 1 May 2012 (48 hours before the time appointed for the holding of the AGM). The return of a completed Form of Proxy 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 to vote in respect of the holder's interest should use the enclosed Form of Direction. The completed Form of Direction must be received by the 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 2pm UK time on 30 April 2012 (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 23 March 2012 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 23 March 2012 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 2012 Annual General Meeting of the Company will be held at Level 11, Vitro, 60 Fenchurch Street, London EC3M 4AD on 3 May 2012 commencing at 2pm UK time, for the purpose of considering and, if thought fit, passing the following resolutions.

Resolutions 1-4 (inclusive) and 6-18 (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 5 will be proposed as a resolution pursuant to Bye-law 88.2 of the existing Bye-laws of the Company requiring the affirmative vote of not less than 66 per cent of the votes attaching to all shares in issue.

### ORDINARY RESOLUTIONS

1. To receive the Company's audited consolidated financial statements for the year ended 31 December 2011.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2011.
3. 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 meeting until the conclusion of the next annual general meeting at which the Company's financial statements are presented.
4. To authorise the Board of Directors, who may delegate this authority to the Board's audit committee, to set the auditors' remuneration.

### RESOLUTION PURSUANT TO BYE-LAW 88.2

5. To approve that the Company's Bye-laws be amended as follows:
  - (i) Bye-law 47.3 be amended to remove the reference to a Director retiring; and
  - (ii) Bye-law 49 be amended to provide that a Director's term of office will conclude at each annual general meeting.

### ORDINARY RESOLUTIONS

6. To approve that the Company's Bye-laws be amended as follows:
  - (i) Bye-law 6 be deleted and noted as deleted.

#### **Subject to and conditional upon the passing of Resolution 5:**

7. To re-elect John Bishop 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 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.
11. To re-elect Neil McConachie 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 Ralf Oelssner 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 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.
14. 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.
15. 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.

**Subject to and conditional upon Resolution 5 not being passed:**

16. To re-elect Ralf Oelssner as a Director of the Company, to hold office for a further term to be determined in accordance with the Company's Bye-laws; and
17. To re-elect William Spiegel as a Director of the Company, to hold office for a further term to be determined in accordance with the Company's Bye-laws.

## **ORDINARY RESOLUTION**

18. 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\$28,100,404, 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 2013 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.

## **SPECIAL RESOLUTIONS**

19. That, subject to and conditional on the passing of Resolution 18, 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 18 as if Bye-law 2.5(a) of the Company's Bye-laws did not apply to such authority up to an aggregate nominal value of US\$8,430,121, such amount being approximately 10 per cent of the Company's issued share capital as at the date of this document, provided that, unless otherwise renewed or revoked by the Shareholders in general meeting this authority will expire at the conclusion of the annual general meeting of the Company in 2013 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 16,860,242 (representing approximately 10 per cent of the issued Common Share capital of the Company as at the date of this Notice);
  - (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:

# Notice of Annual General Meeting *continued*

- 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 2013 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.

## **By order of the Board**

**Greg Lunn**

*Company Secretary*

15 March 2012

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) A Shareholder entitled to attend and vote at the meeting convened by this notice or any adjournment thereof is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a member of the Company.
- (ii) To be valid, the enclosed Form of Proxy must be received by PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the holding of the Annual 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 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.
- (iv) Only those Shareholders entered on the register of members of the Company at 5.00pm UK time on 23 March 2012 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 23 March 2012 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

# Appendix 1 – Proposed Amended Bye-Laws of Lancashire Holdings Limited

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### Shares

#### 6. ~~Prohibition on Financial Assistance~~ [Deleted]

~~The Company shall not give, whether directly or indirectly, whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of the acquisition or proposed acquisition by any person of any shares in the Company, but nothing in this Bye-law shall prohibit transactions permitted under the Act.~~

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## Directors and officers

#### 47. Election of Directors

- 47.3** Only persons who are proposed or nominated in accordance with this Bye-law shall be eligible for election as Directors. Any Member or the Board may propose any person for election as a Director. Where any person, other than ~~a Director retiring at the meeting or~~ a person proposed for re-election or election as a Director by the Board, is to be proposed for election as a Director, notice must be given to the Company of the intention to propose him and of his willingness to serve as a Director. Where a Director is to be elected at an annual general meeting, that notice must be given not less than 90 days nor more than 120 days before the anniversary of the last annual general meeting prior to the giving of the notice or, in the event the annual general meeting is called for a date that is not 30 days before or after such anniversary, the notice must be given not later than 10 days following the earlier of the date on which notice of the annual general meeting was posted to Members or the date on which public disclosure of the date of the annual general meeting was made. Where a Director is to be elected at a special general meeting, that notice must be given not later than 10 days following the earlier of the date on which notice of the special general meeting was posted to Members or the date on which public disclosure of the date of the special general meeting was made.
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#### 49. Term of Office of Directors

Directors shall hold office for such term as the Members may determine or, in the absence of such determination, until the next annual general meeting or until their successors are elected or appointed or their office is otherwise vacated.

~~49.1 At each annual general meeting any Director eligible for re-election under Bye-law 47.2 and one-third of the other Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to, but (except where less than three Directors are subject to retirement by rotation) not greater than, one-third) shall retire from office by rotation.~~

## Appendix 1 – Proposed Amended Bye-Laws of Lancashire Holdings Limited *continued*

~~49.2~~ — The Directors eligible for re-election by rotation (excluding, for this purpose, Directors eligible for re-election under Bye-law 47.2) shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director (subject to the provisions of the Act and these Bye-laws) shall be eligible for re-election.

~~49.3~~ — The Company at the meeting at which a Director retires under any provision of these Bye-laws may (subject to Bye-law 47.4) by a resolution of its Members fill up the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. In default of such action by the Members, the retiring Director shall continue in office as though he was re-elected at such meeting except in any of the following cases:

(a) where at such meeting it is expressly resolved not to fill up each such office or a resolution for the re-election of such Director is put to the meeting and lost; or

(b) where such Director has given notice in writing to the Company that he is unwilling to be re-elected.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost in which case the retirement will take place forthwith, and accordingly a retiring Director who is re-elected or whose term of office otherwise continues as though he was re-elected at such meeting will continue in office without break.