

# Lancashire Holdings Limited

14 June 2007

## Lancashire enters into Contingent Equity Arrangement

Lancashire Holdings Limited (the "Company") announced today that it has entered into a contingent equity arrangement with a large financial institution.

Under the agreement the Company has an option to issue up to 9,786,000 common shares (approximately 5% of the Company's issued share capital) at a price per share equal to the greater of the market value of the shares at the time of exercise or US\$5.00. The agreement expires on November 30, 2007. No common shares were issued on entering into this agreement. Neil McConachie, Chief Financial Officer commented:

“This arrangement provides a committed source of equity capital at a guaranteed floor price which the Company, at its discretion, can access. While we have no current plans to exercise the option, the transaction reinforces our strategy to actively and prudently manage capital through the cycle.”

Neil McConachie added “We believe our business plan, as a diversified direct specialty insurance writer, lends itself to strong performance through hard and soft cycles. We underwrite a diverse worldwide portfolio of short-tail property risks. Programs are mostly written on a direct basis, and the majority of the 2007 book is not expected to be significantly exposed to natural catastrophes. We believe this strategy will generate above average returns for shareholders over time.”

This announcement does not constitute an offer, invitation or inducement to acquire shares or other securities in the Company in any jurisdiction.

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About Lancashire

Lancashire, through its UK and Bermuda-based insurance subsidiaries, is a global provider of specialty insurance products. Its insurance subsidiaries carry the Lancashire group rating of A minus (Excellent) from A.M. Best with a stable outlook. Lancashire has capital in excess of US\$1 billion and its common shares trade on AIM under the ticker symbol LRE.

Lancashire is headquartered at Mintflower Place, 8 Par-La-Ville Road, Hamilton HM 08, Bermuda. The mailing address is Lancashire Holdings Limited, P.O. Box HM 2358, Hamilton HM HX, Bermuda. For more information on Lancashire, visit the Company's website at [www.lancashiregroup.com](http://www.lancashiregroup.com).

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CERTAIN STATEMENTS MADE IN THIS ANNOUNCEMENT THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING, WITHOUT LIMITATION, STATEMENTS CONTAINING WORDS 'BELIEVES', 'ANTICIPATES', 'PLANS', 'PROJECTS', 'INTENDS', 'EXPECTS', 'ESTIMATES', 'PREDICTS', 'MAY', 'WILL', '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 GROUP'S FINANCIAL POSITION, RESULTS OF OPERATIONS, LIQUIDITY, PROSPECTS, GROWTH, 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 FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF THIS ANNOUNCEMENT OR OTHER INFORMATION CONCERNED. LANCASHIRE HOLDINGS LIMITED EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS (INCLUDING THE AIM RULES)) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.