

Lancashire Holdings Limited

17 July 2007

LANCASHIRE ANNOUNCES US\$200 MILLION CREDIT FACILITY

Lancashire Holdings Limited today announced that it and its wholly owned subsidiary Lancashire Insurance Company Limited have entered into a \$200 million secured five year letter of credit facility (the "Facility").

The Facility will be used to support obligations of Lancashire Insurance Company Limited under reinsurance contracts. The Facility also has a \$75 million sub-limit for revolving loans, which can be used for working capital and other corporate purposes. The Facility replaces the existing \$350 million three year letter of credit facility.

Neil McConachie, Chief Financial Officer, commented: "With favourable conditions in the credit markets, we considered this an opportune time to refinance the Facility at very attractive terms and at a size which is appropriate for the expected letter of credit needs of our predominantly direct portfolio over the medium term. We are very pleased to have a group of leading financial institutions continuing to show their strong support for the Lancashire group. This facility maintains the long-term financial flexibility and strength we have committed to our clients."

The Facility was arranged by Banc of America Securities LLC and HSBC Securities (USA) Inc. as Joint Lead Arrangers and Joint Book Managers. Bank of America, N.A. is Administrative Agent, Fronting Bank and L/C Administrator. HSBC Bank USA, National Association is the Syndication Agent. ING Bank N.V., London Branch, The Bank of New York, Lloyds TSB, Barclays Bank PLC and JPMorgan Chase Bank, N.A. are also lenders under the Facility.

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."

For further information, please contact:

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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.

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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.