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**OMEGA INSURANCE HOLDINGS LIMITED  
TERMS OF REFERENCE OF AUDIT COMMITTEE**

As adopted on 16 September 2006, and amended by  
Board Resolution on 13 July 2007 and 22 May 2009

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Dewey & LeBoeuf  
No.1 Minster Court  
Mincing Lane  
London EC3R 7YL

**Omega Insurance Holdings Limited**  
(the “Company”)

**Audit Committee**  
**Terms of Reference**

On 6 September 2006, pursuant to the Bye-Laws of the Company, the Board of Directors (the “**Board**”) resolved to establish an Audit Committee of the Board (the “**Committee**”). These Terms of Reference were adopted by the Board on 16 September 2006, and amended by Board Resolution on 13 July 2007 and 22 May 2009.

**1. Combined Code**

- 1.1 The Combined Code on Corporate Governance published in June 2008 by the Financial Reporting Council (the “**Combined Code**”) states that: *“The board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company’s auditors”*.
- 1.2 The Combined Code goes on to clarify that in practical terms, this means that: *“The board should establish an audit committee”*.
- 1.3 The Company will provide each Member of the Committee with a copy of the Combined Code.
- 1.4 The current terms of reference of the Committee will be published on the Company’s website and will also be available on request from the Company Secretary.

**2. Membership**

- 2.1 The Committee shall be appointed by the Board, on the recommendation of the Company’s Nomination Committee in consultation with the Chairman of the Committee and shall consist of not less than three members.
- 2.2 All members of the Committee shall be independent Non-executive Directors at least one of whom shall have recent and relevant financial experience in the opinion of the Board.
- 2.3 The Chairman of the Committee shall be appointed by the Board and shall be an independent Non-executive Director. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting from amongst the members of the Committee who are independent Non-executive Directors.
- 2.4 Appointments to the Committee shall be for a period of up to three years, which may be extendable for two further three year periods, so long as members continue to be independent.
- 2.5 In deciding chairmanship and membership of the Committee, the value of ensuring that Committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account.
- 2.6 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. A quorum shall be two members.

- 2.7 Only members of the Committee have the right to attend Committee meetings. At the request of the Chairman, the Committee may invite other Directors and employees of the Company and its subsidiaries to attend its meetings as it considers necessary for its effective operation. The Group Chief Financial Officer and the Head of Internal Audit (if any such, or similar, appointment exists) and a representative of the external auditors shall normally attend meetings.
- 2.8 The Company Secretary or his or her nominee shall be the Secretary of the Committee. The Secretary will keep a record of the membership of the Committee and of the dates of changes to the membership.

### **3. Authority**

- 3.1 The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee of the Company and its subsidiaries (the "**Group**") in order to perform its duties and all such employees are directed to co-operate with any request made by the Committee.
- 3.2 The Committee is authorised by the Board (subject first to informing the Board of its intention to do so) to obtain outside legal or other independent professional advice at the Company's expense and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

### **4. Duties**

The Committee members are reminded of the over-arching duties that they have as directors of the Company under the Bermuda Companies Act 1981. In addition, they have the following specific duties as regards their membership of the Committee. The Committee should carry out these duties for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate. In carrying out these duties, members of the Committee may also choose to consult the Combined Code, the Smith Guidance on audit committees last updated in October 2008 and the Turnbull Guidance on internal control last updated in October 2005, both issued by the Financial Reporting Council. Copies of these documents, should members wish to consult them, can be obtained from the Company Secretary.

The Committee should carry out the duties set below for the Group as appropriate to:

- 4.1 keep under review the scope and results of the audit and its effectiveness and the independence and objectivity of the auditors, taking into consideration relevant Bermuda and UK professional and regulatory requirements, including (but not limited to):
- 4.1.1 negotiation, and approval in final draft, of any auditor liability limitation agreement with the auditors, in accordance with the Companies Act 2006 (as if it applies to the Company), for presentation along with a memorandum explaining key aspects of such agreement, key procedural and practical issues concerned with it and the rationale for entering into it to the Board for its consideration and final decision;
  - 4.1.2 assessing annually auditors' independence and objectivity taking into account relevant Bermuda and UK law, regulation and professional requirements and

- the relationship with the auditor as a whole, including the provision of any non-audit services;
- 4.1.3 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);
  - 4.1.4 agreeing with the Board a policy on the employment of former employees of the company's auditor and monitoring the implementation of this policy;
  - 4.1.5 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements; and
  - 4.1.6 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- 4.2 keep the nature and extent of substantial volumes of non-audit services provided (if any) by the external auditors under review, seeking to balance the maintenance of objectivity and value for money and taking into consideration relevant ethical guidance regarding the provision of non-audit services by external auditors; and to report to the Board, identifying any matters in which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
  - 4.3 consider the need to include an assessment of the risk of their current auditors not being able or prepared to continue in their role and specifically the risk of the withdrawal of the auditor from the market;
  - 4.4 make recommendations to the Board, for it to put the shareholders for their approval in general meeting, in relation to the appointment, re-appointment, removal and remuneration (unless authority to set the remuneration of the external auditor is delegated to the Board by the shareholders) of the external auditor, and to approve the terms of engagement (and remuneration if authority to set the remuneration of the external auditor is delegated to the Board by the shareholders) and consider any issues involving the resignation or dismissal of the external auditor, review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, and review any representation letter(s) requested by the external auditor before they are signed by management;
  - 4.5 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall discuss with the external auditor the nature and scope of the audit before the audit commences and to ensure co-ordination where more than one audit firm is involved. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
  - 4.6 Monitor, in discussion with the external auditor, the interim and annual financial statements and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them (having particular regard to the application of accounting policies, significant adjustments arising from the audit, the going concern assumption, compliance with

accounting standards and other requirements). The Committee shall review and challenge where necessary:

- 4.6.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;
  - 4.6.2 the methods used to account for significant or unusual transactions where different approaches are possible;
  - 4.6.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - 4.6.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
  - 4.6.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);
- 4.7 discuss problems and reservations arising from the interim and final audits, as well as any matters the auditor may wish to raise (in the absence of executive management where necessary), including (but not limited to) a discussion of any major issues which arose during the audit, any accounting and audit judgements and levels of errors identified during the audit;
- 4.8 review the external auditor's management letter and management's response to it;
- 4.9 review the effectiveness of the Group's internal control and financial reporting systems (including financial, operational, compliance and risk management) and to make recommendations to the Board;
- 4.10 review the Company's statements to be included in its annual reports on internal control systems prior to endorsement by the Board;
- 4.11 review not less than annually the need for an internal audit function and make a recommendation to the Board. Where such a function exists, to review the implementation of the programme ensuring its smooth efficient running and appropriate standing within the Company. The Committee shall:
- 4.11.1 monitor and review the effectiveness of the Company's internal audit function in the context of the company's overall risk management system;
  - 4.11.2 seek to ensure co-ordination with the activities of the external auditor;
  - 4.11.3 approve the appointment and removal of the head of the internal audit function;
  - 4.11.4 consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
  - 4.11.5 review and assess the annual internal audit plan;

- 4.11.6 review promptly all reports on the Company from the internal audit function;
- 4.11.7 review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 4.11.8 meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the board and to the committee;
- 4.12 consider the major findings of internal investigations and management's response;
- 4.13 review the Company's management of foreign exchange exposures;
- 4.14 consider other topics, as requested by the Board;
- 4.15 report and make recommendations (where appropriate) on all the above matters to the Board.
- 4.16 review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the proportionate and independent investigation of such matters with appropriate follow-up action;
- 4.17 review the Company's procedures for detecting fraud;
- 4.18 report and make recommendations (where appropriate) on all the above matters to the Board.

## **5. Reporting responsibilities**

- 5.1 The Secretary of the Committee shall minute the proceedings of all meetings of the Committee including a record of the names of those present. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The minutes shall be circulated promptly to all members of the Committee. Once agreed, the minutes, but not necessarily all the related background papers, shall be made available by the Secretary of the Committee for inspection by any member of the Board, unless a conflict of interest exists.
- 5.2 The Chairman of the Committee will report to the Board on significant matters considered, recommended or decided by the Committee.
- 5.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## **7. Frequency of meetings**

- 7.1 The Committee shall meet as and when requested by either its Chairman or the Chairman of the Company, and its Chairman will ensure that such meetings are held sufficiently frequently for the Committee to fulfil its duties.

7.2 Notwithstanding 7.2 above, Committee meetings shall be held at least four times a year and as far as is practicable once every quarter.

## **8. Notice of meetings**

8.1 Reasonable notice in writing of the meetings of the Committee confirming the venue, time and date, together with an agenda of items to be discussed, shall be given to each member of the Committee and any other person required to attend. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time. For the purposes of this clause, notice in writing shall include notice sent by electronic means as deemed appropriate by the members of the Committee.

## **9. Other Matters**

9.1 The Committee shall compile an appropriate report to shareholders on its activities which may be included as part of the Company's annual report.

9.2 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.

9.3 The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

9.4 The Committee shall give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as appropriate.

9.5 The Committee shall oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of last resort.

9.6 At least once a year, the Committee shall review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

9.7 The Chairman of the Committee shall attend the Annual General Meeting of the Company and be prepared to respond to any shareholder questions on the Committee's activities.

Adopted on 16 September 2006  
and amended on 13 July 2007 and 22 May 2009

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Committee Chairman