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**OMEGA INSURANCE HOLDINGS LIMITED**

**TERMS OF REFERENCE OF REMUNERATION  
COMMITTEE**

As adopted on 16 September 2006, and amended by  
Board Resolution on 25 June 2007, 13 July 2007, 6  
March 2008 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")**

**Remuneration 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 a Remuneration Committee of the Board (the "**Committee**"). These Terms of Reference were adopted by the Board on 16 September 2006, and amended by Board Resolutions on 25 June 2007, 13 July 2007, 6 March 2008 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: *"There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration"*.

It further provides that: *"The board should establish a remuneration committee ... [which] should make available its terms of reference, explaining its role and the authority delegated to it by the board"*.

- 1.2 The Company will provide each Member of the Committee with a copy of the Combined Code.
- 1.3 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 Nomination Committee and in consultation with the Chairman of the Committee and shall consist of not less than three members. The Chairman of the Company may serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman.
- 2.2 All members of the Committee shall be independent Non-executive Directors other than the Chairman of the Company<sup>1</sup>.
- 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 shall elect one of themselves to chair the meeting amongst the members of the Committee who are independent Non-executive Directors. The Chairman of the Company shall not be Chairman of the Committee.

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<sup>1</sup> It is proposed that by 31 December 2010, the membership of the Committee is altered by adding another independent Non-executive Director so that three of the members of the Committee are independent Non-executive Directors.

- 2.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the Director still meets the criteria for membership of the Committee.
- 2.5 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.
- 2.6 Only members of the Committee have the right to attend Committee meetings. At the request of the Chairman of the Committee, the Committee may invite other individuals including Directors and employees of the Company and its subsidiaries and external advisers to attend its meetings as it considers necessary for its effective operation. In this regard, the Chief Executive Officer will report to the Committee on significant Company-wide changes in salary structure and terms and conditions affecting employees at senior executive level.
- 2.7 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**") 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 if it considers this necessary.

### **4. Duties**

- 4.1 The Chairman of the Committee shall report to shareholders in compliance with relevant regulatory and legal requirements.
- 4.2 The duties of the Committee shall be to:
- 4.2.1 determine and agree with the Board on the Company's framework or broad policy for setting appropriate levels and structure of remuneration of the Company's Chief Executive, Chairman, the Executive Directors and such other members of the senior management ("**Senior Management**") as it is designated by the Board (on recommendation of the Chief Executive and Chairman of the Committee) from time to time to consider. The remuneration of the Non-executive Directors shall be a matter for the Chairman and the executive members of the Board. No Director or manager or other officer shall be involved in any decisions as to their own remuneration or be present during discussions of matters relating to him or her individually.
- 4.2.2 the Committee shall determine and review on an ongoing basis the framework taking into account all factors which it deems necessary, with the objective of ensuring that the levels of remuneration are sufficient to attract, retain and motivate directors of a quality required to run the Company successfully and that members of the executive management of the Company

are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company;

- 4.2.3 determine the total remuneration package, including bonuses, incentive payments and share options or other share awards, of each the Chairman of the Company, Executive Director and member of Senior Management, drawing on outside advice as necessary, save that, for as long as the Chairman is a member of the Committee, his remuneration and the policy relating to payment of his expenses shall be determined by the Board;
- 4.2.4 ensure that the Executive Directors are fairly and appropriately rewarded for their individual contributions to the Group's overall performance;
- 4.2.6 approve the design of, determine targets for, advise on, and monitor, any performance related bonus or other incentive schemes and approve the total annual payments made under such schemes;
- 4.2.7 see that awards under the Group's share option schemes and incentive plans, if any, while complying with the statutory and other requirements, are consistent with the Group's overall performance and the performance of individuals and provide an additional incentive to management. The Committee shall determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and other senior executives and the performance targets to be used;
- 4.2.8 ensure that there are appropriate pension arrangements (if any) for the Executive Directors and other senior executives entitled to such arrangements;
- 4.2.9 administer the Group's share option schemes and incentive plans, if any;
- 4.2.10 oversee any major changes in employee benefit structures throughout the Group;
- 4.2.11 approve contracts of employment or related contracts and material amendments thereto with Executive Directors on behalf of the Company;
- 4.2.12 determine terms of any compensation package in the event of the early termination of the contract of any Executive Director and ensure that such terms and any payments made are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 4.2.13 in determining such packages and arrangements as above, have appropriate regard to the contents of the Combined Code of Corporate Governance published in June 2008 by the Financial Reporting Council, the ABI guidelines, the UK Listing Authority's Listing Rules, and any associated guidance covering best practice in Bermuda and the United States of America;
- 4.2.14 agree the policy for authorising claims for expenses from the Chief Executive Officer and Chairman of the Company;

- 4.2.15 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
  - 4.2.16 co-ordinate closely with the Board's Nomination Committee in relation to the remuneration to be offered to any new Executive Director;
  - 4.2.17 make recommendations to the Board regarding the contents of the Board's annual report to shareholders on Directors' remuneration;
  - 4.2.18 ensure that all provisions regarding the disclosure of remuneration, including pensions, are fulfilled;
  - 4.2.19 review and note annually the remuneration trends across the Company or the Group.
- 4.3 In undertaking the above duties, the Committee should bear in mind the size, profitability and market capitalisation of the Group, its reputation and its performance relative to other similar companies, the performance of individuals and the best interests of shareholders. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

## **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 minutes, but not necessarily all the related background papers, shall, once agreed by the Committee, 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 all matters within the Committees' duties and responsibilities, in particular 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.

## **6. Frequency of meetings**

- 6.1 The Committee shall meet as and when requested by either its Chairman or, if different, the Chairman of the Company, and its Chairman will ensure that such meetings are held sufficiently frequently for the Committee to fulfil its duties.
- 6.2 Notwithstanding 6.1 above, Committee meetings shall be held at least twice a year.

## **7. Notice of meetings**

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. 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.

## **8. Other**

- 8.1 The Committee shall compile an annual report on the Company's remuneration policy and practices ("**Remuneration Report**") which will form part of the Company's annual report and shall ensure each year that the Remuneration Report is put to shareholders for approval at the Annual General Meeting.
- 8.2 The Committee shall on a regular basis, not less frequently than annually, review its own performance and constitution and the adequacy and sufficiency of these Terms of Reference and recommend any changes it considers necessary to the Board for approval.
- 8.3 Where remuneration consultants are appointed, the Committee shall make a statement available on request of whether such consultants have any other connection with the Company.

**6. Annual General Meeting**

- 6.1 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 revised on 25 June 2007,  
13 July 2007, 6 March 2008  
and 22 May 2009

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Committee Chairman