
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, 22 May 2009 and 16 November 2010

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, 22 May 2009 and 16 November 2010.

1. Membership

- 1.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee.
- 1.2 All members of the Committee shall be independent Non-Executive Directors at least one of whom shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive, Finance Director, other Directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The external auditor will be invited to attend meetings of the Committee on a regular basis.
- 1.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the Director still meets the criteria for membership of the Committee.
- 1.6 The Board shall appoint the Committee Chairman who shall be an independent Non-Executive Director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

The Company Secretary or his or her nominee shall act as the Secretary of the Committee.

3. Quorum

The quorum necessary for the transaction of business shall be two members. 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. No meeting of the Committee shall be quorate if the majority of the Directors present consists of persons who are personally resident in the UK for UK tax purposes unless the Board has previously resolved otherwise in respect of that particular meeting.

4. Frequency of meetings

The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required. No meeting of the Committee shall be held in the UK.

5. Notice of meetings

5.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of the external or internal auditor if they consider it necessary.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the Committee, any other person required to attend and all other Non-Executive Directors, no later than five working days before the date of the meeting. Where practicable, supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6. Minutes of meetings

6.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so.

7. Annual General Meeting

The Committee Chairman should attend the Company's Annual General Meeting (the "AGM") to answer shareholder questions on the Committee's activities.

8. Duties

- 8.1 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 (the Company) and major subsidiary undertakings (the “**Group**”) and the Group as a whole, as appropriate. In carrying out these duties, members of the Committee may also choose to consult the UK Corporate Governance Code, the Smith Guidance on audit committees last updated in October 2008 and the Turnbull Guidance on internal control last updated in October 2005, all issued by the Financial Reporting Council, and such other guidance as may be published from time to time by the Financial Reporting Council or other similar or successor body for the guidance of audit committees. Copies of these documents, should members wish to consult them, can be obtained from the Company Secretary.
- 8.2 The Committee should carry out the duties set out below for the Group as appropriate to:
- 8.2.1 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):
- (i) 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;
 - (ii) 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;
 - (iii) 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);
 - (iv) agreeing with the Board a policy on the employment of former employees of the Company’s auditor and monitoring the implementation of this policy;
 - (v) 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

- (vi) 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;

- 8.2.2 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;
- 8.2.3 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;
- 8.2.4 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;
- 8.2.5 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 ensure co-ordination where more than one audit firm is involved. The Committee shall meet with the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- 8.2.6 monitor, in discussion with the external auditor, the half yearly 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:

- (i) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (iv) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
 - (v) 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);
- 8.2.7 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;
- 8.2.8 review the external auditor's management letter and management's response to it;
- 8.2.9 review the effectiveness of the Group's internal financial controls, internal controls, risk management systems and financial reporting systems (including financial, operational, compliance and risk management) and make recommendations to the Board;
- 8.2.10 review and approve the statements to be included in the Company's annual report concerning internal controls and risk management prior to endorsement by the Board;
- 8.2.11 review not less than annually the need for an internal audit function and make a recommendation to the Board. Where such a function exists, the Committee shall review the implementation of the programme ensuring its smooth efficient running and appropriate standing within the Company. The Committee shall:
- (i) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
 - (ii) seek to ensure co-ordination with the activities of the external auditor;

- (iii) approve the appointment and/or removal of the head of the internal audit function;
 - (iv) 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;
 - (v) review and assess the annual internal audit plan;
 - (vi) review promptly all reports on the Company from the internal audit function;
 - (vii) review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
 - (viii) meet with 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;
- 8.2.12 consider the major findings of internal investigations and management's response;
- 8.2.13 review the Company's management of foreign exchange exposures;
- 8.2.14 consider other topics, as requested by the Board;
- 8.2.15 report and make recommendations (where appropriate) on all the above matters to the Board;
- 8.2.16 review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 8.2.17 review the Company's procedures for detecting fraud;
- 8.2.18 review the Company's procedures for the prevention of bribery;
- 8.2.19 consider and approve the remit of the risk management 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 independence and is free from management or other restrictions;

- 8.2.20 recommend to the Board the appointment and/or removal of the senior risk management personnel;
- 8.2.21 review promptly all reports on the Company from the senior risk management personnel;
- 8.2.22 review and monitor management's responsiveness to the findings and recommendations of the senior risk management personnel;
- 8.2.23 give senior risk management personnel the right of direct access to the Chairman of the Board and to the Committee; and
- 8.2.24 report and make recommendations (where appropriate) on all the above matters to the Board.

9. Reporting responsibilities

- 9.1 The Committee Chairman shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall produce a report on its activities to be included in the Company's annual report.

10. Other matters

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 10.2 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;
- 10.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 10.4 be responsible for co-ordination of the internal and external auditors;

- 10.5 oversee any investigation of activities which are within its terms of reference; and
- 10.6 arrange for periodic reviews of its own performance and, at least annually, review its 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.

11. Authority

The Committee is authorised:

- 11.1 to seek any information it requires from any employee of the Company and its subsidiaries in order to perform its duties;
- 11.2 subject first to informing the Board of its intention to do so, to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 11.3 to call any employee to be questioned at a meeting of the Committee as and when required; and
- 11.4 to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

Adopted on 16 September 2006
and amended on 13 July 2007,
22 May 2009 and 16 November 2010