

Lancashire Insurance Company (UK) Limited
(the “Company”)

Remuneration Committee

Terms of Reference

1. Purpose

The purpose of the Remuneration Committee (the “Committee”) is to:

- 1.1 develop, and monitor the application of, a remuneration policy to attract, retain and motivate those people who have the calibre and skills required to achieve the Company’s objectives and which balances the interests of the Company and its shareholder, Lancashire Holdings Limited (‘LHL’).
- 1.2 involve itself in and be informed about, any matters generally relating to the appointment, remuneration, benefits, terms and conditions of the employees (‘framework of remuneration’) of the Company as may be determined by the Committee; especially with the framework of remuneration applicable to the executive directors or managers of the Company.

The Company’s remuneration policy and framework of remuneration should, to the extent permitted by law and regulation applicable to the Company, be the same as, or consistent with and supportive of, the Group’s remuneration policy and framework of remuneration (if any) in force from time to time. The Committee will seek to align its general approach, in relation to all matters that it considers, with that of the Remuneration Committee of LHL and its terms of reference as adopted from time to time.

2. Membership

- 2.1 The Committee shall be appointed by the Board and shall consist of not less than one non-executive director and the Chief Executive Officer. A quorum shall be two members. The Chair shall be a non-executive director.
- 2.2 The Committee may invite other Directors, managers and officers to attend its meetings as it considers necessary for its effective operation. In this regard, the Chief Executive of the Company will report to the Committee on at least on an annual basis in relation to the framework of remuneration and terms and conditions affecting employees of the Company and any significant changes proposed to it.
- 2.3 The secretary of the Committee shall be appointed from the membership of the Committee or, in the absence of such appointment, shall be the Secretary of the Company or other individual as the Committee approves (e.g. HR Manager LUK).

3. Duties and responsibilities

- 3.1 The Committee is authorised by the Board to investigate any activity within its terms of reference and all employees of the Company are directed to co-operate with the Committee.
- 3.2 The duties of the Committee shall be to:
 - 3.2.1 determine whether (with the input of the Head of Human Resources) the Company's framework of remuneration (including, as appropriate specific bonuses, incentive payments, share options and other benefits) provides appropriate incentives to encourage enhanced individual and corporate performance in a fair and responsible manner and rewards them for their individual contributions to the success of the Company;
 - 3.2.2 ensure that no Director, manager or other officer shall be involved in any decisions as to their own remuneration;
 - 3.2.3 be aware of and advise, as appropriate on any major changes in the framework of remuneration that affect the Company including but not limited to changes in law, regulation, industry standards or codes of practice affecting the design and effect of the framework of remuneration;
 - 3.2.4 advise the Board and the LHL Remuneration Committee (via the LHL Company Secretary) as soon as practicable upon becoming aware that the Group's remuneration policy and framework of remuneration is, or is unlikely to continue to be, in compliance with law or regulation applicable to the Company;
 - 3.2.5 be responsible as appropriate for establishing the selection criteria and carrying out the selection for any outside advisers who advise the Committee; and
 - 3.2.6 report via its Chair on at least an annual basis to the Board of the Company in relation to its review of the framework of remuneration affecting employees of the Company and the actions it has taken.
- 3.3 In undertaking the above duties the Committee should bear in mind the size, profitability and market capitalisation of the Company, its reputation and its performance relative to other similar companies (including but not limited to those operating in the London insurance market), the performance of individuals and the best interests of the Lancashire Group of companies, its shareholders and other stakeholders.

4. Meetings

- 4.1 The Committee shall meet as and when requested by the Chair and its Chair will ensure that such meetings are held sufficiently frequently with sufficient notice for the Committee to fulfil its duties. The Chair will chair all regular meetings and set the agenda.

- 4.2 No Member of the Committee may participate in any decision regarding his or her own remuneration or be present during discussions of matters relating to him or her individually.
- 4.3 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 be made available for inspection by any member of the Board.
- 4.4 The Chairman of the Committee will provide a written report to the Board of the Company at a minimum annually on significant matters considered, recommended or determined by the Committee.
- 4.5 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

5. Outside Advisors

- 5.1 The Committee may engage independent counsel and other advisors, such as remuneration consultants, as the Chairman deems necessary, to assist the Committee in the performance of its duties.

Adopted on 16th October 2012