
LANCASHIRE HOLDINGS LIMITED

**TERMS OF REFERENCE OF THE UNDERWRITING AND UNDERWRITING RISK
COMMITTEE**

V6 Adopted on 24 July 2013 Replacing V5 Adopted on 24 July 2012

Lancashire Holdings Limited
("LHL")

Underwriting and Underwriting Risk Committee

Terms of Reference

The Underwriting and Underwriting Risk Committee (the "Committee"), which may consist partly or entirely of non-Directors, is appointed by the Board of Directors, pursuant to Bye-law 56(g) of the LHL Bye-laws, to oversee the underwriting operations of the Lancashire group of companies (the "Group").

1. Purpose

- 1.1 To oversee the development of and adherence to underwriting guidelines by operating company Chief Underwriting Officers and monitor procedures relating to exceptions thereto. It will also have responsibility for formulating Group underwriting strategy.
- 1.2 To review significant changes in underwriting rules and policy.
- 1.3 To establish, review and maintain strict underwriting criteria and limits.
- 1.4 To monitor underwriting risk and its consistency with Lancashire's risk profile and risk appetite and to recommend to the Board tolerances for underwriting risk at Group level in conjunction with the Group Chief Risk Officer.
- 1.5 To provide a report at least quarterly to the LHL Board providing details of the deliberations and decisions of the Committee.

2. Composition, Qualification and Meetings

- 2.1 The Committee shall be appointed by the LHL Board and shall consist of the Group Chief Executive Officer and not less than two other senior Group executive underwriting managers. In addition, any Director of the company may be appointed as a Member of the Committee. The Group Chief Executive Officer or the Group Chief Underwriting Officer shall be the Chairman of the Committee. A quorum 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.
- 2.2 The Committee may invite other officers and Group managers to attend its meetings as it considers necessary for its effective operation.
- 2.3 The Group Secretary shall be the secretary of the Committee.
- 2.4 Committee vacancies shall be filled by the affirmative vote of a majority of the Board at the next Board meeting following the occurrence of the vacancy or as soon thereafter as practicable.
- 2.5 Actions taken by the Committee shall require the affirmative votes of a majority of the votes cast by the Committee members present at any meeting.

- 2.6 The Committee shall meet as often as necessary to carry out its duties provided that it shall meet at least four times a year. The Committee Chair shall have final discretion to call additional meetings as circumstances dictate. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting.
- 2.7 A meeting of the Committee may be called at any time by any Member of the Committee. Notice shall be deemed duly given if it is given verbally (in person or by telephone) or otherwise given in words in any legible form (whether electronic or otherwise).
- 2.8 The Committee may form and delegate authority to sub-committees of the Committee consisting of one or more members, or the Committee Chair when appropriate, for any purpose that the Committee deems appropriate, provided, however, that the Committee shall not delegate to a sub-committee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.
- 2.9 The Committee shall maintain minutes of its meetings and shall submit regular oral or written reports on its actions to the Board of LHL pursuant to the exercise of any of its responsibilities and duties. The primary focus of such reports shall be on policy and strategic matters. Where necessary, the Committee shall seek approval for its actions from the Board or any sub-committee designated by the Board.

3. Responsibilities, Duties and Powers

- 3.1 The Committee's responsibilities, duties and powers are as follows:
 - 3.1.1 To receive reports at least quarterly from operating company Chief Underwriting Officers regarding the preparation and presentation of the plan for the Group's underwriting activities to be approved by the LHL Board as part of the overall strategy and business plan of the Lancashire Group (the "Group Business Plan").
 - 3.1.2 Approve and review periodically the Group's underwriting guidelines and policies as prepared by the operating company Chief Underwriting Officers and evaluate whether these guidelines and policies are consistent with Lancashire's risk profile, strategic plan and underwriting risk appetite and tolerances.
 - 3.1.3 To receive reports at least quarterly from operating company Chief Underwriting Officers covering their review and monitoring of compliance with underwriting guidelines and policies (including the Operating Guidelines) and any exceptions thereto. Any risks that fall outside of these criteria and limits will require the approval of the Committee or the Chief Underwriting Officer of the operating company in question, who may authorize acceptance of individual items of business falling outside the terms of the Group Business Plan on a case by case basis, in all instances to be evidenced in writing. It is the obligation of the underwriter seeking to rely on such authorisation to ensure that it is properly recorded. Failure to do so may result in disciplinary action up to and including termination of employment or service contract.
 - 3.1.4 Review entry into new major lines of insurance/reinsurance business that are not set forth in the Group Business Plan, and review existing lines for continued underwriting or withdrawal. The underwriting of a line of business or classes of coverage falling outside the terms of the Group Business Plan must be authorised in advance by the Underwriting Committee and will constitute a formal variation of the Group Business

Plan which must be communicated in writing to underwriters and to the LHL Board. In the absence of such a communication, no underwriter may embark upon the acceptance of a line of business falling outside the lines of business or classes of coverage set out in the Group Business Plan. A breach of this obligation may result in disciplinary action up to and including termination of employment or service contract.

- 3.1.5 Review the performance of major business sectors, large single risks and correlated aggregate risks to determine current risk profile and the efficacy of the Group's underwriting standards and practices.
- 3.1.6 Review reinsurance programs and practices within each operating company to ensure consistency with the Group Business Plan and aggregate written exposures.
- 3.1.7 Review periodically the level of risk assumed by the Group in its underwriting activities; including Probable Maximum Loss analysis and the methods by which such risk is measured and recommend to the Board tolerances for underwriting risk at Group level in conjunction with the Group Chief Risk Officer.
- 3.1.8 Review reports from the relevant operating company Chief Underwriting Officers regarding instances where conflicts of interest may arise or have arisen from the underwriting activities of Group operating companies and to consider and approve appropriate procedures and /or protocols for the effective reporting and management of underwriting conflicts.
- 3.1.9 Perform such other responsibilities regarding the Group's underwriting policies or activities or other matters as the Board may assign the Committee from time to time.

Adopted on 24 July 2013