

Committee Structure

The Board will be responsible for the approval of LAML's strategic objectives and business plans, monitoring the performance of LAML and its managers against its strategic objectives and business plans, making significant financial decisions, approving key business policies and setting and upholding the values and standards necessary to ensure that LAML's obligations to its members are met.

The Board will delegate certain of its responsibilities to the committees as follows:

Nominations and Governance Committee

1. Purpose

The Nomination and Governance Committee (the Committee) shall oversee, review and make periodic recommendation concerning the London Authorities' Mutual Limited's (LAML) corporate governance policies, and shall recommend candidates for election to LAML's Board of Directors (the Board).

2. Composition of the Committee

The Committee shall be comprised of a minimum of 3 members, at least one of whom must be a current Director of the Board. Each Committee member shall be subject to annual reconfirmation and may be removed by the Board at any time. The committee members are Myfanwy Barrett (Chairman), Nathan Elvery, Mike Curtis and Lord Remnant.

3. Responsibilities and Duties

In carrying out the Purpose set out in Section 1 above, the Committee shall

1. Identify and review candidates for the Board and recommend to the full Board candidates for election to the Board and, from time to time, review the process for identifying and evaluating candidates for election to the Board. The Committee may engage the Managers of LAML to assist in identifying and evaluating potential candidates.
2. Review from time to time the appropriate skills and characteristics required of Board members, including such factors as insurance expertise, diversity, skills in technology, marketing, finance and financial reporting and other areas that are expected to contribute to an effective Board.
3. Periodically review LAML's corporate Governance Framework and recommend to the Board modifications to the arrangements as appropriate.
4. Perform its responsibilities arising from the Governance Framework and annually assess these to ensure appropriate arrangements are in place or complete.
5. Have full access to LAML's managers as necessary to carry out this responsibility.

6. Perform any other activities consistent with the Purpose set out in Section 1 above, the Articles of Association and the Rules of LAML as the Committee or the Board deems necessary or appropriate.
7. Review the Purpose set out in Section 1 above from time to time for adequacy and recommend any changes to the Board.
8. Report to the Board on the major items covered at each Committee meeting.

4. *Committee Meetings*

The Committee will meet periodically as necessary to act upon any matter within its jurisdiction. Meetings will be quorate if two or more Committee members are present. Minutes shall be kept of each meeting of the Committee.

Audit Committee

1. *Purpose*

The Audit Committee (the Committee) shall fulfill the Board's regulatory and statutory oversight responsibilities. The Audit Committee shall be directly responsible for the appointment, compensation and oversight of any registered public accounting firm employed by LAML for the purpose of preparing or issuing an audit report or related work. Each such accounting firm shall report directly to the Committee.

The Audit Committee will assist Board oversight of:

- (i) the integrity of LAML's financial statements
- (ii) LAML's compliance with legal and statutory requirements
- (iii) the independent auditors' qualifications and independence
- (iv) the performance of LAML's internal audit for action and internal auditors

In performing its duties the Committee will maintain effective working relationships with the Board of Directors, Managers and the external auditors.

2. *Composition of the Committee*

The Committee shall be comprised of at least three members, at least one of whom must be a current Director of the Board. All Committee members shall be financially literate. Each Committee member shall be subject to annual reconfirmation and may be removed by the Board at any time. The committee members are Gerald Almeroth (Chairman), Mike Suarez and Lord Remnant.

3. *Responsibilities and Duties*

In carrying out the Purpose set out in Section 1 above, the Committee shall

A. Internal Control

1. Require that the internal auditors, external auditors and the Managers keep the Audit Committee informed about fraud, illegal acts, deficiencies in internal control, and similar matters.
2. Require that LAML maintain an internal control function and report quarterly to the Committee on:
 - (i) the design and/or operation of the Manager's internal controls and
 - (ii) any fraud involving the Managers.
3. Develop annually in conjunction with LAML's Internal Auditors an internal audit plan.
4. Meet separately and periodically at the Committee's discretion with Company's internal auditor to review progress against the agreed internal audit plan.
5. Establish procedures for the receipt, retention and treatment of complaints received by the Managers regarding accounting, internal controls or auditing matters, including the confidential, anonymous submission by employees of the Managers regarding questionable accounting or auditing matters.
6. Monitor whether internal control recommendations have been implemented by the Managers.
7. Determine the extent to which internal and/or external auditors review:
 - (i) computer systems and applications
 - (ii) the security of such systems and applications, and
 - (iii) the contingency plan for processing financial information in the event of a systems breakdown
8. Require the Managers to test the Business Continuity Plan at least every 2 years and review results following the testing of the Business Continuity Plan with the Managers and LAML's Internal Auditors.

B. Financial Reporting

1. Meet with the Managers and the internal and external auditors to review:
 - (i) the timeliness and accuracy of LAML's annual and quarterly financial statements
 - (ii) issues related thereto and

- (iii) the results of the external auditors' annual audit or quarterly review, as the case may be, and make recommendations to the Board of Directors and report, as may be required, in the Company's filings.
- 2. Review with the Managers and the external auditors significant risks and exposures and the plans to minimise such risks.
- 3. Discuss significant judgments made as to asset and liability valuations with the Managers and the external auditors.
- 4. Review the Manager's disposition of proposed audit adjustments identified by the external auditors.
- 5. Require that the external auditors communicate their judgment regarding the integrity of the financial statements to the Committee.
- 6. To gain insight into the fairness of the statements and disclosures, obtain views and where appropriate, explanations from the Managers and from the external auditors on whether: generally accepted accounting principles have been consistently applied; there are any significant or unusual events or transactions; the Company's financial and operating controls are functioning effectively; and the financial statements contain adequate and appropriate disclosures.

C. External Audit

- 1. Discuss the accounting treatments, policies and practices used by the external auditors and alternatives to same within GAAP that have been discussed with the Managers; discuss communication between the Managers and external auditors. Review the external auditor's proposed audit scope and approach.
- 2. Select and appoint the external auditors; review the performance of the external auditors.
- 3. Review and obtain from external auditors confirmation of their independence.
- 4. Review and approve annually the fee arrangements for both audit and non-audit services with the external auditors.
- 5. Review and approve all audit services and non-audit services provided by external auditors.
- 6. Meet separately and periodically at the Committee's discretion with the Company's external auditors

D. Other Responsibilities

- 1. Require that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.

2. Review and evaluate the adequacy and efficacy of the Company's regulatory compliance and ethics programs.
3. Review material claims and litigation and legal and regulatory matters affecting the Company.
4. Perform other oversight functions as requested by the full Board of Directors.
5. Periodically review and assess the adequacy of the Purpose as detailed in Section 1 and recommend any proposed changes to the Board of Directors for approval.
6. Conduct an annual self-assessment of its performance.
7. Retain outside counsel, and other experts and other advisors as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms.
8. Resolve disagreements, if any, between the Managers and the independent external auditors and review with the independent external auditor and audit problems of differences with the Managers response.
9. Set hiring policies for employees or former employee of the independent external auditor.
10. Define and review the Company's risk appetite in respect of liquidity
11. Ensure that risk dimension is considered in all discussions, decision making processes and documentation
12. Monitor and review the Company's risk register

While the Committee has the responsibilities and the powers set forth in the Purpose as specified in Section 1, it is not the duty of the Committee to plan or conduct internal control or other audits, or to ascertain the structure of internal controls or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of the Managers and the independent external auditor.

4. *Committee Meetings*

The Committee will meet quarterly to act upon any matter within its jurisdiction. Meetings will be quorate if two or more Committee members are present. Minutes shall be kept of each meeting of the Committee.

Underwriting and Claims Committee

1. Purpose

The Underwriting and Claims Committee (the Committee) shall be responsible for defining the underwriting appetite and philosophy and claims handling philosophy of LAML. The Committee shall be responsible for reviewing applications for membership.

2. Composition of the Committee

The Committee shall be comprised of at least three members, at least one of whom must be a current Director of the Board. Each Committee member shall be subject to annual reconfirmation and may be removed by the Board at any time. The committee members are Mike O'Donnell (Chairman), Mike Suarez and Michael Payton.

3. Responsibilities and Duties

The Committee will be responsible for the following:

1. Establishing LAML's underwriting philosophy including
 - (a) determining in conjunction with the managers the coverages which LAML will offer and the terms and conditions upon which such coverages will be offered
 - (b) evaluating in conjunction with the managers any new coverages which the Members have requested LAML to consider or any changes in scope and terms and conditions of covers offered
 - (c) determining in conjunction with the managers LAML's reinsurance strategy and risk retention appetite
 - (d) understanding and reviewing the methodology by which LAML's credit risk exposure to reinsurers is monitored and measured
 - (e) managing in conjunction with the managers the reinsurance procurement exercise and making recommendations to the Board of Directors as to LAML's on-going reinsurance partners
 - (f) instructing the managers to apply for and maintain such licences as are necessary from time to time to support the business of LAML
 - (g) being the point of arbitration between the members and the managers in any point of underwriting or policy wording or interpretation dispute
 - (h) reviewing in conjunction with the managers the underwriting performance of LAML and its constituent members

- (i) being the referral point for the managers where pricing modifications, either upwards or downwards, from the pricing formula are proposed

2. Establishing LAML's claims handling philosophy including

- (a) determining in conjunction with the managers for each coverage the claims handling philosophy to be adopted by LAML in respect of claims falling within LAML's claims reporting criteria
- (b) in conjunction with the managers managing the procurement process for claims handling services and recommending the appointment of third party claims handlers to handle claims falling within LAML's claims reporting criteria
- (c) in conjunction with the managers monitoring the performance of third party claims handlers against LAML's agreed claims handling philosophy and service level agreements
- (d) in conjunction with the managers recommending to the Board a panel of solicitors and other experts to assist in the handling of claims falling within LAML's claims reporting criteria, reviewing their subsequent performance against agreed standards and recommending any changes to the composition of the panel
- (e) be the referral point for any policy determination issues or for any cases where an ex-gratia consideration is requested
- (f) reviewing in conjunction with the managers the claims performance of LAML and its constituent members
- (g) reviewing the claims handling arrangements particularly in the light of the Treating Customers Fairly requirements
- (h) evaluating LAML's complaints procedure and the means by which issues are escalated within LAML

3. (a) receiving, vetting and making a recommendation on a London Authority's application for membership of the mutual.

- (b) reviewing the admissions procedure for efficiency and effectiveness

4. Monitoring the portfolio management of LAML's underwriting operation, including

- (a) understanding and reviewing the actuarial assumptions underpinning LAML's financial plans and projections

- (b) understanding and reviewing the methodology whereby portfolio reserves are calculated and the extent to which prudential margins are built into the IBNR and IBNER reserves
- (c) understanding and reviewing the methodologies by which the financial plan of LAML is stress tested
- (d) reviewing the key metrics of exposure and how best to advise the Board of underlying changes in the exposure and trends

4. *Committee Meetings*

The Committee will meet quarterly to act upon any matter within its jurisdiction. Meetings will be quorate if two or more Committee members are present. Minutes shall be kept of each meeting of the Committee.