



Blue Capital Reinsurance Holdings Ltd.

Corporate Governance Guidelines and Procedures

Under Bermuda law and the Bye-laws of Blue Capital Reinsurance Holdings Ltd. (the “Company”), the business of the Company shall be managed and conducted by the Board of Directors (the “Board”) of the Company. Therefore, while the Board may delegate (pursuant to the Company’s Bye-laws) the management and conduct of the Company’s business, the Board is ultimately responsible for the Company’s affairs. The Company’s Board has adopted the following Corporate Governance Guidelines and Procedures (the “Guidelines”) based on the Board’s belief that a greater understanding of how the Company’s Board operates will create greater confidence among the shareholders and that robust corporate governance will maximize shareholder value. These Guidelines, along with the Code of Conduct and Ethics and the charters of the standing Board committees, provide an extensive framework for the governance of the Company and its subsidiaries.

1. Director Responsibilities and Duties

a. Role of Board and Management

The Company’s business is conducted by its employees, managers and officers under the management of the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) and the oversight of the Board. The Board is elected by the shareholders to oversee the actions and results of management and to advance the shareholders’ interests in maximizing value over the long-term.

b. Director Responsibilities

Directors shall exercise their business judgment to act in ways they reasonably believe to be in the best interests of the Company and its shareholders in a manner consistent with their fiduciary duties. The Board, together with the Board committees, as appropriate, is ultimately responsible for maintaining the integrity of the Company and is responsible for:

- Maintaining and promoting the integrity of the Board;
- Ensuring that the Company is guided by strong corporate governance principles, and monitoring/overseeing compliance with such corporate governance principles;
- Overseeing the operations and results of business;
- Evaluating and approving sound business strategies;

- Selecting, evaluating and determining the compensation of the CEO and CFO;
- Planning for succession with regards to management and directors;
- Overseeing the Company's internal audit function and coordinating with the Company's independent auditors on the Company's audit compliance;
- Monitoring and assessing major risk factors and reviewing policies to manage and mitigate risk;
- Receiving regular reports from Blue Capital Management Ltd. on the risk management work undertaken with respect to the Company and the extent of any action taken to address areas identified for improvement;
- Ensuring the Company's business is conducted on an ethical basis in compliance with applicable laws and regulations; and
- Monitoring the Company's performance, including the effectiveness of the Board and crisis management.

Absent exigent circumstances, directors are expected to attend all Board meetings and the meetings of Board committees on which they serve. Directors should review meeting materials in advance of the meetings and spend the requisite time and attention to properly discharge their duties.

In discharging this obligation, directors are entitled to rely on the integrity of management, outside advisors and outside auditors. Furthermore, the Board may form, and delegate its responsibility to, committees as appropriate and as disclosed in such committee charters.

c. Duties of Lead Director

The Lead Director will moderate meetings of the independent directors and will have the following powers, duties and responsibilities:

- Serve as a liaison between the independent directors and the Chairman on sensitive issues;
- Preside at all meetings of the Board at which the Chairman is not present;
- Call meetings of the independent directors as the Lead Director deems necessary;
- Assist the Chairman in setting the agenda for Board meetings, with the understanding that agenda items of the independent directors will be included on the agenda;
- Advise the Chairman of the information needs of the Board;
- Be available for consultation and direct communication, if requested by major shareholders; and

- Perform other responsibilities that the independent directors as a whole might designate from time to time.

d. Duties of Independent Directors

Independent directors will meet privately in an executive session, without management present, at each regularly scheduled meeting of the Board. Such directors may meet at other times as determined by the Lead Director. The Lead Director will preside over such meetings.

These meetings will address such topics as determined by the independent directors. Although a quorum will be present at these meetings, the independent directors may not take formal action at these meetings. The participating directors may make recommendations to the full Board. The CEO and CFO will be briefed on the substance of issues addressed at these meetings, as appropriate.

2. Director Qualifications

a. Independence

The Board shall be composed of a majority of directors who are independent of the Company's management. For a director to be deemed "independent," the Board as a whole shall affirmatively determine that the director has no material relationship with the Company. This independence determination shall be disclosed in the annual Proxy Statement. In making this determination, the Board shall refer to the Categorical Standards set forth in Appendix A hereto and the independence requirements set forth under applicable statutes, U.S. Securities and Exchange Commission ("SEC") regulations, New York Stock Exchange ("NYSE") Listing Standards and other applicable law.

In addition, members of certain committees, including the Audit Committee and Compensation and Nominating Committee, must be independent as required under SEC regulations, NYSE Listing Standards and other applicable law. With respect to the Audit Committee, the Board shall also make the determination, and disclose such determination, as to whether a member of the Audit Committee qualifies as an Audit Committee Financial Expert.

The Board should annually review the independence of all non-employee directors. Directors have an obligation to inform the Board of any material changes in their circumstances or relationships that may impact their designation by the Board as "independent."

b. Board Size

The Company's Bye-laws provide that the Board shall have no fewer than 5 and no more than 15 members. The Board believes that this range allows for the necessary diversity of experience without sacrificing accountability or effective debate. However, changing circumstances may require a higher or lower number.

c. Qualifications

A full outline of the qualities that the Company seeks in directors is contained in the Director Nomination Policy, adopted by the Board, which is also available on the Company website. The Company's directors are expected to have the highest standards of integrity and reputation and significant accomplishments in their chosen field of expertise. Directors should have diverse experiences, skills and perspectives, including financial and business experience and knowledge of the operation of a public company, as well as knowledge in the areas of insurance, reinsurance, investment, financial services and other aspects of the Company's activities. The Compensation and Nominating Committee shall periodically review with the Board its membership to ensure the appropriate balance of skills and characteristics, as provided for in Section 12 below.

The Compensation and Nominating Committee will identify and screen individuals qualified to become Board members and recommend director nominees to be elected to the Board by the shareholders, in accordance with the policies and principles set forth in its charter and the Director Nomination Policy.

The Compensation and Nominating Committee will also consider director candidates recommended by the shareholders through the procedures contained in the Director Nomination Policy.

d. Commitment

Directors should commit the appropriate time for meeting preparation, meeting attendance and other corporate governance matters. To ensure that each director is able to devote the requisite time and attention to appropriately perform his or her duties, no Audit Committee member may serve on the Audit Committee of more than two (2) other public company boards without the approval of a majority of the other directors. In addition, each director should notify the Board in writing of all other boards on which such director serves.

e. Chairman

The Board will appoint its Chairman of the Board (the "Chairman") as soon as reasonably practicable at a Board meeting to be convened and held after each annual general meeting of the shareholders. The Chairman may be a member of management.

f. Change of Responsibility of Director

In some circumstances, individual directors who materially change the responsibility they held when they were elected to the Board should volunteer to resign from the Board. However, resignation is not required in every instance of a director's change in position. There should be an opportunity for the Board, with the assistance of the Compensation and Nominating Committee, to evaluate the continued appropriateness of Board membership under the changed circumstances.

g. Term Limits, Tenure and Succession

The Company's Bye-laws provide for a classified Board. The directors are divided into three classes, Class A, Class B and Class C, as nearly equal in number as possible.

At each annual general meeting of shareholders, the successor or successors of the retiring class of directors recommended for election by the Compensation and Nominating Committee and approved by the Board offer themselves for election to hold office for a term expiring at the annual general meeting of shareholders held in the third year following the year of their election. Directors whose term has expired may be re-elected by shareholders to continue serving on the Board. Accordingly, directors serve at the will of shareholders and there are no prescribed limits imposed on directors' tenure.

Subject to applicable laws and regulations and the procedures set forth in the Company's Bye-Laws, shareholders may nominate persons other than directors whose terms have expired for election as directors.

The Board evaluation and nomination process described in Section 12 below will also influence director tenure.

The Board, with the assistance of the Compensation and Nominating Committee, is responsible for director succession.

3. Operation of Board Meetings

a. Schedule and Agenda

Regular meetings of the full Board shall be held at least one (1) time per calendar quarter, with special meetings as necessary. Subject to legal and regulatory considerations, directors may participate in any meeting by telephone or by any other similar technology that permits instantaneous and simultaneous communication. Meetings should be scheduled as far in advance as reasonably practicable to accommodate directors' schedules.

Without restricting the ability of directors to summon Board meetings under the Company's Bye-laws, the Corporate Secretary will consult with the Chairman and the remaining Board members to devise a standing agenda, which shall set forth a general agenda of topics, including strategic business plans, budget matters, risk management, regulatory concerns and disclosure controls and procedures. The Compensation and Nominating Committee should periodically review the standing agenda and make additional recommendations, additions and modifications. The standing agenda shall be distributed to the full Board. Directors are encouraged to suggest additional topics and are free to raise issues at meetings not specifically on the standing agenda for discussion purposes.

b. Materials and Minutes

Meeting materials should be distributed at least one week in advance of the meeting, or as soon as reasonably practicable, to allow for adequate review. Efforts will be made to provide concise meeting materials. Highly sensitive

material can be presented at the meeting. Minutes shall be kept at each meeting. Minutes shall be kept by the Company Secretary at the registered office of the Company or at the office of the Company's counsel, unless otherwise determined by the Board.

c. Attendance

Each director is expected to attend every meeting. Attendance by the Company's executive officers at the Board's invitation is encouraged to provide directors with additional insight. Unless the Board decides otherwise, the Chairman and/or CEO may invite other persons to attend.

d. Quorum

The Company's Bye-laws provide that the quorum necessary for the transaction of business at a meeting of the Board shall be a majority of the directors in office from time to time and in no event shall be fewer than three (3) directors.

4. Board Committees

a. Purpose

Committees shall be established by the Board to facilitate and assist in the execution of the Board's responsibilities. The Board may establish and maintain committees as appropriate under the circumstances.

b. Standing Committees

So long as it is required under SEC regulations, NYSE Listing Standards and any other applicable law, the Board shall have, at all times, a Compensation and Nominating Committee and an Audit Committee.

The members of these committees shall be independent directors under the criteria described in Section 2.a above, as required under SEC regulations and NYSE Listing Standards. If a director ceases to be independent under these standards while serving on one of these committees, he or she should promptly inform the Board and resign accordingly. The Board shall also determine and disclose as appropriate if it has an Audit Committee Financial Expert.

The Board will appoint committee members with the assistance of the Compensation and Nominating Committee. Committee members may be periodically rotated as appropriate.

Each committee shall have a written charter that sets forth the purpose, authorities and responsibilities of such committee, the qualifications and duties of each committee member, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. Each charter will require an annual self-evaluation of the committee's performance and the adequacy of the committee's charter. Each of the Audit Committee and the Compensation and Nominating Committee shall deliver a report to the shareholders to be included in the Company's annual Proxy Statement.

Each committee should have full access to management representatives and full power and authority to retain outside advisors (including legal counsel and financial advisors) as needed.

c. Operation of Committee Meetings

The Board shall appoint a chairman for each committee. The committee chairman, in consultation with the committee members, will determine the frequency, length and agenda for each respective committee meeting. A schedule of meeting dates and topics should be developed (to the extent possible) and distributed to the committee members at the beginning of each year or as soon as reasonably practicable.

Meeting materials should be distributed at least one week in advance of the meeting, or as soon as reasonably practicable, to allow for adequate review. Minutes will be kept at each meeting, and the committee shall regularly report to the full Board.

Subject to legal and regulatory considerations, directors may participate in any meeting by telephone or by any other similar technology that permits instantaneous and simultaneous communication.

d. Quorum

The Company's Bye-laws provide that the quorum necessary for the transaction of business at a meeting of any committee of the Board shall be two (2) persons who sit on such committee.

5. Director Access to Officers, Employees, Management and Outside Advisors (together with directors, "BCRH Associates")

In connection with the discharge of his or her duties as a director of the Company, each director should have unrestricted access to BCRH Associates, including internal auditors and risk management personnel. A director may arrange contact with BCRH Associates directly, through the CEO or through the Secretary. Directors are expected to use their judgment to ensure that such contact is not distracting to the Company's business operations. Directors are expected to make the Chairman and the CEO aware of the substance of such communications. If appropriate, directors will copy the CEO on written communications between the director and a BCRH Associate.

The Board, the standing committees and the independent directors, acting in each case by a majority thereof, shall also have access to independent advisors, including legal counsel, external auditors and regulators. No pre-approval or advance consultation with management is required for such access.

6. Director Compensation

a. Compensation

The form and amount of director compensation is determined by the Board upon the recommendation of the Compensation and Nominating Committee in

accordance with the principles and policies set forth in its charter. In doing so, the Board and the Compensation and Nominating Committee are guided by the following principles:

- Director compensation should be comparable to compensation of directors of companies of similar size, complexity and industry;
- Director compensation should align the interests of directors with those of the shareholders;
- The structure of director compensation should be transparent; and
- Members of the Audit Committee may earn greater compensation based on the greater time commitment required, so long as the additional compensation is of the same form available to all directors.

b. Independence Concerns

In determining the form and amount of director compensation and director independence, it must be considered that directors' independence may be jeopardized if director compensation exceeds what is customary. Similar concerns are raised if substantial charitable contributions are made to an organization with which the director is affiliated as an executive officer of such organization or otherwise, or if the Company provides other types of indirect compensation to a director (including, for example, entering into a consulting contract with a director or an organization with which the director is affiliated). See Appendix A hereto.

c. Review

Senior management is expected to periodically review director compensation. Any modifications to director compensation suggested by senior management will be proposed to the Compensation and Nominating Committee and the full Board.

The Compensation and Nominating Committee shall conduct an annual review of director compensation, as well as an annual review of the principles for determining compensation form and amount.

7. Directors' and Officers' Insurance and Indemnification

The Company shall use best endeavors to purchase directors' and officers' liability insurance on behalf of the directors. Directors are also entitled to the benefits of indemnification to the fullest extent permitted by law and Company policy.

8. Website Disclosure

These Guidelines shall be available on the Company website. Each annual report to the shareholders shall state that these Guidelines are available on the Company website or in print to any requesting shareholder.

9. Director Education

Each new director will be provided with an orientation to the Company within six (6) months of election. The orientation program will consist of visits to Company headquarters and other important facilities, as time permits, as well as visits with key personnel, as necessary. Topics comprising the director orientation program may include the following:

- Strategic business plans and long-term goals;
- Financial statements and significant accounting issues;
- Risk management issues;
- Regulatory compliance programs;
- Underwriting guidelines and policies;
- The Code of Business Conduct and other Company policies;
- The reporting system for integrity concerns; and
- Any other topics that will assist directors in discharging their duties.

All directors may be invited to attend.

In addition, directors can expect regular updates from senior management and legal counsel on matters that will assist directors in discharging their duties. Such matters include changes in legal, accounting or regulatory requirements.

10. Management Succession Planning

The Board, acting with input from the Compensation and Nominating Committee, should adopt a management succession plan which addresses policies regarding succession of the CEO, including successors in the event of an emergency or the retirement of the CEO. The CEO should be consulted on his or her recommendations and evaluations of potential successors. The Board should review its management succession plan at least annually.

11. CEO Selection and Performance Review

a. Selection

The Board is responsible for selecting the Company's CEO. The CEO should:

- have extensive experience in the insurance and reinsurance industry and should be a recognized leader in the industry;
- be capable of successfully directing the Company's operations and results;
- uphold the highest standards of integrity; and

- uphold the highest standards of professional performance.

b. Performance Review

The Compensation and Nominating Committee will conduct an annual performance review of the CEO in accordance with its charter. This evaluation will be based on the above principles, approved corporate goals and objectives relevant to CEO compensation in addition to an objective assessment of the Company's business performance and the accomplishment of long-term strategic goals. Based on this evaluation, the Compensation and Nominating Committee will determine and approve the CEO's compensation.

12. Annual Performance Evaluation of the Board of Directors

At least once a year, the Board shall conduct a self-evaluation to determine the effectiveness of the Board and its committees. The Compensation and Nominating Committee shall develop a self-evaluation process for the Board's approval.

The purpose of this review is not to single out the performance of particular directors, but to improve the Board's performance as a whole.

This review will focus on the Board's contribution to the Company and on particular areas in which the Board or management believes that the Board could improve. The assessment should also focus on the characteristics of the Board members to ensure that the Board contains the diverse range of talent, skill and expertise necessary to guide the Company in achieving its objectives and goals.

13. Review of Corporate Governance Guidelines

When necessary, the Compensation and Nominating Committee is expected to review and evaluate these Guidelines for effectiveness and compliance with legal and stock exchange requirements and should periodically report its findings to the full Board. The Guidelines are subject to modification by the Board, with the assistance of the Compensation and Nominating Committee.

14. Board Interaction with Institutional Investors, Press and Insureds

Management should speak for the Company. Directors should refer all inquiries from institutional investors, the press or customers to the CEO or the CFO.

Shareholders, as well as any interested parties, may communicate directly with the Board or any one or more individual directors by mail, c/o Chief Executive Officer, Blue Capital Reinsurance Holdings Ltd., Waterloo House, 100 Pitts Bay Road, Pembroke HM 08, Bermuda. All communications will be compiled and summarized by the CEO or his designee. For communications addressed to a specific director, that director will receive such summary. The Chairman of the Board will receive the summary for all communications that are not addressed to a particular director. All routine inquiries and information requests will be handled in the first instance by the CEO. The CEO will evaluate the communication and will forward a particular communication to the appropriate Board or Board committee member(s) upon determining that it is made for a valid

purpose and is relevant to the Company and its business. At each regularly-scheduled meeting of the Board, the CEO or his designee shall present a summary of all communications received since the last meeting that were not forwarded and upon request shall make such communications available to any or all of the directors.

15. Integrity Concerns

All BCRH Associates must adhere to the Company's Code of Conduct and Ethics which requires compliance with, amongst other things, the following:

- Applicable laws, rules and regulations;
- Insider trading policy and treatment of confidential information;
- Corporate opportunity and conflicts of interest policy; and
- Protection and proper use of Company assets and intellectual property.

Please refer to the Code of Conduct and Ethics for details on reporting actual or potential violations.

APPENDIX A

CATEGORICAL STANDARDS FOR DIRECTOR INDEPENDENCE

I. Introduction

For a director to be considered “independent” under the New York Stock Exchange (“NYSE”) rules, the Board of Directors of the Company (the “Board”), must determine that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). These Standards have been established in order to assist the Board in determining director independence with broad consideration of all relevant facts and circumstances and may be amended by the Board from time to time. These standards shall be interpreted in a manner consistent with the NYSE rules.

In order to be considered independent, a director of the Company must meet all of the following Categorical Standards for Director Independence.

II. Definitions

References to the “Company” include any parent or subsidiary in a consolidated group with the Company.

The term “executive officer” has the same meaning specified for the term “officer” in Rule 16a-1(f) under the Securities Exchange Act of 1934.

An “immediate family member” includes a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person’s home. When applying the look-back provisions required herein, individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated, need not be considered.

III. Employment Relationships

(1) A director is not independent if the director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company. Employment as an interim Executive Chairman or CEO or other executive officer shall not disqualify a director from being considered independent following that employment.

(2) A director is not independent if: (A) the director or an immediate family member is a current partner of a firm that is the Company’s internal or external auditor; (B) the director is a current employee of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and who participates in the firm’s audit, assurance or tax compliance (but not tax planning) practice; or (D) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company’s audit within that time.

IV. Compensation Relationships

(1) A director is not independent if the director has received, during any twelve-month period within the last three years, any direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). Compensation received by a director for former service as an interim Executive Chairman or CEO or other executive officer need not be considered in determining independence under this test.

(2) A director is not independent if the director has an immediate family member who has received, during any twelve-month period within the last three years, any direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). Compensation received by an immediate family member for service as an employee of the Company (other than as an executive officer) need not be considered in determining independence under this test.

V. Commercial and Charitable Relationships

(1) A director is not independent if the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds or exceeded the greater of \$1 million or 2% of such other company's consolidated gross revenues as reported for its last completed fiscal year.

(2) A director is not independent if the director is an executive officer, director or trustee of a charitable organization that received contributions from the Company in an amount which, in any single fiscal year within the preceding three years, exceeded the greater of \$1 million or 2% of such charitable organization's total charitable receipts as reported for the last completed fiscal year; *provided, however*, that the Board may determine such relationships to be immaterial or nevertheless consistent with a director's independence. Note that the Company's automatic matching of employee charitable contributions will not be included in the amount of the Company's contributions for the purposes of this paragraph.

VI. Interlocking Directorates

A director is not independent if the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.

VII. Other Relationships

(1) Being a director, executive officer or employee, or having an immediate family member who is a director, executive officer or employee, of a company that purchases insurance, reinsurance or other services or products from the Company, by itself, does not bar a determination that the director is independent if the payments made to the Company for such products or services are made in the ordinary course of business on an arms-length basis.

(2) For relationships not specifically mentioned above, the determination of whether a director has a material relationship with the Company (directly or as a partner, shareholder or officer of an organization that has a relationship with the Company), and therefore would not be independent, will be made by the Board after taking into account all relevant facts and circumstances. For purposes of these standards, a director who is solely a director and/or a non-controlling shareholder of another company that has a relationship with the Company will not be considered to have a material relationship based solely on such relationship that would impair such director's independence.

VIII. Additional Standards for the Audit Committee

In order to be considered independent as a member of the Audit Committee of the Board (the "Audit Committee"), a director of the Company must meet the following additional requirements of the U.S. Securities and Exchange Commission (the "SEC").

(1) A director is not independent for the purposes of Audit Committee membership if the director receives, whether directly or indirectly, any consulting or advisory fees or other compensation from the Company, other than director and committee fees, fixed payments under a retirement plan for prior service with the Company or payments received as a shareholder of the Company. A member of the Audit Committee is considered to receive indirect compensation if: (A) the director is a partner, executive officer or holder of a similar position with an accounting firm, consulting firm, law firm or investment bank that receives payments for its services from the Company; or (B) the director's spouse, child or stepchild receives any form of compensation from the Company.

(2) A director is not independent for the purposes of Audit Committee membership if the director is an affiliate of the Company, or any subsidiary of the Company. The SEC defines an affiliate as a person who directly or indirectly controls, is controlled by or is under common control with the Company. A director may qualify for the SEC safe harbor from being considered an affiliate if the director owns less than 10% of any class of the Company's voting securities and is not an executive officer of the Company.

IX. Additional Standards for the Compensation and Nominating Committee

In order for a director to be considered independent as a member of the Compensation and Nominating Committee of the Board (the "Compensation and Nominating Committee"), the following factors, among other relevant factors, must be considered as required by the SEC.

(1) In determining a director's independence for the purposes of the Compensation and Nominating Committee, the source of compensation of the director should be considered, such as any consulting advisory or other fees paid by the Company to the director.

(2) In determining a director's independence for the purposes of the Compensation and Nominating Committee, whether the director is an affiliate of the Company, or any the Company's subsidiaries or affiliates, should be considered.