

# **Medmarc Mutual Insurance Company Audit & Investment Committee Charter**

(Approved by Board of Directors – March 14, 2008)

## **MISSION:**

The Audit & Investment Committee (the “Committee”) of the Board of Directors of Medmarc Mutual Insurance Company (the “Company”), as constituted by the Board of Directors, shall be charged with the following responsibilities:

1. Review, assess the effectiveness of, recommend changes to and monitor the implementation of, and compliance with, the financial and operational control environment of the Company.
2. Review, assess the effectiveness of, recommend changes to and monitor the implementation of, and compliance with, financial reporting procedures within the Company.
3. Review, assess the effectiveness of, recommend changes and monitor the implementation of, and compliance with, Company policies, practices and procedures regarding laws, rules, regulations and ethical standards applicable to the Company.
4. Oversight of the Company’s investment portfolio.

## **METHODOLOGY, PRINCIPAL DUTIES AND RESPONSIBILITIES:**

### **Audit Responsibilities**

The Committee shall:

1. Recommend to the Board of Directors the selection, engagement, retention or termination of the public accounting firm to perform the annual audit and any interim audit of the Company’s financial statements and to supply any supplemental accounting or consulting service. Review on a continuing basis the independence of the selected public accounting firm.
2. Review, recommend the adoption or revision and consult with management of the Company regarding policies and procedures intended to ensure that:
  - a. all financial information about the Company is complete, accurate, and timely and that all transactions are properly recorded;
  - b. all transactions entered are properly authorized by the Company, and

- c. the Company fully complies with the provisions of any applicable law, rule, regulations or directive and that any failure to comply is properly addressed after discovery.
3. Consult with the independent auditors and the management of the Company regarding:
  - a. any material accounting or financial issues,
  - b. the adoption or implementation of any change in the accounting policies, practices or principles of the Company,
  - c. the selection of any alternative accounting policies, practices or principles and
  - d. the impact of any mandatory changes thereto.
4. Consult with the management of the Company and the independent auditors regarding changes in principal accounting and auditing personnel and staffing levels.
5. Review with the independent auditors the annual audit plan, including:
  - a. the scope of the annual audit of the Company's financial statements;
  - b. the identification of areas of audit concern;
  - c. the independent auditors' engagement letter, the cost and staffing of the annual audit; and
  - d. the independent auditors policy of partner rotation and of maintaining continuity of staff.
6. Review with the independent auditors and the management of the Company the outcome of the annual audit, including:
  - a. the Company's financial statements and supplemental disclosures as required;
  - b. significant transactions not in the normal course of the Company's business;
  - c. significant adjustments proposed by the independent auditor;
  - d. any material change in the Company's financial statements resulting from adoption or implementation of accounting policies, practices or principles;

- e. any recommendations identified in the Management Letter with respect to internal controls and other financial matters, including any perceived weaknesses in the Company's internal controls, policies, and procedures' and
  - f. management's plan to address any area identified by the independent auditors as a weakness in the internal controls of the Company.
7. Review the scope and cost of any management advisory or other non-audit services performed by the independent auditors and determine the effect any such services may have on the independence of such auditors.
  8. Open and maintain direct lines of communication between the Committee, the Board of Directors, the Company's independent auditors, and the management of the Company, to:
    - a. evaluate the cooperation received by the independent auditors during the conduct of their annual audit, including their access to all requested records, data and information;
    - b. elicit the comments of management regarding the responsiveness of the independent auditors to the Company's needs; and
    - c. inquire of the independent auditors whether there have been any disagreements with management, which have not been satisfactorily resolved.
  9. Retain investigators, consultants, legal counsel and other independent experts as the Committee deems necessary to discharge its responsibilities.
  10. Review any financial condition audits performed by the Company's state regulators.
  11. Review any internal audits of the Company, AFPD and the run-off lines of business, except those that are specifically regulatory audits.

## **Investment Responsibilities**

### **The Committee shall:**

1. Review the appointment or termination of outside Investment Managers.
2. Review and monitor the Company's overall performance of its investment portfolio against its business and strategic objectives, external benchmarks and appropriate metrics.
3. Review the investment and asset allocation policy and monitor adherence to the policy.

4. Review and approve investment transactions pursuant to authority granted by the Board of Directors.
5. Review allocation of investment funds among managers and market sectors
6. Review commercial banking relationships and activities

Through the Chairman of the Committee, periodically apprise the Board of Directors via written minutes and special presentations, as necessary, of the Committee's findings and conclusions resulting from the normal course of performing the above responsibilities.

**STAFFING:**

The CFO of the Company shall serve as the staff assigned.

*While the Audit & Investment Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with statutory accounting practices. It is also not the duty of the Committee to conduct investigations, to resolve disagreements if any, between management and the independent auditors or to assure compliance with applicable laws and regulations.*