



Penn Millers Holding Corporation

Audit Committee Charter

Purpose

The Audit Committee is appointed by the Board of Directors (the “Board”) to assist the Board in monitoring (i) the accounting, reporting, and financial practices of the Company and its subsidiaries, including the integrity of the Company’s financial statements; (ii) the surveillance of administration and financial controls and the Company’s compliance with legal and regulatory requirements; (iii) the qualifications and independence of the Company’s registered public accounting firm; and (iv) the performance of the Company’s internal audit function and the Company’s registered public accounting firm.

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of the Committee’s activities to the Board. Management is responsible for preparing the Company's financial statements and related disclosures, and the Company's independent registered public accounting firm are responsible for auditing those financial statements. It is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles (“GAAP”). It shall be the duty of the Audit Committee to assist the Board in the oversight of the Company's legal and regulatory requirements.

Members

The Board of Directors shall appoint an Audit Committee of at least three members, and shall designate one member as chairperson or delegate the authority to designate a chairperson to the Audit Committee. Each member of the Audit Committee shall meet the applicable independence and experience requirements of the listing standards of the Nasdaq Capital Market (“Nasdaq”), the Securities and Exchange Commission (“SEC”), the Sarbanes-Oxley Act of 2002, and all other legal and regulatory requirements applicable to the Company. Each member of the Audit Committee shall be able to read and understand financial statements, including the Company’s balance sheet, income statements, and cash flow statements. At least one member of the Audit Committee shall be an “audit committee financial expert” within the meaning of the rules promulgated by the SEC under the Sarbanes-Oxley Act of 2002, as determined, in each case, in the business judgment of the Board.

Members of the Audit Committee shall be appointed by the Board of Directors upon the recommendation of the Corporate Governance Committee. The Board shall also appoint one member as Chairperson of the Committee.

Duties and Responsibilities

Among its specific duties and responsibilities, the Audit Committee shall:

- (i) Be directly responsible, in its capacity as a committee of the Board, for the appointment, compensation and oversight of the work of the registered

public accounting firm that is engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. In this regard, the Audit Committee shall recommend to the Board to appoint and retain, compensate, evaluate, and terminate, when appropriate, the registered public accounting firm, which shall report directly to the Audit Committee. The Audit Committee's oversight shall include the resolution of disagreements between management and the registered public accounting firm regarding financial reporting. The evaluation of the registered public accounting firm should include a review and evaluation of the lead audit partner and take into account the opinions of management and the Company's internal auditor and/or function.

- (ii) Obtain and review, at least annually, a report by the registered public accounting firm describing: the registered public accounting firm's internal quality-control procedures; and any material issues raised by the most recent internal quality-control review, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
- (iii) Approve in advance all audit services to be provided by the registered public accounting firm. (By approving the audit engagement, an audit service within the scope of the engagement shall be deemed to have been pre-approved.)
- (iv) Establish policies and procedures for the engagement of the registered public accounting firm to provide audit and permissible non-audit services, which shall include pre-approval of all permissible non-audit services to be provided by the registered public accounting firm.
- (v) Evaluate, at least annually, the independence of the registered public accounting firm, including whether the registered public accounting firm's performance of permissible non-audit services is compatible with the auditor's independence, and obtain and review a report by the registered public accounting firm describing any relationships between the registered public accounting firm and the Company or any other relationships that may adversely affect the independence of the auditor.
- (vi) Review and discuss with the registered public accounting firm: (A) the scope of the audit, the results of the annual audit examination by the auditor, and any difficulties the auditor encountered in the course of their audit work, including any restrictions on the scope of the registered public accounting firm's activities or on access to requested information, and any significant disagreements with management; and (B) any reports of the registered public accounting firm with respect to interim periods.



- (vii) Review and discuss with management and the registered public accounting firm the annual audited and quarterly financial statements of the Company, including: (A) an analysis of the auditor's judgment as to the quality of the Company's accounting principles, setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (B) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," including accounting policies that may be regarded as critical; and (C) major issues regarding the Company's accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and financial statement presentations.
- (viii) Review and discuss the adequacy and effectiveness of the Company's internal controls, including any significant deficiencies or material weakness in internal controls and significant changes in such controls reported to the Audit Committee by the registered public accounting firm or management. This discussion should include a remediation plan to address any significant deficiencies or material weaknesses.
- (ix) Review and discuss the adequacy and effectiveness of the Company's disclosure controls, procedures, and management reports thereon.
- (x) Review and discuss with the principal internal auditor of the Company the scope and results of the internal audit program.
- (xi) Oversee the Company's compliance systems with respect to legal and regulatory requirements and review the Company's codes of conduct and programs to monitor compliance with such codes.
- (xii) Establish procedures to facilitate (A) the receipt, retention, and treatment of complaints received by the Company from third parties regarding accounting, internal accounting controls, or auditing matters; and (B) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (xiii) Discuss with management its process for performing its required quarterly certifications under Section 302 of the Sarbanes-Oxley Act of 2002.
- (xiv) Prepare and approve the Report of the Audit Committee, which is to be included in the Company's Proxy Statement.
- (xv) Establish policies for the hiring of employees and former employees of our registered public accounting firm.
- (xvi) Review and approve all related party transactions.



- (xvii) Annually evaluate the performance of the Audit Committee and assess the adequacy of the Audit Committee charter.
- (xviii) Perform other duties as assigned by the Board.

Outside Advisors

The Audit Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it determines appropriate to assist it in the performance of its responsibilities and duties.

Funding

As determined by the Audit Committee, the Company shall provide the Audit Committee with appropriate funding, for the payment of: (i) compensation to a registered public accounting firm engaged to prepare or issue an audit report or performing other audit, review or attest services for the Company; (ii) compensation to any outside advisors employed by the Audit Committee under the terms of this charter; and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

Meetings

The Audit Committee shall meet at least two times per year, either in person or telephonically, and at such times and places as the Audit Committee shall determine. The Audit Committee shall meet separately in executive session at least two times per year. These sessions may include management, the principal internal auditor of the Company, the registered public accounting firm and the Company's counsel, as appropriate. The Audit Committee shall report regularly to the full Board of Directors with respect to its activities. The majority of the members of the Audit Committee shall constitute a quorum.