



ProAssurance Corporation

Internal Audit Charter

Purpose: The purpose of the Internal Audit Department is to provide independent and objective appraisals and consultative services designed to assist the Company in the achievement of the strategic objectives, add value and improve the operations of ProAssurance Corporation and their subsidiaries (the “Company”).

Scope of Work: The Internal Audit Department will apprise management and the Audit Committee of the Company’s Board of Directors concerning the adequacy and effectiveness of the system of internal controls, and the efficiency and effectiveness of operations. The system of internal controls encompasses the policies, systems and procedures pertaining to accounting, administration, and operations. The attainment of the overall Internal Audit Department objectives includes, but is not limited to, activities such as:

- Reviewing and appraising the adequacy and application of accounting, financial, information systems, administrative, and operating controls.
- Reviewing compliance with established policies, plans, procedures, and regulations.
- Ascertaining the reliability and timeliness of management information.
- Performing special analyses and projects for the Audit Committee and management.
- Coordinating the internal audit effort to ensure adequate coverage and avoid duplication of efforts by the Company’s Independent Auditors.

Independence: In order to provide for the independence of the Internal Audit Department, its personnel will report functionally to the Audit Committee and administratively to the Chief Executive Officer of the Company. The Internal Audit Department is managed by the Vice President of Internal Audit. Subject to the direction of the Audit Committee and the Chief Executive Officer, the Vice President of Internal Audit has sole responsibility for the management, administration, and performance of all Internal Audit activities.

Authority: The Vice President of Internal Audit and staff of the Internal Audit Department are authorized to:

- Have unrestricted access to all functions, records, property and personnel of the Company. All employees shall cooperate fully in making available any material or information requested by an auditor. Further, all employees are encouraged to bring to the attention of the Internal Audit Department any suspected situation involving improper activity or noncompliance with applicable policies, plans, procedures, laws or regulations of which they have knowledge.

- Have full and free access to the audit committee.
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives, within approved budgetary parameters.
- Request the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The Vice President of Internal Audit and staff of the Internal Audit Department are not authorized to:

- Perform any operational duties for the Company or its affiliates.
- Initiate or approve accounting transactions external to the Internal Audit Department.
- Direct the activities of any employee of the Company not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams, or to otherwise assist the internal auditors.

Responsibility: The Internal Audit Department is responsible for the following tasks and activities:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit the plan to the audit committee for review and approval.
- Review and adjust the plan, as necessary, in response to changes in the Company's business, risks, operations, programs, systems and controls.
- Implement the annual audit plan, as approved by the audit committee, including, and as appropriate, any special tasks or projects requested by management or the Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Perform fraud investigations, when such investigations are deemed appropriate, or requested by the Company's Board of Directors, or its Senior Management.
- Issue periodic reports to the Audit Committee and management summarizing results of internal audit activities.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.

Reporting: The Internal Audit Department will issue written reports which will be distributed to the Audit Committee and management. The nature, format and distribution of the reports will be determined by the Vice President of Internal Audit. Operations Management is responsible for corrective action on reported weaknesses.

Standards of Audit Practice: The Internal Audit Department is expected to meet or exceed the *International Standards for the Professional Practice of Internal Auditing* (the “Standards”) of the Institute of Internal Auditors in the performance of its duties and responsibilities. The Standards apply to individual internal auditors, and Internal Audit activities. All internal auditors are accountable for conforming with the Standards related to individual objectivity, proficiency and due professional care. The Vice President of Internal Audit is accountable for the overall conformance with the Standards.