

ProAssurance Corporation

Internal Audit Charter

Mission: The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit department helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

The Internal Audit department will be governed by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. 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 Chief Internal Auditor is accountable for the internal audit activity's overall conformance with the Standards.

Authority

Independence is critical to Internal Audit's ability to carry out its duties. The Chief Internal Auditor (CIA) reports functionally to the Audit Committee of the Board of Directors and administratively to the Chief Executive Officer and President of ProAssurance. To establish, maintain, and assure that the Company's Internal Audit department has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the Internal Audit department's charter;
- Approve the risk-based internal audit plan;
- Receive communications from the CIA on the Internal Audit department's performance relative to its plan and other matters;
- Approve decisions regarding the appointment of the CIA; and
- Make appropriate inquiries of management and the CIA to ensure appropriate resources are available.

The Chief Internal Auditor will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including in private meetings without management present.

The Internal Audit department will:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information;
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports; and
- Obtain assistance from the necessary personnel of PRA, as well as other specialized services from within or outside the Company, in order to complete the engagement.

Independence and Objectivity

The Chief Internal Auditor will ensure that the Internal Audit department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had previous responsibility within the previous year;
- Performing any operational duties for PRA or its affiliates;
- Initiating or approving transactions external to the Internal Audit department; and
- Directing the activities of any PRA employee not employed by the Internal Audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Chief Internal Auditor has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined;
- Make balanced assessments of all available and relevant facts and circumstances; and

- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit department.

The Chief Internal Auditor will further disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Work:

The internal audit activities include, but are not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for PRA. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of PRA's strategic objectives are appropriately identified and managed;
- The actions of PRA's officers, directors, employees, and contractors are in compliance with the Company's policies, procedures, and applicable laws, regulations, and governance standards;
- Data used by management for financial reporting and decision making and the means used to identify, measure, analyze, classify and report such data are reliable and have integrity; and
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact PRA.

The Internal Audit department will apprise management and the Audit Committee 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, including financial reporting, administration, and operations. The overall internal audit department objectives include, but are 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; and
- Coordinating the internal audit effort to ensure adequate coverage and avoid duplication of efforts by the Company's independent auditors.

Responsibility:

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

- Maintain a professional audit staff with the knowledge, skills, experience, and professional certifications needed to meet the requirements of this charter;
- Develop a flexible annual audit plan using an 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;
- Perform fraud investigations, when such investigations are deemed appropriate, or requested by the Company's Board of Directors, or its senior management; and
- Issue periodic reports to the Audit Committee and management summarizing results of internal audit activities.

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 Chief Internal Auditor. Management is responsible for corrective action on reported weaknesses.

Quality Assurance and Improvement Program:

The internal audit department will maintain a quality assurance and improvement program that covers all aspects of the department. The program will include an evaluation of the internal audit department's conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit department and identify opportunities for improvement.

The CIA will communicate to senior management and the Audit Committee on the department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside PRA.