



## **AUDIT COMMITTEE CHARTER**

### **Purpose**

The Audit Committee is appointed by the Board of Directors (the “Board”) to assist the Board in monitoring (1) the integrity of the financial statements of Federated National Holding Company (the “Company”), (2) the qualifications, independence and performance of the Company’s independent auditors, (3) the performance of the Company’s internal audit function, (4) the compliance by the Company with legal and regulatory requirements, (5) the quality and integrity of the Company’s accounting, auditing and reporting practices, and (6) business risks, including those relating to cyber security.

In addition, the Audit Committee is responsible for the implementation of and compliance with the Company’s Whistleblower Policy, including the receipt of confidential, anonymous submissions by employees regarding questionable accounting or auditing matters or any other incidences of potential illegal, dishonest or fraudulent acts involving executives, employees or vendors of the Company and any resulting investigations.

### **Committee Membership**

The Audit Committee shall consist of no fewer than three members. The members of the Audit Committee shall meet the independence and experience requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”), the rules and regulations of the Securities and Exchange Commission (the “Commission”), and the rules and regulations of The Nasdaq Stock Market, Inc. (“Nasdaq”). Each member of the Audit Committee shall also have a basic understanding of finance and accounting and be able to read and understand financial statements. In addition, at least one member of the Audit Committee shall be a “financial expert” as defined by the Commission.

The members of the Audit Committee shall be appointed by the Board and may be replaced by the Board. If the Board does not designate the chairperson, the members of the Audit Committee shall designate a chairperson by majority vote.

### **Meetings**

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Audit Committee shall meet periodically with management, the internal auditors and the independent auditors in separate executive sessions. The Audit Committee may request any officer or employee of the Company or the Company’s outside counsel or independent auditors to attend a meeting of the Audit Committee or to meet with any members of, or advisors or consultants to, the Audit Committee.

## **Committee Authority and Responsibilities**

The Audit Committee shall have the sole authority to appoint or replace the independent auditors. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditors shall report directly to the Audit Committee.

The Audit Committee shall pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditors, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Audit Committee prior to the completion of the audit.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of the fees and expenses of the Company's independent auditors for the purpose of rendering or issuing an audit report and of any advisors retained engaged by the Audit Committee.

The Audit Committee may, in its discretion but only to the extent consistent with applicable law and regulations, form and delegate certain of its authority to a subcommittee of the Audit Committee. The Audit Committee may not delegate any of its responsibilities to persons who are not members of the Audit Committee.

The Audit Committee shall have the authority to cause investigations to be made of matters within the scope of the Audit Committee's responsibilities as the Audit Committee may deem necessary or appropriate. Such investigations may be made by employees of the Company or such legal, accounting or other advisors as the Audit Committee may determine. The Audit Committee may require officers and employees of the Company to provide it with such reports and other information, either regularly or on an as-needed basis, as the Audit Committee may deem appropriate.

The Audit Committee shall prepare the report required by the rules of the Commission to be included in the Company's annual proxy materials.

The Audit Committee shall make regular reports to the Board.

The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes for approval by the Audit Committee.

The Audit Committee shall conduct a self-evaluation on an annual basis to assess its strengths and weaknesses and lay the foundation for future improvement.

The Audit Committee shall:

## Financial Statement and Disclosure Matters

1. Review and discuss with management and the independent auditors the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Annual Report on Form 10-K.
2. Review and discuss with management and the independent auditors the Company's quarterly financial statements prior to the filing of each Quarterly Report on Form 10-Q, including the disclosures made in management's discussion and analysis and the results of the independent auditors' review of the quarterly financial statements.
3. Discuss with management and the independent auditors significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls, and any special steps adopted in light of material control deficiencies.
4. Review and discuss reports from the independent auditors on:
  - (a) All critical accounting policies and practices to be used, including critical and significant accounting releases.
  - (b) All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors.
  - (c) Other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
5. Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP financial information.
6. Discuss with management and the independent auditors the effect of regulatory and accounting initiatives, as well as off-balance sheet items on the Company's financial statements.
7. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies relating to its insurance operations and to cyber security risks.
8. Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit,

including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

9. Review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for each Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

#### Oversight of the Company's Relationship with the Independent Auditors

10. Review and evaluate the lead partner of the independent auditors' team.
11. Obtain and review a report from the independent auditors at least annually regarding (a) the independent auditors' internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, 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, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditors and the Company. Evaluate the qualifications, performance and independence of the independent auditors, including considering whether the auditors' quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditors' independence, and taking into account the opinions of management and internal auditors.
12. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by applicable law or regulations, or as may otherwise determined by the Audit Committee.
13. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditors who participated in any capacity in the audit of the Company.
14. Meet with the independent auditors prior to the audit to discuss the planning and staffing of the audit.

#### Oversight of the Company's Internal Audit Function

15. Review and approve the appointment, replacement, reassignment, or dismissal of the Company's internal auditor or outsourced provider.
16. Review all internal audit reports prepared by the internal auditing department or outsourced provider and assess the completeness of management's responses.

17. On an annual basis, in conjunction with the independent auditors and Company management, review the responsibilities, audit plan, and budget of the internal audit function.

#### Compliance Oversight Responsibilities

18. Obtain confirmation from the independent auditors whether an act or acts constituting illegal acts by the Company or Company personnel as described in Section 10A(b) of the Exchange Act have occurred and, if so, undertake an appropriate investigation of such act or acts and determine appropriate remedial actions.
19. Obtain and review reports from management, the Company's internal audit department and the independent auditors to assess whether the Company and its subsidiaries and affiliates are in conformity with applicable legal requirements and the Company's Code of Business Conduct and Ethics. Review with the Company's general counsel (or outside counsel, if the Company does not have a general counsel) the results of such review regarding the Company's compliance with its policies and procedures, applicable laws and regulations, and the Company's Code of Business Conduct and Ethics, and advise the Board of its findings.
20. Review reports and disclosures of insider and related party transactions, determine whether controls are in place to identify all such insider and related party transactions, ensure that appropriate authorizations and approvals have been obtained, and review and understand the business purpose of any such transactions.
21. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
22. Discuss with management and the independent auditors any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
23. Discuss with the Company's general counsel (or outside counsel, if the Company does not have a general counsel) legal matters that may have a material impact on the financial statements or the Company's compliance policies.
24. Discuss with management risk assessments, including those with respect to cyber security. Such discussions should address assessments of the environment for threats generally and for the Company specifically, the Company's ability to prevent, detect and resolve cyber attacks, the Company's ability to maintain the confidentiality of all personally identifiable confidential information about its customers, the resulting impacts of such risks and

assessments on the Company's financial results and disclosures in the Company's filings with the Commission, and such other risks as may be determined by the Audit Committee.

25. Oversee implementation of and compliance with the Company's Whistleblower Policy, including establishing procedures for (1) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, and (2) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. In addition, the Audit Committee shall be responsible for any investigations necessary or advisable resulting from any such submissions.

#### **Limitation of Audit Committee's Role**

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditors.