

PALOMAR HOLDINGS, INC.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. STATEMENT OF POLICY

This Charter specifies the authority and scope of the responsibilities of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Palomar Holdings, Inc. (the “**Company**”) and the manner in which those responsibilities shall be performed, including the Committee’s structure, processes and membership requirements. The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and reporting to the Board on (i) the integrity of the financial statements and other financial information provided by the Company its shareholders, the public, any stock exchange and others, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the qualifications and independence of the Company’s independent auditor, (iv) the performance of the Company’s internal audit function and its system of internal controls and independent auditor and prepare any reports required of the Committee under the rules of the Securities and Exchange Commission (the “**SEC**”) and (v) such other matters as are assigned to the Committee by the Board pursuant to this Charter or as mandated under applicable laws, rules and regulations (including the Securities Exchange Act of 1934 and the rules promulgated thereunder, as amended (the “**Exchange Act**”)) as well as listing standards of The Nasdaq Stock Market (together, the “**Applicable Requirements**”).

Although the Committee has the powers and responsibilities set forth in this Charter, the role of the Committee is oversight. The members of the Committee are not full-time employees of the Company and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Committee to 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 (“**GAAP**”) and other Applicable Requirements. These are the responsibilities of management and the Company’s independent auditor.

II. ORGANIZATION AND MEMBERSHIP REQUIREMENTS

The Committee shall consist of three (3) or more directors, all of whom shall satisfy the independence, financial literacy, and other qualifications required by the Company’s corporate governance guidelines, Section 10A-3 of the Exchange Act and any other Applicable Requirements, subject to any phase-in periods or cure periods permitted by Rule 10A-3(b)(1)(iv)(A) under the Exchange Act and other Applicable Requirements. At least one member of the Committee shall be an “audit committee financial expert” (as defined by the SEC). Determinations of independence, financial literacy, experience and expertise shall be made by the Board as the Board interprets such qualifications in its business judgment. In addition, the Committee shall not include any member who:

- accepts any consulting, advisory, or other compensatory fee, directly or indirectly, from the Company, other than in his or her capacity as a member of the Committee, the Board, or any other committee of the Board; or
- is an affiliate of the Company or any subsidiary of the Company, as defined by the rules of the SEC, other than a director who meets the independence requirements of The Nasdaq Stock Market.

No Committee member shall simultaneously serve on the audit committee of more than three (3) other public companies without prior disclosure to the Committee and the Board and an affirmative determination by the Board that such service does not impair the ability of such member to serve effectively on the Committee, which determination shall be disclosed in the annual proxy statement and in accordance with the Applicable Requirements.

The members of the Committee shall be appointed by the Board and shall serve until their successors are duly elected and qualified or until their earlier resignation, removal or death. Any member of the Committee may be removed or replaced by the Board on the recommendation of the Nominating and Corporate Governance Committee. Unless a Committee Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee. The Chair shall preside at all regular meetings of the Committee and set the agenda for each Committee meeting.

The Committee may form and delegate authority to subcommittees from time to time as it sees fit, provided that the subcommittees are composed entirely of directors who satisfy the applicable independence requirements of the Company's corporate governance guidelines and the Applicable Requirements.

The Company shall provide appropriate funding, as determined by the Committee, to permit the Committee to perform its duties under this Charter, to compensate its advisors and to compensate any independent registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Company. The Committee, at its discretion, has the authority to initiate investigations and hire legal, accounting or other outside advisors or experts to assist the Committee, as it deems necessary to fulfill its duties under this Charter. The Committee may also perform such other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

III. MEETINGS AND COMMITTEE ACTION

The Committee shall meet as often as it determines, but not less frequently than quarterly. Meetings shall be called by the Chair or, if there is no chairperson, by a majority of the members of the Committee. The Committee shall meet with management, internal auditors (if any) and the independent auditor in separate executive sessions as appropriate. The Committee shall meet with the independent auditor, the internal auditor (if any) and management on a quarterly basis in separate executive sessions to review and discuss the Company's financial statements and financial reports.

Formal action to be taken by the Committee shall be by the affirmative vote of at least a majority of the members present (in person or by telephone conference call) at a meeting at which a quorum is present or by unanimous written consent. A quorum shall consist of at least a majority of the members of the Committee. The Committee shall maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

IV. AUTHORITY AND RESPONSIBILITIES

In fulfilling its duties and responsibilities hereunder, the Committee will be entitled to rely reasonably on (a) the integrity of those persons within the Company and the professionals and experts (such as the Company's independent auditor) from whom it receives information, (b) the accuracy of the financial and other information provided to the Committee by such persons and (c) representations made by the Company's independent auditor as to any services provided by such firm to the Company

To fulfill its responsibilities, the Committee shall:

A. Oversight of the Company's Independent Auditor

1. Be solely responsible for the appointment, compensation, retention (including termination), scope and oversight of the work of any independent auditor engaged by the Company for the purpose of preparing or issuing an audit report or related work and shall be directly involved in the oversight of such engagement (including resolution of disagreements between management and the independent auditor regarding financial reporting), and shall assure that each independent auditor shall report directly to the Committee.

2. Periodically review and discuss with the independent auditor (i) the matters required to be discussed by Auditing Standard No. 16, and (ii) any formal written statements received from the independent

auditor consistent with and in satisfaction of Independence Standards Board Standard No. 1, as amended, including without limitation, descriptions of (x) all relationships between the independent auditor and the Company, (y) any disclosed relationships or services that may impact the independent auditor's objectivity and independence and (z) whether any of the Company's senior finance personnel were recently employed by the independent auditor.

3. Obtain and review annually a report from the independent auditor describing (i) the independent auditor's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review, peer reviews or Public Company Accounting Oversight Board ("PCAOB") or by any inquiry or investigation by governmental or professional authorities within the preceding five (5) years respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues, and (iii) assessing such firm's independence, including delineating all relationships and engagements that may reasonably be thought to bear on the independence of the auditor, including those between the auditor and the Company. The Committee shall discuss this report with the Company's independent auditor and shall take appropriate action to ensure the independence of the independent auditor and to address any other matters based on such report.

4. At least annually evaluate the qualifications, performance and independence of the independent auditor, including a review of whether the independent auditor's quality-control procedures are adequate and a review and evaluation of the lead partner of the independent auditor, taking into account the opinions of management and the Company's internal auditors, and report to the Board on its conclusions, together with any recommendations for additional action.

5. Confirm that the "lead partner," the "concurring partner" and the other "audit partner" rotation requirements under the Applicable Requirements, including Regulation S-X have been complied with. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the Company's independent registered public accounting firm on a regular basis.

6. Approve in advance the engagement of the independent auditor for all audit services and non-audit services, based on independence, qualifications and, if applicable, performance, and approve the fees and other terms of any such engagement; provided, however, that (i) the Committee may establish pre-approval policies and procedures for any engagement to render such services, provided that such policies and procedures (x) are detailed as to particular services, (y) do not involve delegation to management of the Committee's responsibilities hereunder and (z) provide that, at its next scheduled meeting, the Committee is informed as to each such service for which the independent auditor is engaged pursuant to such policies and procedures, and (ii) the Committee may delegate to one or more members of the Committee the authority to grant pre-approvals for such services, provided that the decisions of such member(s) to grant any such pre-approval shall be presented to the Committee at its next scheduled meeting.

7. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit. Discuss with the independent auditor the responsibilities, budget and staffing of the internal audit function.

8. Approve as necessary the termination of the engagement of the independent auditor and select a replacement independent auditor.

9. Establish policies for the hiring of partners, employees or former employees of the independent auditor who participated in any capacity in the audit of the Company, taking into account the impact of such policies on auditor independence.

10. Regularly review with the independent auditor any significant difficulties encountered during the course of the audit, any restrictions on the scope of work or access to required information and any significant disagreement among management and the independent auditor in connection with the preparation of the financial statements. Review with the independent auditor any accounting adjustments that were noted or proposed by the independent auditor but that were "passed" (as immaterial or otherwise), any communications between the audit team and the independent auditor's national office regarding auditing or accounting issues presented by the engagement and any other material written communication provided by the independent auditor to the Company's

management required to be submitted by the Company's independent registered public accounting firm to the Committee under Section 10A of the Securities Exchange Act and other Applicable Requirements.

11. Review with the independent auditor the critical accounting policies and practices used by the Company, all alternative treatments of financial information within GAAP that the independent auditor has discussed with management, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor.

B. Review of Financial Statements and Financial Reporting Policies and Processes

To fulfill its responsibilities and duties, to the extent that it deems necessary or appropriate, and in addition to the items described above, the Committee shall:

1. Review and discuss with management and the independent auditor the Company's annual audited financial statements and any certification, report, opinion or review rendered by the independent auditor, and recommend to the Board whether the audited financial statements should be included in the Company's annual report on Form 10-K. Timely prepare the report required by the SEC to be included in the Company's annual proxy statement, if applicable, and any other reports of the Committee required by any Applicable Requirement.

2. Review and discuss with management and the independent auditor the Company's quarterly financial statements.

3. Review and discuss with management and the independent auditor the Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing in the Company's periodic reports.

4. Review and discuss with management press releases regarding the Company's financial results and any other information (including earnings guidance) provided to securities analysts and rating agencies, including any "pro-forma," "non-GAAP" or adjusted financial information. Such discussions may be general (consisting of discussing the types of information to be disclosed and the types of presentations to be made), and each earnings release or each instance in which the Company provides earnings guidance need not be discussed in advance.

5. Periodically meet separately with management, with internal auditors (if any) and with the independent auditor.

6. Review and discuss with management and the Company's independent auditor (i) major issues regarding, or significant changes in, the Company's accounting principles and financial statement presentations and (ii) the type and presentation of information to be included in earnings press releases and any financial information and earnings guidance provided to analysts and rating agencies.

7. Review with management its assessment of the effectiveness and adequacy of the Company's internal control structure and procedures for financial reporting ("**Internal Controls**"), review with the independent auditor the attestation to and report on the assessment made by management, and consider whether any changes to the Internal Controls are appropriate in light of management's assessment or the independent auditor's attestation and report.

8. Review and discuss with management and the independent auditor any off-balance sheet transactions, structures or obligations (including contingent obligations) and their effect on the Company's financial results and operations, as well as the disclosure regarding such transactions and structures in the Company's public filings.

9. Review with management and the independent auditor the effect of regulatory and accounting initiatives on the financial statements. Review any major issues regarding accounting principles and financial statement presentations, including any significant changes in selection of an application of accounting

principles. Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor or management.

10. Review any analyses prepared by management and/or the independent or internal auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the effects of alternative GAAP methods on the financial statements.

11. Review any special audit steps adopted in light of material control deficiencies. Review with the independent auditor and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

12. Review the appointment and replacement of the head of the Company's internal audit function (if any). Review and discuss with the internal auditors or equivalent consultants (i) the charter, purpose, authority and organizational reporting lines of the internal audit function and (ii) the annual audit plan and changes to the audit plan. Review reports to management and the Board prepared by the internal auditors or equivalent consultants. Consult with management and the head of the internal audit or equivalent consultants the responsibilities, budget and staffing of the internal audit function and the planning and execution of internal audit activities.

13. Prior to the filing of any audited financial statements with the SEC, review with the Company's independent auditor (a) all critical accounting policies and practices used by the Company, (b) all alternative accounting treatments of financial information reported in GAAP related to material items that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the Company's independent auditor, (c) any reports or communications (and management's responses thereto) submitted to the Committee by the Company's independent auditor in accordance with PCAOB Auditing Standard No. 16, Communications with Audit Committees, as amended or supplemented, and (d) any other material written communications between the Company's independent auditor and management.

14. Periodically review separately with each of management, the Company's independent auditor and the internal audit group (a) any significant disagreement between management and the Company's independent auditor or the internal audit group in connection with the preparation of the financial statements, (b) any audit problems or difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information, and (c) management's response to each. The Committee shall discuss with the independent auditor material issues on which the national office of the independent auditor was consulted by the Company's audit team.

15. Periodically discuss with the Company's independent auditor, without management being present, (a) their judgment about the quality, integrity and appropriateness of the Company's accounting principles and financial disclosure practices as applied in its financial reporting and (b) the completeness and accuracy of the Company's financial statements.

16. Review and discuss with management the Company's major financial risk exposures and management's risk assessment and risk management policies.

17. Review, based on the recommendation of the Company's independent auditor and the person responsible for the Company's internal audit group, the scope and plan of the work to be done by the internal audit group and the responsibilities, budget, audit plan, activities, organizational structure and staffing of the internal audit group as needed.

18. In consultation with the Company's management, independent auditor and the internal audit group, review the adequacy of the Company's internal controls, disclosure processes and its procedures designed to ensure compliance with laws and regulations, and any special audit steps adopted in light of material control deficiencies.

19. Review (a) the internal control report prepared by management, including management's assessment of the effectiveness of the Company's internal control over financial reporting and (b) the Company's independent auditor's attestation, and report, on the assessment made by management, in each case, as and when required by Section 404 of the Sarbanes-Oxley Act of 2002. Discuss with management, the internal audit group and the independent auditor any changes in internal control over financial reporting disclosed or considered for disclosure in the Company's periodic filings with the SEC.

20. Review with management and the Company's independent auditor any reports or disclosure submitted by management to the Committee as contemplated by the certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

21. Review with management any management letters and the steps management intends to take to address the issues raised by those letters.

C. Risk Management, Related Party Transactions, Legal Compliance and Ethics

To further fulfill its responsibilities and duties, and in addition to the items described above, the Committee shall:

1. Review with the chief executive officer and chief financial officer of the Company any report on significant deficiencies in the design or operation of the Internal Controls that could adversely affect the Company's ability to record, process, summarize or report financial data, any material weaknesses in the Internal Controls identified to the auditors, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Internal Controls.

2. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Adopt, as necessary, appropriate remedial measures or actions with respect to such complaints or concerns.

3. In consultation with the Nominating and Corporate Governance Committee, consider and present to the Board for adoption a Code of Conduct and Ethics for the Company's principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions, which meets the requirements of Item 406 of the SEC's Regulation S-K, and provide for prompt disclosure to the public of any change in, or waiver of, such Code of Ethics.

4. Consult with the Board regarding its adoption of a Code of Conduct and Ethics applicable to all employees and directors and required by the rules of The Nasdaq Stock Market, and adopt procedures for monitoring and enforcing compliance with such Code of Business Conduct and Ethics.

5. As requested by the Board, review and investigate conduct alleged by the Board to be in violation of the Company's Code of Conduct and Ethics, and adopt as necessary or appropriate, remedial, disciplinary, or other measures with respect to such conduct.

6. Review and approve (a) any amendment to or waiver from the Company's Code of Conduct and Ethics for the chief executive officer and senior financial officers and (b) any public disclosure made regarding such change or waiver and advise the Board with respect to the Company's policies and procedures regarding compliance with the Company's Code of Conduct and Ethics.

7. Monitor compliance with the Company's Code of Conduct and Ethics, and oversee, review and discuss with management, at least annually, the implementation and effectiveness of the Company's compliance and ethics programs. Review and take appropriate action with respect to any reports to the Committee from legal counsel for the Company concerning any material violation of securities law or breach of fiduciary duty or similar violation by the Company, its subsidiaries or any person acting on their behalf. As appropriate, the Committee shall report and make recommendations to the Board with respect to these matters.

8. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies that raise material issues regarding the Company's financial statements or accounting policies.
9. Discuss guidelines and policies to govern the process by which risk assessment and management is undertaken and handled. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
10. Prepare the Committee's report required by the rules of the SEC to be included in the Company's annual proxy statement.
11. Develop and recommend to the Board for approval policies and procedures for the review, approval or ratification of related person transactions required to be disclosed pursuant to Item 404 of Regulation S-K, as may be amended from time to time, and any other applicable requirements (the "**Related Person Transactions Policy**"). Review the Related Person Transactions Policy at least annually and recommend to the Board for approval any changes to the Policy. Oversee the implementation of and compliance with the Related Person Transactions Policy, including reviewing, approving or ratifying related person transactions, as appropriate pursuant to the Related Person Transactions Policy.
12. Develop, in coordination with the Nominating and Corporate Governance Committee, and implement an annual performance evaluation of the Committee.
13. Regularly report to the Board on the Committee's activities, recommendations and conclusions.
14. Review and reassess the adequacy of its own performance and the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval.
15. Perform any other activities consistent with this Charter, the Company's organizational documents, as required under the Applicable Requirements or as the Committee or the Board otherwise deems necessary or appropriate.

V. RESOURCES

The Committee shall have the authority to retain or terminate, at its sole discretion, independent legal, accounting and other advisors, consultants or professionals (collectively, "**Advisors**") to assist the Committee in its responsibilities and shall be directly responsible for overseeing the work of such Advisors. The chairperson of the Committee, at the request of any member of the Committee, may request any officer, employee or advisor of the Company or the Company's independent auditor to attend a meeting of the Committee or otherwise respond to Committee requests.

The Committee shall have the sole authority to determine the terms of engagement and the extent of funding necessary (and to be provided by the Company) for payment of (a) compensation to the Company's independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, (b) any compensation to any Advisors retained to advise the Committee and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.