

**OIL INSURANCE LIMITED
OIL CASUALTY INSURANCE, LTD**

Joint Audit Committee Charter

<p>I. Purpose</p>	<p>The Committee monitors: (i) the integrity of the financial statements of the Companies; (ii) the independent auditor's qualifications and independence; (iii) the performance of the Companies' internal audit function; (iv) the performance of and the Companies' relationship with independent auditors; (v) the enterprise risk management function of the Companies; and (vi) the Companies' compliance with accounting, legal and regulatory requirements.</p>
<p>II. Structure</p>	<p>The Committee is a Standing Committee and will meet as a joint committee.</p> <p>Members of the Audit Committee (the "Committee") are appointed by their respective Company Boards.</p> <p>The Committee will be comprised of not less than one nor more than four directors of Oil Insurance Limited and not less than one nor more than three directors of Oil Casualty Insurance, Ltd. The Committee will also include one member from the Board of Directors of either Investment Company. For an action to be approved for either Oil Insurance Limited or Oil Casualty Insurance, Ltd., a majority of the Committee members from that Company must approve the action. Committee members will be selected based upon their (i) prior experience in matters to be considered by the Committee, (ii) probable availability at times required for consideration of such matters, and (iii) perceived individual independence and objectivity. The Committee members will select a Chairman annually. All members should be financially literate and at least one member must qualify as an Audit Committee financial expert.</p>
<p>III. Procedure</p>	<p>The Committee will report to the Boards of Directors and will meet as often as it determines, but not less than four times a year. Additionally, the Committee will meet separately in executive session with members of management, the external auditors, and the internal auditors at least annually. The Committee will meet in executive session without management as necessary. The Committee may request any officer or employee of the Companies, or the Companies' outside counsel or independent auditor, to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.</p> <p>A majority of the members of the Committee will constitute a quorum with a majority of votes of those Committee members present at a meeting in which a quorum has been established being sufficient to adopt a resolution or otherwise take action.</p>

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<p>IV. Duties, Responsibilities & Authority</p>	<p>The Committee's principal responsibilities include:</p> <p>A. <u>Oversight of the financial reporting process, internal controls, and relations with the external and internal auditors.</u></p> <p>The Committee is to:</p> <ol style="list-style-type: none">1. Assess the Companies' ability to identify and assess the risk of material financial statement errors, major issues concerning the adequacy of the Companies' internal controls and material non-compliance with laws and regulations.2. Assess, on an annual basis, the independence of the external auditors. This assessment will be based, in part, on a written report provided by management concerning fees paid to external auditors for all services provided, as well as, any existing relationships that could affect independence.3. Obtain and review a report from the external auditor at least annually regarding (i) the external auditor's internal quality-control procedures; (ii) any material issue raised by any internal quality-control review, peer review of the firm, or 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; (iii) any steps taken to deal with any such issues; and (iv) all relationships between the external auditor and the Companies.4. Evaluate the qualifications, performance and independence of the external auditor. This evaluation will include consideration of the opinions of management, the adequacy of the auditor's quality controls, and whether the provision of any permitted non-audit services is compatible with maintaining the auditor's independence.5. Assess, on an annual basis, the length of time that the lead partner has been engaged on the audit and, if the period of time is greater than five years, whether rotation is necessary.6. Review significant financial variations from the previous year, including disclosures in financial statements and any unadjusted audit differences.
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IV. (continued)	<ol style="list-style-type: none">7. Review assessment of internal controls with internal auditors annually.8. Ensure that the external auditors provide to the Committee, at least annually:<ol style="list-style-type: none">a. Independent judgments about the appropriateness of the Companies' current or proposed accounting principles, policies, practices and disclosures, and whether current or proposed accounting principles are clear.b. A statement on whether the accounting principles chosen by management are conservative, moderate or aggressive as they relate to income, asset and liability recognition and whether these accounting principles are commonly used.c. Reasons for accepting or questioning significant estimates made by management.d. 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 external auditor.e. A discussion of material communications between the external auditor and management.f. The effect of regulatory and accounting initiatives on the Companies' financial statements.g. Any significant deficiencies in the design or operation of internal controls which could adversely affect the Companies' ability to record, process, summarize and report financial data.h. Any material weaknesses to the Companies' internal controls.i. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Companies' internal controls.j. Information regarding the nature of any disagreements between management and external auditors.
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IV. (continued)	<p>B. <u>Oversight of: (1) the Annual Report certification process by the CEO and CFO; (2) the Company's Enterprise Risk Management Process; and (3) the Company's compliance with legal and regulatory requirements.</u></p> <p>The Committee is to:</p> <ol style="list-style-type: none">1. Oversee the requirements for the CEO and CFO to certify the annual financial statements.2. Discuss with management the Companies' major financial & operational risk exposures and the steps management has taken to monitor and control such exposures. This will include periodic review of (i) the risk governance structure; (ii) risk competencies of the Companies; (iii) risk tolerance adherence for each company; and (iv) the risk management strategy and associated risk management initiatives and how both support the business strategy and business models of the Companies. <p>Review, assess and discuss with the Chief Executive Officer, General Counsel/Chief Compliance Officer, the Chief Financial Officer and the Companies' Independent Auditor any significant risks or exposures, managements risk assessments, steps management has taken or should consider taking to minimize such risks or exposures, and the Companies' underlying policies with respect to risk assessment and risk management.</p> <ol style="list-style-type: none">3. Review on an annual basis any loans that have been made to any directors or officers of the Companies.4. Review annually each Company's code of ethics as approved by the senior and financial officers of each Company. <p>Review annually with the General Counsel/Chief Compliance Officer, the external auditor and the internal auditor any non-compliance issues occurring within any of the Companies.</p> <ol style="list-style-type: none">5. Discuss with members of management and the external auditor, as appropriate, any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding each Company's financial statements or accounting policies.
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	<p>6. Monitor the procedures for the receipt, retention and treatment of complaints received by each Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.</p>
<p>IV. (continued)</p>	<p>C. <u>Completion of certain duties prior to Board action (when appropriate)</u></p> <p>The Committee is to:</p> <ol style="list-style-type: none"> 1. Appoint or replace external auditors. 2. Review and approve the annual financial statements, including the financial statements of any subsidiary corporations, and auditors' reports. 3. Implement major accounting policy changes.
	<p>D. <u>Completion of certain duties prior to providing summary reports to the Board (when appropriate).</u></p> <p>The Committee is to:</p> <ol style="list-style-type: none"> 1. Review accounting changes or regulations proposed or adopted by governing bodies or regulatory authorities. 2. Interview the Companies' external auditors and internal auditors concerning the strengths and weaknesses of each Company's financial staff, internal controls, and other factors that pertain to the integrity of published financial reports. 3. Review the results of any special audits of the Companies' internal control procedures. 4. Review and approve internal and external auditors' fees. 5. Review management letters, including management responses and plans to address the resulting recommendations.

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IV. (continued)	<p>E. <u>Completion of additional, general duties.</u></p> <p>The Committee is to:</p> <ol style="list-style-type: none">1. Review and approve the scope of the annual external audit.2. Request the external auditors to study a particular area of concern or interest, if necessary.3. Approve in advance any audit or non-audit services provided by the external auditors.4. Review and approve internal audit plans and reports.5. Initiate special audits and review and approve the areas targeted for special audit work.6. Review and approve the audit reports issued in conjunction with the special audit work, including management responses and plans to address those areas identified during the audits.7. Request audits of internal controls and procedures, as necessary.8. Report to the Boards at each regularly scheduled meeting, as well as to the shareholders at the Annual General Meeting.9. Conduct a bi-annual self-evaluation of the Committee.10. Perform other functions as requested by the respective Boards of Directors.
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IV. (continued)	<p>F. <u>Completion of optional duties (when appropriate).</u></p> <p>The Committee may:</p> <ol style="list-style-type: none">1. Form and delegate authority to subcommittees comprising one or more members of the Committee, including the authority to grant pre-approvals of audit and non-audit services, provided that such decisions by the subcommittee must be presented to the full Committee at its next scheduled meeting.2. Utilize the services of independent auditors, outside counsel or other advisors as it deems appropriate in carrying out its duties. The Company will provide the Committee with appropriate funding, as the Committee determines, for the payment of compensation to the Company's independent auditor, outside counsel, and other advisors, and administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention. The Committee will have access to the Company's books, records, facilities, and personnel. Any communications between the Committee and any legal counsel in the course of obtaining legal advice will be considered privileged and confidential communications of the Company, and the Committee will take all necessary steps to preserve the privileged and confidential nature of those communications.
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