

**Intact Financial Corporation  
And its P&C Insurance Companies  
(jointly called the “Company”)**

**Mandate of the Audit Committee**

**I. Purpose**

The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of the Company, including its pension funds. It assists the Board in its oversight of (i) the integrity, fairness and completeness of the Company’s financial statements and financial information; (ii) the accounting and financial reporting process; (iii) the qualifications, performance and independence of the external auditors; (iv) the performance of the internal audit function; (v) the quality and integrity of internal controls and; (vi) actuarial practices of the Company.

The Committee has been designated by each of the U.S. P&C insurance companies under the OneBeacon Group (collectively, the “OneBeacon Insurance Companies”)<sup>1</sup> as its audit committee. Unless otherwise indicated, reference to “Company” shall include the OneBeacon Insurance Companies.

**II. Membership**

**1. Number**

The Board will appoint no fewer than three of its members to the Committee on the recommendation of the Compliance Review and Corporate Governance Committee.

**2. Composition and Qualifications**

The Committee consists of directors who are “independent” as that term is defined from time to time in relevant legislation, and who are non-executives of the Company or its subsidiaries.

All Committee members must be financially literate as that term is defined in applicable legislation. In addition, the composition of the Committee, and qualifications of its members, will comply with such additional requirements as may be imposed by applicable legislation and best practices as determined by the Board.

**3. Chair**

The Board will appoint the Chair of the Committee annually, to be selected from the members of the Committee. If, in any year, the Board does not make such appointment, the incumbent Chair will continue in office until a successor is appointed. In the event the Chair is not able or willing to act as Chair of the Committee for any reason, the Board may appoint another Chair on an interim or permanent basis. The Chair is bound to act in accordance with his or her mandate and this mandate.

**4. Tenure**

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<sup>1</sup> **OneBeacon Insurance Companies:** Atlantic Specialty Insurance Company, OBI National Insurance Company, OBI America Insurance Company, Homeland Insurance Company of New York, Homeland Insurance Company of Delaware, OneBeacon Specialty Insurance Company, OneBeacon Select Insurance Company

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Each member of the Committee will be appointed annually by the Board and will hold office at the will of the Board or until his or her successor is appointed.

### **5. Removal and Vacancies**

Any member of the Committee may be removed and replaced at any time by the Board and will also automatically cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies by appointing members of the Board to the Committee. If and whenever a vacancy exists, the remaining members may exercise all the powers of the Committee as long as a quorum remains in office.

## **III. Process and Operations**

### **1. Meetings**

The Committee meets at least four times per year and otherwise as needed.

The external auditors are entitled to receive notice of, attend and be heard at each meeting of the Committee.

The Committee shall also meet periodically with the Risk Management Committee of the Company in furtherance of their respective mandates.

The Chief Financial Officer, the Chief Internal Auditor, the Group Chief Actuary or the Appointed Actuary may call a meeting of the Committee at any time.

### **2. Private Meeting of the Committee and Private Meetings With Members of Management**

Following each meeting, the Committee meets privately without the presence of Management.

Following each regular meeting, the Committee meets in private with the Chief Financial Officer, the Group Chief Actuary, the Appointed Actuary, the Chief Internal Auditor and the external auditors and any other members of management required in respect of this mandate. The Committee may meet members of management in private after each non-regular meeting. The Committee may also meet with any other employees, as it deems appropriate.

### **3. Quorum**

A quorum at any meeting shall be a simple majority of the members of the Committee.

### **4. Report to the Board**

Following each meeting, the Committee reports to the Board on matters reviewed by the Committee.

## **IV. Mandate: Duties and Responsibilities of the Audit Committee**

The Committee is responsible for compliance with financial regulatory requirements and ongoing assessment, monitoring, effectiveness, performance and objectivity of accounting and actuarial practices of the Company to ensure they are appropriate and within the bounds of acceptable practice.

## Mandate of the Audit Committee

### **1. Internal Controls and Procedures**

The Committee oversees the quality and integrity of the Company's internal controls and procedures, including those of its pension funds. The Committee requires management to design, implement and maintain internal controls and procedures appropriate to the Company and to make periodic reports to the Committee on the status of such controls and procedures. The Committee receives management's reports on such controls and procedures, and it reviews, evaluates and approves them periodically.

The Committee also establishes procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters. It also establishes procedures for the confidential, anonymous submissions by employees of the Company regarding questionable accounting or auditing matters.

### **2. Chief Internal Auditor and Internal Audit Function**

The Committee oversees the internal audit function. It reviews and recommends to the Board for approval, the annual internal audit plan. The Committee ensures that the scope of the internal audit plan is appropriate, risk-based and addresses all the relevant activities over a cycle determined by the Committee with a view towards ensuring sound internal controls, and ensures that the work of internal and external auditors is co-ordinated.

The Committee regularly meets with the Chief Internal Auditor, and with management to discuss the effectiveness of the internal controls and procedures established for the Company. The Committee reviews and discusses the findings and reports of the Chief Internal Auditor.

In addition to the foregoing, the Committee shall be responsible for overseeing the internal audit function within the OneBeacon Insurance Companies.

### **3. External Auditors and Other Experts**

The external auditors report directly to the Committee. The Committee oversees the work of the external auditors engaged in preparing or issuing an auditor report or related work. The Committee oversees the resolution of disagreements between management and the external auditors regarding financial reporting. The Committee meets with management and external auditors to discuss overall audit results and audit report, annual and quarterly financial statements and related documents, the quality of financial statements and any related concerns.

The Committee reviews and assesses key areas of risk and obtains assurances from the external auditors that the financial statements, including the tax positions implicit therein, fairly present the financial position, the results of operations and the cash flows of the Company, and that estimates and assumptions are reasonable.

The Committee proposes to the Board for recommendation to the shareholders the appointment of the external auditors responsible for preparing and issuing an auditor report or performing other audit or review or attest services provided to the Company.

The Committee is responsible for assessing the skills, resources and independence of the external auditors periodically, including the audit firm's internal policies and practices for quality control and reports to the Board annually regarding the effectiveness of the external auditors.

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The Committee establishes criteria for the types of non-audit services the external auditors can and cannot provide and pre-approves all services with fees to be provided to the Company by the external auditors.

The pre-approval function may be delegated to one or more independent members of the Committee. Where such pre-approval function is delegated to a member of the Committee, that member will present such pre-approval at the next scheduled meeting of the Committee.

The Committee reviews and approves the Company's policies for hiring partners, employees and former partners and employees of the Company's present and former external auditors.

The Committee recommends to the Board for approval the compensation of the external auditors.

Notwithstanding the foregoing, the Committee shall be directly responsible for the appointment, compensation and oversight of the work of the external auditors with respect to the OneBeacon Insurance Companies.

### **4. Group Chief Actuary and Appointed Actuary**

The Committee discusses the adequacy of the Company's reserving and reporting practices with the Group Chief Actuary and/or the Appointed Actuary. At the end of every quarter, actuarial and other policy liabilities and reserves, and any other matters specified at law, are assessed by the Group Chief Actuary and/or the Appointed Actuary in accordance with accepted actuarial practice. Material changes, if any, are reviewed and reported quarterly. The Appointed Actuary presents his reports, at least annually, to the Committee, including in order to discuss the parts of the annual statement and the annual return prepared by the Appointed Actuary and the financial position of the Company in general. The Committee reviews and discusses any relevant peer review of the Appointed Actuary.

### **5. Financial Statements, Filings, Returns and Disclosures**

The Committee is responsible for reviewing the financial performance of all the operations of the Company including its pension funds and in this regard it reviews all the financial statements, and financial and business information publicly issued by the Company and those filed with regulators.

The Committee meets with the internal and the external auditors, the Chief Financial Officer and the Appointed Actuary of the Company to discuss the financial statements and returns and the financial or business information documents mentioned above, and it approves them or recommends them to the Board for approval before their publication.

The Committee also approves the financial statements of the pension funds, after their review with management and after receiving the related external auditor and internal auditor reports.

### **6. Disclosure Overview**

With regards to the Committee's financial disclosure oversight function, the Committee reviews and approves the policies and procedures in place for the review of financial disclosures prior to their public release, as required by applicable legislation.

The Committee also reviews and satisfies itself with the certification process, and reviews the certifications of the CEO and Chief Financial Officer as required by applicable legislation.

## Mandate of the Audit Committee

In executing its responsibilities, the Committee also oversees the Company's compliance with legal and regulatory requirements related to financial reporting and disclosure.

### **7. Access to Management and all Oversight Functions**

In order to facilitate the Committee's oversight function with respect to the Company's financial reporting and disclosure and internal controls and procedures, the Committee has direct access to all oversight functions and other internal and external experts, and may have private meetings with any of them or any member of management at its discretion.

### **8. Oversight of the Chief Financial Officer, Chief Internal Auditor, the Group Chief Actuary and Appointed Actuary Functions**

The Committee reviews and recommends to the Board for approval the appointment, assessment or termination (if applicable) of the Chief Financial Officer, the Chief Internal Auditor, the Group Chief Actuary and the Appointed Actuary. The Committee periodically reviews and approves the mandate of each of these functions and annually obtains the assurances that each function has the necessary budget, independence and resources to meet its mandate and reports any related issue to the Board before the Board approves the budget and plans of the Company.

In addition to the foregoing, the Committee shall be responsible for granting the person or persons performing the internal audit function for the OneBeacon Insurance Companies suitable authority and resources to fulfill their responsibilities.

The Committee annually reviews the objectives and assesses the effectiveness of the referred oversight functions and reports to the Board in this regard.

### **V. Access to Independent Consultants**

Regarding audit services, the Committee may retain and terminate, at the Company's expense, such consultants as it deems necessary or advisable to carry out its duties.

Regarding non-audit services, the Committee may retain and terminate, at the Company's expense, consultants, including the external auditors, as it deems necessary or advisable to carry out its duties.

In case of differences of opinion between the members of the Committee or with management relating to the hiring of such consultants, the Board may decide on the issue or delegate the review of such issue to the Compliance Review and Corporate Governance Committee.

### **VI. Delegation**

The Committee may designate a sub-committee or individual(s) to review any matter the Committee can delegate by law.

### **VII. Self-Assessment**

On an annual basis, the Committee evaluates and reviews the assessment reports on the adequacy of the Committee, its Chair and each of its members.

## Mandate of the Audit Committee

### **VIII. Committee Mandate**

On an annual basis, the Committee reviews this mandate and recommends any changes to the Board.

**Approved by the Board of Directors of Intact Financial Corporation and its Canadian P&C Subsidiaries on February 5, 2019.**