

COLUMBIA INSURANCE GROUP AUDIT COMMITTEE CHARTER

Overview

The Audit Committee of the Board of Directors assists the full Board in fulfilling its oversight responsibilities with respect to assuring that the company maintains (1) appropriate financial accounting and management controls, (2) sound financial reporting practices, (3) appropriate independent advice from its Independent Auditors, and (4) compliance with legal and regulatory requirements. The Audit Committee reports on these matters to the full Board as deemed necessary by the full Board, but no less frequently than annually.

The Audit Committee's role and proper functioning requires that it monitor, review and when necessary challenge management and the independent auditors. Although the Audit Committee will exercise the powers set forth in this Charter, it is the responsibility of management throughout the company to ensure that overall controls are adequate to meet operating, financial and compliance objectives, and it is the responsibility of management and the independent auditors to plan and conduct audits, and to determine that the Company's financial statements are materially complete and accurate and are in accordance with statutory accounting principles.

The Audit Committee assists the full Board in independently overseeing the performance of the external audit functions to ensure adequate audit coverage is achieved. Specifically, the audit function is designed to ensure:

- A system of internal controls is maintained throughout the Company which protects the assets of the Company and provides the proper authorization and recording of transactions such that the financial information is reliable and materially accurate; and
- Financial statements present fairly, in all material respects, the financial condition, results of operations and cash flows of the Company in accordance with statutory accounting principles.

Membership

The Board of Directors shall appoint the Audit Committee members, all of whom shall be Directors, but none of whom may be officers or employees of Columbia Mutual Insurance Company, Columbia Insurance Group, Inc. or any of either's subsidiaries.

The Audit Committee shall consist of not less than three members, including a Chairperson. A majority of the members of the Committee shall constitute a quorum. The Committee shall generally meet three times a year or at whatever more frequent interval is considered necessary or appropriate by the Committee in fulfilling its responsibilities. Audit Committee members should be objective in spirit and judgment, and willing to ask the right questions in order to obtain necessary facts and act accordingly. The Audit Committee shall

conduct an annual evaluation of the Committee's performance and provide a copy thereof to the full Board of Directors.

Responsibilities

1. Charter Review

The Audit Committee shall reassess the adequacy of its Charter annually and recommend any proposed changes to the full Board for approval.

2. Selection of Independent Auditors

The Audit Committee shall recommend to the Board for approval the selection of the Company's independent auditors. The Committee shall have the authority to evaluate, and if necessary, recommend replacement of the independent auditors. The Committee shall recommend to the full Board pre-approved policies and procedures for the engagement of the independent auditors and shall recommend the selection of independent auditors. The independent auditors report directly to the Audit Committee or, at the Board's request, the full Board.

3. Auditor Evaluations

The Audit Committee shall evaluate and reach conclusions regarding the qualifications, performance and independence of the independent auditors.

The Audit Committee shall:

- Receive and review required communications from the independent auditors on an annual basis, including a formal written statement pertaining to the independent auditors' independence, discuss such information with the independent auditors and take appropriate action as deemed necessary to satisfy itself of such independence.
- Discuss annually with the independent auditors a report outlining the auditors' internal quality control procedures, including material issues, if any, cited in the most recent quality-control review, whether an internal review or peer review. Also, obtain and discuss a report pertaining to any investigation by governmental or professional authorities within the preceding five years concerning independent audits carried out by the firm, including resolution of any issues.
- Review, in consultation with management, the terms of the engagement of the independent auditors, including the scope of their audit and qualifications of their personnel. The Audit Committee is directly responsible for recommending to the Board or Executive/Governance Committee the compensation of the independent auditors.

- Pre-approve all services (and related fees) provided by the Company's independent auditors and prohibit the independent auditors from performing any service that is prohibited under current auditor independence rules.
- 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.
- Receive required communications from the independent auditors, including, as necessary, information regarding the timetable for the rotation of partners.
- Discuss with the independent auditors the quality of the Company's financial accounting personnel, and any relevant recommendations of the independent auditors.
- Discuss with management their opinions regarding the qualifications, performance and independence of the independent auditors.
- Recommend to the Board clear hiring policies for employees and former employees of the independent auditors and monitor management's compliance with the policy.

4. *Matters Pertaining to Filings with Governmental Agencies*

The Audit Committee shall:

- Review with the independent auditors and management the Company's statutory Annual Report to all required state insurance regulators.

5. *Financial Reporting*

The Audit Committee shall:

- Review with management and the independent auditors the Company's annual financial statements.
- Review with management and the independent auditors both the adequacy and quality of the Company's financial accounting reporting policies. The Audit Committee shall also review the potential impact of significant regulatory or accounting rule-making initiatives on the financial statements.
- Review with management and the independent auditors any significant issues regarding the application of accounting principles and financial statement presentation, including changes in the selection or application of accounting principles.
- Review, in connection with its review of the annual financial statements, significant financial reporting issues and judgments made in connection with the preparation of

the company's financial statements, including the impact of applying alternative accounting methods available under statutory accounting principles.

- Review with the independent auditors and management the results of the independent auditors' year-end audit, including any problems or difficulties encountered by the independent auditors, management's response to any audit findings and areas of significant disagreement, if any, between management and the independent auditors.

6. *Controls*

The Audit Committee shall:

- Review with management, the independent auditors' opinion as to the adequacy and effectiveness of the Company's system of internal accounting controls, including any significant issues noted regarding the adequacy of controls and special audit steps, if any, adopted to address these issues.
- Review the Company's procedures with respect to accounting and financial controls, including changes in auditing and/or accounting principles, practices and procedures.
- Review with management the company's major financial risk exposures and the steps management has taken to monitor, mitigate and control such exposures.

7. *Fraud and Illegal Acts*

The Audit Committee shall:

- Receive and review reports regarding fraud involving senior management and any fraud that causes a material misstatement of the financial statements.
- Review reports of illegal acts that are not "clearly inconsequential" that have come to the independent auditors' attention in the course of their audits. Ensure in such cases, that management has taken timely and appropriate actions regarding reported illegal acts that could have a material effect on the financial statements.

8. *Other Responsibilities*

- Periodically, the Audit Committee will meet separately with representatives from the independent auditors and management.
- Review with the Company's General Counsel legal matters that may have a material impact on the financial statements, any material reports or inquiries received from regulators or governmental agencies, and other legal matters as appropriate.

- 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.

9. *General Powers*

- The Audit Committee may conduct or authorize investigations into any matters within the scope of the Committee's responsibilities.
- To carry out and effectuate the purposes of the foregoing resolutions, the Audit Committee shall have authority it deems necessary to confer with the Company's independent auditors and officers and to conduct or authorize investigations. The Audit Committee, with the approval of the Board, shall have the authority to retain independent legal, accounting or other consultants to advise the Committee.
- The company will provide adequate funding for the operation of the Audit Committee and its related activities.

10. *Responsibility to Apprise Board*

The Audit Committee has the responsibility of keeping the Board advised of any matter coming to its attention in the performance of its duties which any Board member, under the circumstances, would deem important to know in meeting the fiduciary duties and responsibilities for Board members to the company.

COLUMBIA INSURANCE GROUP
AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

I. GENERAL PRINCIPLES

The Audit Committee of Columbia Insurance Group, Inc. is required to pre-approve the audit and non-audit services performed by the independent auditors in order to assure that the services provided do not impair the auditors' independence.

Unless a type of service to be provided by the independent auditors has received general pre-approval pursuant to this policy, it will require separate pre-approval by the Audit Committee.

Annually, the Audit Committee reviews and pre-approves the categories and related services along with an estimated fee for each category. Separate pre-approval is required in those circumstances where the estimated actual fee for the approved category exceeds the pre-approved fee.

The Audit Committee will annually review and revise as needed the list of pre-approved categories and related services.

II. DELEGATION

The Audit Committee has delegated pre-approval authority to its Chairman. The Chairman will report any pre-approval decisions to the Audit committee at its next scheduled meeting.

The Audit Committee will not delegate its responsibilities to pre-approve services performed by the independent auditors to management.

III. SERVICES TO BE PROVIDED

The annual audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee. Any changes in terms, conditions and fees resulting from a change in scope, company organization or other matters, will require pre-approval of the Audit Committee.

IV. APPROVAL PROCEDURES

Requests or applications to obtain pre-approval for services or to provide services that require separate approval by the Audit Committee will be submitted to the Audit Committee. The request must include an explanation of services in detail in order for the Audit Committee to determine that the request or application is consistent with the rules on auditor independence.

Approval will not be granted for prohibited services per the attached list.

PROHIBITED NON-AUDIT SERVICES

- Bookkeeping or other services related to the accounting records or financial statements of the audit client.
- Financial information systems design and implementation.
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports.
- Actuarial services.
- Internal audit outsourcing services.
- Management functions.
- Human resources.
- Broker-dealer, investment advisor or investment banking services.
- Legal services.
- Expert services unrelated to the audit other than routine tax or regulatory clarification issues.