

# **HILB ROGAL & HOBBS COMPANY**

## **AUDIT COMMITTEE CHARTER**

(11/28/05)

### **ORGANIZATION AND MEMBERSHIP**

The Audit Committee of the Board of Directors shall be comprised of at least three directors who are independent of management and the Company. Members of the Audit Committee shall be considered independent if they do not accept any consulting, advisory or other compensatory fee from the Company, are not an affiliated person of the Company or its subsidiaries and meet the applicable independence standards required for companies listed on the New York Stock Exchange and the Securities and Exchange Commission ("SEC"). All Audit Committee members shall be financially literate, and at least one member shall have accounting or related financial management expertise sufficient to be an "audit committee financial expert" in accordance with the rules and regulations of the SEC.

### **PURPOSE**

The Board of Directors has delegated to the Audit Committee the responsibility of assisting the Board in the oversight of the control environment of the Company, including corporate accounting, reporting practices of the Company, and the quality and integrity of the Company's financial statements, financial reporting process and the systems of internal accounting and financial controls. The Audit Committee shall also evaluate the performance of the Company's internal audit function, independent auditors, qualifications and independence of the independent auditors and the Company's compliance with its ethics policies and legal and regulatory requirements. In so doing, it is the responsibility of the Audit Committee to maintain free and open communication between the directors, the independent auditors, the internal auditors, and the management of the Company. The Audit Committee believes its policies and procedures should remain flexible in order to best react to changing conditions.

### **RESPONSIBILITIES**

In carrying out its responsibilities, the Audit Committee will:

#### **A. General Responsibilities**

- Perform an annual evaluation of the effectiveness of the Audit Committee and review and reassess the Audit Committee Charter as conditions dictate (at least annually).

- Prepare a report of the Audit Committee to be included in the Company's proxy statement in accordance with applicable SEC rules.
- Report regularly to the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, or the performance of the internal audit functions. Report the results of the annual audit to the Board of Directors. If requested by the Board of Directors, invite the independent auditors to attend the full Board of Directors meeting to assist in reporting the results of the annual audit or to answer other directors' questions (alternatively, the other directors, particularly the other independent directors, may be invited to attend the Audit Committee meeting during which the results of the annual audit are reviewed).
- Submit regularly the minutes of all meetings of the Audit Committee to, or discuss the matters discussed at each Audit Committee meeting with, the Board of Directors.
- Establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and (iii) conducting investigations with respect to the foregoing.
- Obtain the advice and assistance, as appropriate, of independent counsel and other advisors as necessary to fulfill the responsibilities of the Audit Committee and receive appropriate funding, as determined by the Audit Committee, from the Company for payment of compensation to the independent auditors, outside legal, accounting or other advisors employed by the Audit Committee.
- Receive corporate attorneys' reports of evidence of a material violation of securities laws or breaches of fiduciary duty.
- Include a copy of this Charter in the proxy statement at least triennially or the year after any significant amendment to the Charter.

## **B. Financial Statements**

- Review the quarterly financial statements, including management's discussion and analysis, with financial management and the independent auditors prior to the filing of the Form 10-Q and discuss any other matters required to be communicated to the Audit Committee by the auditors. The chair of the Audit Committee may represent the entire Audit Committee for purposes of this review.
- Review with financial management and the independent auditors the annual financial statements, including the Company's management's discussion and analysis, contained in the annual report to shareholders.

- Review with financial management and the independent auditors the results of their analysis of significant financial reporting issues and practices, including changes in, or adoptions of, accounting principles and disclosure practices, and discuss any other matters required to be communicated to the Audit Committee by the independent auditors. Also, review with financial management and the independent auditors their judgments about the quality, not just acceptability, of accounting principles and the clarity of the financial disclosure practices used or proposed to be used, and particularly, the degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates, and other significant decisions made in preparing the financial statements.

- Review (A) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (B) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (C) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and (D) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information).

- Receive regular reports from the independent auditors on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with financial management.

- Review and discuss the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

- Review with the independent auditors, the Company's director of internal audit, and management, the adequacy and effectiveness of the internal controls of the Company, and elicit any recommendations for the improvement of such internal controls or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.

- Review reports received from regulators and other legal and regulatory matters that may have a material effect on the financial statements or related Company compliance policies.

- Discuss Company policies with respect to risk assessment and risk management and inquire of management, the internal auditors, and the independent auditors about policies regarding significant risks or exposures and assess the steps management has taken to monitor and minimize such risks to the Company.

**C. Independent Auditor Review**

- Select, appoint, retain and evaluate, and terminate when appropriate, the independent auditors and set the independent auditors' compensation. In addition, the Audit Committee will assure the regular rotation of the lead audit partner as required by law.

- Pre-approve all audit and permitted non-audit services to be provided by the independent auditors and shall not engage the independent auditors to perform the specific non-audit services proscribed by law or regulation. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any Audit Committee member to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting.

- Obtain and review, at least annually, a report by the independent auditors describing:

- The firm's internal quality control procedures.
- 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, and any steps taken to deal with any such issues.
- All relationships between the independent auditors and the Company (to assess the auditors' independence).

- Meet with the independent auditors and financial management of the Company to review the scope of the proposed audit and timely quarterly reviews for the current year and the procedures to be utilized, the adequacy of the independent auditors' compensation, and at the conclusion thereof review such audit or review, including any comments or recommendations of the independent auditors.

- Review with the independent auditors any audit problems or difficulties and management's response.

- Obtain from the independent auditors, on an annual basis, a written communication delineating all their relationships and professional services as required by Independence Standards Board Standard No. 1, Independence Discussions with

Audit Committees, in connection with the Audit Committee's consideration of the independence of the auditors. In addition, review with the independent auditors the nature and scope of any disclosed relationships or professional services and take, or recommend that the Board of Directors take, appropriate action to ensure the continuing independence of the auditors. In considering the auditor's independence, the Audit Committee shall consider any non-audit services performed by the auditors for the Company and the impact such services may have on the auditors' independence. The Audit Committee may adopt policies regarding auditor independence including, but not limited to, policies regarding the auditors' performance of non-audit services.

- Meet separately and periodically with management, with internal auditors and with independent auditors.

**D. Internal Audit Review**

- Review and concur with management's appointment, termination, or replacement of the director of internal audit.

- Review the internal audit function of the Company, including the independence and authority of its reporting obligations, the proposed audit plans for the coming year, and the coordination of such plans with the independent auditors.

- Receive prior to each meeting a summary of findings from completed internal audits and a progress report on the proposed internal audit plan, with explanations for any deviations from the original plan.

**E. Management**

- Establish clear hiring policies for employees or former employees of the independent auditors.

- Review human resources and succession planning for the accounting and financial departments within the Company.

**APPOINTMENT AND REMOVAL**

Members of the Committee shall be appointed for one year terms by the Board of Directors at the annual Board meeting held immediately after the conclusion of the annual meeting of shareholders. Members of the Committee may be removed, with or without cause, from the Committee at any time by an affirmative vote of a majority of the Board.

Revised Charter approved on September 13, 2005 by the Board of Directors of Hilb Rogal & Hobbs Company.