



## GERMANIA FARM MUTUAL INSURANCE ASSOCIATION AND SUBSIDIARIES

### AUDIT AND RISK COMMITTEE CHARTER

The Audit and Risk Committee (also referred to as the “Committee”) is a committee of the Board of Directors of Germania Farm Mutual Insurance Association (“GFMIA”). Its primary function is to assist the GFMIA Board and its subsidiary boards (collectively referred to as the “Boards of Directors”) in fulfilling oversight responsibility by overseeing the accounting and financial processes, the audits of financial statements, and the enterprise risk and management framework (including the enterprise risk management policy) and their effective management.

The Audit and Risk Committee should meet its responsibilities through meetings with the independent accountant, internal auditor, and management. It is not expected that the Committee or individual members will perform audit procedures.

In meeting its responsibilities, the Audit and Risk Committee should:

1. Provide an open avenue of communication among the internal auditor, the independent accountant, and the Boards of Directors.
2. Appoint, approve compensation, and provide oversight of independent accountants in accordance with 28 TAC §7.88(k)(6).
3. Approve in advance all auditing and non-auditing services that the independent accountant provides in accordance with 28 TAC §7.88.
4. Review with management any replacement, reassignment, or dismissal of the internal auditor.
5. Oversee the functions of the internal auditor:
  - a. Approve the Internal Auditor Charter.
  - b. Approve the risk-based internal audit plan.
  - c. Receive communications from the internal auditor on the internal audit function’s performance relative to its risk based plan and other matters.
6. Confirm and assure the independence of the internal auditor and the independent accountant.
7. Inquire of management, the internal auditor, and the independent accountant about significant risks, estimates or exposures and assess the steps management has taken to minimize such risk in accordance with the approved Enterprise Risk Management (ERM) policy.
  - a. The Committee shall oversee the Germania Companies enterprise risk identification and management framework to validate that the framework continues to be sound and that the risk culture of the Germania Companies is appropriate.
  - b. The Committee shall provide oversight and review of enterprise risks by reviewing management’s processes for identifying, assessing, and managing Key Risks on an enterprise-wide basis.
  - c. The Committee shall monitor changes in the overall business environment and assist management in identifying emerging risks which may cause systemic failure of the Germania Companies to achieve their strategic and business objectives while also obtaining reasonable assurances from management that known and emerging

material risks have been identified in the risk registry and are being mitigated and managed.

- d. The Committee shall review the Germania Companies' ERM policy annually and provide recommended changes to the ERM policy's risk management framework and risk assessment guidelines contained therein which the Committee deems appropriate to present to the Board of Directors for their review.
  - e. The Committee shall require of the internal auditor to provide periodic reports, but in no event less than annually, of the Germania Companies' compliance with the ERM policy.
  - f. The Committee shall have a general understanding of the practices used to identify, assess, measure, and manage those risks as are identified of the risk register.
  - g. The Committee shall report to the full GFMIA Board annually the assessment of the Germania Companies' implementation of the ERM policy; and the effectiveness of the policy.
8. Consider in consultation with the independent accountant and the internal auditor the audit scope and plan of the internal auditor and the independent accountant.
  9. Review with the internal auditor and the independent accountant the coordination of the audit effort to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
  10. Consider and review with the independent accountant and the internal auditor:
    - a. The adequacy of the internal controls, including computerized information system controls and security.
    - b. Any related significant findings and recommendations of the independent accountant and internal auditor together with management's responses thereto.
  11. Review with management and the independent accountant at the completion of the annual examination:
    - a. The annual financial statements and related footnotes.
    - b. The independent accountant's audit of the financial statements and his or her report thereon.
    - c. Any significant changes required in the independent accountant's audit plan.
    - d. Any serious difficulties or disputes with management encountered during the course of the audit.
    - e. Any significant accounting policies and material permitted practices.
    - f. Any material alternative treatments of financial information in statutory accounting principles that have been discussed with management.
    - g. Any ramifications of the use of the alternative disclosures and treatments, if applicable, the treatment preferred by the independent accountant.
    - h. Other matters related to the conduct of the audit, which are to be communicated to the Committee in accordance with requirements of the Statement on Auditing Standards No. 114 and generally accepted auditing standards.
  12. Consider and review with the independent accountant and the internal auditor:
    - a. Significant findings during the year and management's responses thereto.
    - b. Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
    - c. Any changes required in the planned scope of their audit plan.

13. Review legal and regulatory matters that may have a material impact (including but not limited to the Model Audit Rule and Own Risk and Solvency Assessment) on the financial statements, related company compliance policies, and programs and reports received from regulators.
14. At least annually, meet with the internal auditor, the independent accountant, and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Audit and Risk Committee.
15. Report Committee actions to the Boards of Directors with such recommendations as the Committee may deem appropriate.
16. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.
17. The Committee will perform such other functions as assigned by the Association's charter or bylaws, or the Boards of Directors.
18. Determine bond coverage is in existence and meets the requirements of the GFMIA Constitution.
19. Review the Audit and Risk Committee Charter annually and provide any suggested amendments to the Board for consideration and approval.
20. Review litigation update semi-annually.
21. Review Germania Hotline update.
22. Discuss with management specific topics requested by the Audit and Risk Committee members.
23. Review the results of any regulatory examinations.
24. Review the Appointed Actuary's report on the items within the scope of the Germania Life Insurance Company's Actuarial Opinion.

Meetings of the Audit and Risk Committee shall be held a minimum of four (4) times per year and at such other times as needed. To have a quorum present, no more than twenty-five percent (25%) of the voting members may be absent from a meeting. Action shall be taken where approved by the affirmative vote of a majority of the voting members in attendance at any meeting where a quorum is present. A meeting of the Committee may be conducted by means of telephonic conference or electronic means wherein all persons participating can hear each other or otherwise participate. Participation in a meeting held pursuant to this paragraph shall constitute presence in person at such meeting.

The membership of the Audit and Risk Committee shall consist of not less than three (3) GFMIA Directors who shall serve for a term of two (2) years, which may be adjusted as necessary to comply with the Model Audit Rule as set forth in Title 28 of the Texas Administrative Code, Section 7.88(k) as currently written or as hereafter amended. Audit and Risk Committee members may serve consecutive terms. The GFMIA Governance Committee Chairperson and the CEO shall evaluate potential members for appointment to the Audit and Risk Committee and then present their joint recommendations to the GFMIA Board for its review, approval, and appointment. At its first meeting following the appointment of the Audit and Risk Committee members, the Committee shall select a Chairperson from among its members. If any member of the Audit and Risk Committee ceases to be a member of the GFMIA Board, then such Audit and Risk Committee member's term on the Audit and Risk Committee shall terminate as of the date of termination from the GFMIA Board. A Committee member's term on the Committee may be modified at any time

at the discretion of the GFMIA Governance Committee Chairperson and the CEO, who must agree on the modification.

The Committee may utilize such professionals and/or individuals (including, but not limited to, consultants) from time to time as the Committee deems necessary.

The duties and responsibilities of a member of the Audit and Risk Committee are in addition to those duties set out for a member of the GFMIA Board.