



GERMANIA FARM MUTUAL INSURANCE ASSOCIATION AND SUBSIDIARIES

AUDIT COMMITTEE CHARTER

The audit committee is a committee of the board of directors of GFMIA. Its primary function is to assist the Germania Farm Mutual board and its subsidiary boards (collectively referred to as the “boards of directors”) in fulfilling oversight responsibility by overseeing the accounting and financial processes and the audits of financial statements and the assessment of critical risks and their effective management.

The audit 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 committee should:

1. Provide an open avenue of communication between the internal auditor, the independent accountant, and the boards of directors.
2. Retain independent accountants.
3. Approve in advance all auditing and non-auditing services that the independent accountant provides in accordance to 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. Approve the internal audit budget and resource plan.
 - d. Receive communications from the internal auditor on the internal audit function’s performance relative to its 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 ERM policy.
 - a. The committee shall require of the internal auditor to provide periodic reports, but no event less than annually, of the Germania Companies’ compliance with the Enterprise Risk Management (ERM) policy.
 - b. 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.
 - c. The committee shall report to the full Germania 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 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 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. If needed, 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 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.

Meetings of the Audit 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 where all persons participating in such meeting 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 committee shall consist of at least four GFMIA district directors who shall serve for a term of three years (staggered per rotation established by the committee) or such shorter term as designated by the audit committee, including but not limited to, a shorter term 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 committee members may serve consecutive terms. If any member of the audit committee ceases to be a member of the GFMIA board, then such audit committee member's term on the audit committee shall terminate as of the date of termination from the GFMIA board. Audit committee members shall be elected at a meeting of the Board of Directors. Each committee position shall be voted upon by the Board of Directors separately. If there be more than two nominees for any committee position to be voted upon, and if no one receives a majority vote on the first ballot, then the two receiving the highest number of votes shall enter a run off with the one receiving the most votes in the runoff election being elected. In the event of a tie, a winner will be determined by the flip of a coin. At its first meeting following the election of committee members, the committee shall select a chairperson from among its members. Any vacancy on the committee may be filled for the unexpired term by a majority vote of the Board of Directors.

The duties and responsibilities of a member of the audit committee are in addition to those duties set out for a member of the board of directors.