

**INFINITY PROPERTY AND CASUALTY CORPORATION  
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

**CHARTER**

**I. PURPOSE**

The primary purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by monitoring (1) the financial statements and other financial information provided by the Corporation to any governmental body or the public, (2) the Corporation's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established and (3) the Corporation's auditing, accounting and financial reporting processes generally. Consistent with this purpose, the Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels.

**II. COMPOSITION**

The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall satisfy the independence and financial literacy requirements prescribed by the NASD and Section 10A of the Securities Exchange Act, as amended by the Sarbanes-Oxley Act of 2002. At least one member of the Committee shall be a financial expert as defined under the United States Securities and Exchange Commission rules promulgated pursuant to § 407 of the Sarbanes-Oxley Act of 2002. Director's fees are the only compensation that a Committee member may receive from the Corporation.

The members of the Committee shall be elected by the Board annually and serve until their successors shall be duly elected and qualified. Unless a Chair is elected by the Board, the members of the Committee shall designate a Chair. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies, subject to such members satisfying the independence and financial literacy requirements discussed above.

The Committee may employ, at the Corporation's expense, any outside experts, legal counsel, accountants or other personnel deemed by the Committee in its collective judgment to be reasonably necessary, and in the best interest of the Corporation and its shareholders, to enable the Committee to fulfill its purpose.

**III. MEETINGS**

The Committee shall meet at least four times annually, and more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with management, the director or coordinator of any internal auditing efforts, if applicable, or the chief financial officer and the independent public accountants in separate executive sessions to discuss any matters that the Committee or any of these groups believe should be

discussed independently. The Committee shall maintain minutes of its meetings and activities.

#### IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Committee shall:

##### Select and Monitor Independent Public Accountants

1. Select the Corporation's independent public accountants to audit the Corporation's financial statements and approve the fees and other compensation to be paid to the independent public accountants. Have a clear understanding with the independent public accountants that they are ultimately accountable to the Committee, and any disputes between management and the accountants will be resolved by the Committee.
2. Review the independent public accountants' formal written statement delineating all relationships between the accountants and the Corporation, consistent with Independence Standards Board Standard No. 1, and actively engage in a dialogue with the accountants with respect to any disclosed relationships or services that may impact the objectivity and independence of the accountant and take, or recommend that the full Board take, appropriate action to oversee the independence of the independent public accountants.
3. Evaluate the performance of the independent public accountants and discharge the independent public accountants when circumstances warrant.
4. Review most recent report of the Public Company Accounting Oversight Board of its examination of the Corporation's independent public accountant.
5. Ensure that lead audit partner of the independent public accountant and the audit partner responsible for reviewing the audit are rotated at least every five years.
6. Pre-approve all audit and non-audit services and their accompanying fees to be performed by the Corporation's independent public accountants. The Committee may delegate this function to a Committee member between meetings with a reporting obligation to the full Committee.
7. Ensure disclosure in the Corporation's periodic reports filed with the SEC, any non-audit services approved to be performed by the Corporation's independent public accountants.

8. Determine whether the provision of non-audit services by the Corporation's independent public accountants is compatible with maintaining their independence.

#### Financial Reporting Processes

9. Meet with the independent public accountants and the appropriate management to plan the scope of each audit prior to commencement of each audit process.
10. Periodically consult with the independent public accountants out of the presence of management about internal controls, the fullness and accuracy of the Corporation's financial statements, and the adequacy/capability of financial staff given the business and changes in operations.
11. In consultation with the independent public accountants and any internal auditors, review the integrity of the Corporation's financial reporting processes, both internal and external.
12. Consider the independent public accountants' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
13. Consider and approve, if appropriate, major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent public accountants, management, or any internal auditing efforts as developed by the Committee.
14. Continue the process of reporting to the Committee by each of management and the independent public accountants regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
15. At least annually, review a report from the independent public accountants as to all critical accounting policies and practices, alternative treatments with financial information within GAAP discussed with management, ramifications of the use of alternative disclosures, the treatment preferred by the independent public accounts in each instance, management letters and other communications.
16. Review with the independent public accountants and the coordinator of any internal audit efforts the coordination of audit work to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
17. Discuss with the independent public accountants significant matters related to the conduct of the audit such as the selection of and changes in

accounting policies, the methods used to account for unusual transactions, the effect of accounting policies in controversial or emerging areas, the process used by management in formulating accounting estimates and the basis for the accountant's conclusions regarding the reasonableness of those estimates, adjustments arising from the audit, and disagreements with management over the application of accounting principles, the basis for management's accounting estimates and the disclosures in the financial statements.

#### Charter/Documents/Reports Review

18. Ensure that the Corporation's auditors do not perform any service prohibited by Section 10a of the Securities Exchange Act of 1934.
19. Review and reassess the adequacy of the Charter annually.
20. Review the Corporation's annual and quarterly financial statements (including disclosures made in Management's Discussion and Analysis of Financial Condition and Results of Operations), earnings releases, and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent public accountants. To the extent possible, this information should be sent to the Committee at least 48 hours before release.

#### Process Improvement

21. Following completion of the annual audit, review separately with each of management and the independent public accountants any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
22. Review and appraise any significant disagreement among management and the independent public accountants in connection with the preparation of the financial statements.
23. Consider and review with the independent public accountant and the coordinator of any internal audit efforts:
  - a. The adequacy of the Corporation's internal controls including computerized information system controls and security.
  - b. Related findings and recommendations of the independent public accountant and the coordinator of any internal audit efforts together with management's responses.
24. Review with the independent public accountants, the coordinator of any internal auditing efforts and management the extent to which changes or

improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time after implementation of changes or improvements, as decided by the Committee.

25. Review specifically all repeat audit points and recommendations not implemented from prior audits.
26. Establish and maintain procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

#### Legal Compliance

27. Review with the Corporation's counsel, any legal or regulatory matter that could have a significant impact on the Corporation's financial statements.
28. Review and approve or disapprove, as appropriate, all related-party transactions.
29. Prepare Report of the Committee for transmission to shareholders through the annual Proxy Statement.
30. Perform any other activities consistent with this Charter, the Corporation's Regulations and governing law, as the Committee or the Board deems necessary or appropriate.