

CHARTER OF FPG INTERNAL AUDIT

POLICY

It is the policy of FPG Insurance Co., Inc. to maintain an Internal Audit Department who would be responsible for evaluating operational procedures, control function and governance processes to ensure that Operational Risk is adequately mitigated.

PURPOSE

FPG Insurance Internal Audit shall assist the company in accomplishing its goals and objectives by bringing a systematic and disciplined approach to evaluate and improve the adequacy and effectiveness of FPG's risk management, control, and governance processes.

AUTHORITY

FPG Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is **authorized and granted full, free and unrestricted access to any and all of the company's records, physical properties, and personnel pertinent to carrying out any engagement.** All employees are requested to assist FPG Internal Audit in fulfilling its roles and responsibilities.

ORGANIZATION

FPG Insurance Internal Audit reports to Audit & Risk Committee (Board Level) and administratively to the President & CEO.

INDEPENDENCE AND OBJECTIVITY

FPG Internal Audit will remain free from interference on matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective mental altitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all relevant circumstances and not be duly influenced by their own interests or by others in forming judgments.

RESPONSIBILITY

FPG Insurance Internal Audit has responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee President for review and approval.
- Implement the approved annual audit plan including as appropriate any special tasks or projects requested by management and the Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Perform consulting activities such as facilitation, process design, training and advisory services beyond internal auditing's assurance services to assist management in attaining its objectives.
- Issue audit reports regularly and summarize the results from the audit activities.
- Submit written and timely reports to management and to any other relevant parties at the conclusion of each audit engagement to communicate the audit findings, recommendations and corresponding management action plans.
- Monitor the action plans provided to ensure significant risks and major process gaps identified are properly addressed within the given timeline.
- Assist in the investigation of any suspected fraudulent activities within the organization and report timely any significant results of such investigation.

SCOPE OF WORK

The scope of FPG Insurance Internal Audit Department includes examination and evaluation of the adequacy and effectiveness of the Company's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organizational goals and objectives. This includes the following:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the organization is in compliance.
- Ensuring that resources are acquired economically and used efficiently.
- Reviewing the accountability and means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating and ensuring appropriate protection of all company information (i.e. confidential electronic information from outside attacks, internal espionage, unauthorized copying / sharing of data).
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Reviewing specific operations at the request of the management.

STANDARDS OF PROFESSIONAL PRACTICE

FPG Insurance Internal Audit will govern itself by adherence to the Institute of Internal Auditor's (IIA) Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the definition of Internal Auditing. In addition, FPG Internal Audit will adhere to FPG's relevant policies and procedures.

INTERNAL AUDIT PLAN

At least annually, the Internal Audit Head will submit an Internal Audit Plan for review and approval. The Internal Audit Plan will consist of work schedule, as well as budget and resource requirements for the following calendar year. The head will update and adjust the audit plan if necessary depending on the company's business risks, operations, systems and controls.

REPORTING AND MONITORING

A written report will prepared and issued by the Internal Audit Head following the conclusion of each audit engagement and will be distributed as appropriate. Significant audit results will be communicated to the President & CEO and will be reported to the Audit Committee accordingly.

Internal Audit will include the management's response and corrective actions taken and to be taken, in connection with the audit findings and recommendations. Management response should include timetable for anticipated completion of the action plan to be taken and an explanation for any action plans not addressed.

FPG Internal Audit will be responsible for the appropriate follow-up on engagement findings and recommendations. All significant findings will still open issues and be part of the monitoring until cleared.

TRAINING

On a regular basis, Internal Audit Team will attend relevant trainings subject to approval of the President & CEO. These trainings must provide the auditors a depth knowledge on theoretical and technical application of Internal Audit. In addition, these trainings must equip the Internal Auditors the right business acumen in performing their duties and responsibilities.