

**PHILADELPHIA CONSOLIDATED HOLDING CORP.
AUDIT COMMITTEE CHARTER**

Purpose

The Audit Committee (the "Committee") shall provide assistance to the Board of Directors (the "Board") in fulfilling its responsibility to oversee management's conduct of the Company's financial reporting process. This includes oversight of: (1) the financial reports and other financial information provided by the Company to any governmental or regulatory body, the public or users thereof, (2) the Company's systems of internal accounting and financial controls, (3) the annual independent audit of the Company's financial statements; (4) independent auditors qualifications and independence; and (5) the performance of the independent auditor and the Company's internal audit function.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain outside counsel, auditors or other experts for this purpose. In accordance with the Sarbanes-Oxley Act of 2002 (the "Act"), rules promulgated thereunder and the rules of The Nasdaq Stock Market, Inc. ("Nasdaq"), the Committee shall be responsible for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters. The Committee shall treat such complaints confidentially and anonymously, as required by the Act, the rules promulgated thereunder and the rules of Nasdaq.

Committee Membership

The Committee shall be comprised of three or more members of the Board, as determined by the Board, each of whom shall fulfill the independence requirements under NASD Rule 4200 and Rule 10A-3 of the Securities Exchange Act of 1934 (the "Exchange Act", and shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgement as a member of the Committee. All members of the Committee shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement, and at least one member of the Committee shall be an "audit committee financial expert", as such term is defined by applicable regulations of the Securities and Exchange Commission and/or Nasdaq. No member of the Committee shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.

The members of the Committee shall be appointed by the Board and serve for such term or terms as the Board may determine. The members of the Committee may be removed by the Board of Directors. Unless a Chairperson is elected by the Board, the members of the Committee may designate a Chairperson by a majority vote of the full Committee membership.

Meetings

The Committee shall meet annually with management, the director of the internal audit department and the independent auditors separately to discuss any matters that the Committee or each of these groups believes should be discussed privately. Additionally, the Committee shall meet with the independent auditors and management quarterly to review the Company's financial statements.

The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a Committee meeting or to meet with any members of, or consultants to, the Committee. Members of the Committee may participate in a meeting of the Committee by means of conference telephone or similar communications equipment.

Committee Authority, Responsibilities, Duties and Powers

The Committee's purpose is one of oversight, and is not intended to be part of the Company's operation or management decision making process. The Company's management is responsible for preparing the Company's financial statements. The independent auditors are responsible for auditing such financial statements. The financial management, including the internal audit staff, as well as the independent auditors, have more time, knowledge and detailed information on the Company than does the Committee. Consequently, in discharging its oversight role, the Committee is not providing any expert or special assurance as to the Company's financial statements, any professional certification as to the independent auditor's work, or compliance with laws and regulations and the Company's code of conduct. It is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors.

The Committee shall have the following duties and powers to carry out its purposes:

- a) With respect to independent auditors,
 - The Committee shall have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification), determine compensation, retain and oversee the independent auditors, and such independent auditors shall report directly to the Committee.
 - The Committee shall request from the independent auditors annually, a formal written statement delineating all relationships between the independent auditors and the Company consistent with Independence Standards Board Standard Number 1.
 - The Committee shall discuss with the independent auditors any such disclosed relationships and their impact on the independent auditors independence.
 - The Committee shall review and evaluate the qualifications and performance of the lead partner of the independent auditors.
 - The Committee using its best efforts shall be responsible for and have the authority to resolve disagreements between management and the auditors regarding financial reporting.
 - The Committee shall pre-approve or establish policies and procedures pre-approving all audit and non-audit services provided by the independent auditors, both as to the permissibility of the auditors performing such services and as to the amount of fees to be paid in connection therewith, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Committee prior to the completion of the audit. The Committee may delegate preapproval authority to one or more members when appropriate, including the authority to grant

preapprovals of audit and permitted non-audit services, provided that decisions of such designee(s) to grant preapprovals shall be presented to the full Committee at its next scheduled meeting. Policies and procedures for the pre-approval of audit and permissible non-audit services must be detailed as to the particular service and must not delegate the Committee's responsibilities to management. The Committee must be informed of each service rendered pursuant to any such policies or procedures.

- The Committee shall, at least annually, obtain and review a report by the independent auditors describing the following: (1) the firm's internal quality-control procedures; (2) 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; and (3) in order to assess the independent auditors' independence, all relationships between the independent auditor and the Company. In addition, the Committee shall discuss with the auditors their independence from management and the Company and the matters included in the written disclosures required by the Independence Standard Board.
- b) With respect to the internal audit department,
- The Committee shall review the appointment and replacement of the director of the internal audit department.
 - The Committee shall advise the director of the internal audit department that he or she is expected to provide to the Committee summaries of and, as appropriate, the significant reports to management prepared by the internal audit department and management's responses thereto.
- c) With respect to financial reporting principles and policies and internal audit controls and procedures,
- The Committee shall advise management, the internal audit department, and the independent auditors that they are expected to provide the Committee a timely analysis of significant financial reporting issues and practices.
 - The Committee shall review with management and the independent auditors the audited financial statements to be included in the Company's Annual Report on Form 10-K (or the Annual Report to Shareholders if distributed prior to the filing of Form 10-K) and the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operation" (the "MD&A") to be included in such Form 10-K or Annual Report to Shareholders and review and consider with the independent auditors the matters required to be discussed by Statement of Auditing Standards ("SAS") No. 61, as amended.
 - The Committee shall review with management and the independent auditors the Company's interim financial results to be included in the Company's quarterly reports on Form 10-Q to be filed with the Securities and Exchange Commission, the MD&A to be included therein and the matters required to be discussed by SAS No. 61 as amended. This review will occur prior to the Company's filing of the Form 10-Q.

- The Committee shall discuss with management and the independent auditors the quality and adequacy of the Company's internal accounting and financial controls.
 - The Committee shall discuss with management and the independent auditors earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
- d) With respect to reporting and recommendations,
- The Committee shall annually prepare a report to the Company's shareholders as required by item 306 of Regulation S-K and submit such report for inclusion in the Company's annual proxy statement.
 - The Committee shall review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
 - The Committee shall advise the Board with respect to the Company's policies and procedures regarding compliance with the Company's code of conduct.
 - The Committee shall report its activities to the full Board of Directors on a regular basis.
 - The Committee shall prepare and review with the Board an annual performance evaluation of the Audit Committee, which evaluation must compare the performance of the Audit Committee with the requirements of this charter, and set forth the goals and objectives of the Audit Committee for the upcoming year. The performance evaluation by the Audit Committee shall be conducted in such manner, as the Audit Committee deems appropriate. The report to the Board may take the form of an oral report by the chairperson of the Audit Committee or any other member of the Audit Committee designated by the Audit Committee to make this report.

Resources and Authority of the Audit Committee

The Audit Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special or independent counsel, auditors or other experts, as it deems appropriate, without seeking approval of the Board or management. The Company shall provide for appropriate funding, as determined by the Committee in its capacity as a committee of the Company's Board of Directors, for payment of (i) compensation to the independent auditors for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services, (ii) compensation to any outside legal, accounting or other advisors employed by the Committee, and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate for carrying out its duties. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee.