

PALOMAR HOLDINGS, INC.

CORPORATE GOVERNANCE GUIDELINES

I. Introduction.

It is the policy of the Board of Directors (the “Board”) of Palomar Holdings, Inc. (the “Company”) that the Company shall take all necessary action to comply fully with all applicable provisions of the Sarbanes-Oxley Act of 2002, regulations of the Securities and Exchange Commission (the “SEC”) and The Nasdaq Stock Market (“Nasdaq”) and to adopt practices and procedures designed to assure that the Company conducts its business in accordance with all applicable laws and regulations and best corporate governance practices. These guidelines have been prepared by the Nominating and Corporate Governance Committee of the Board, in consultation with counsel, and approved by the Board, and are intended to establish practices and procedures designed to implement this policy. These guidelines supplement the Company’s existing policies and the charters of the committees of the Board and are subject in all respects to the provisions of the Company’s Certificate of Incorporation and Bylaws.

II. The Board.

R. The Role of the Board of Directors

The Company’s business is conducted by its employees, managers and officers, under the direction of the Company’s Chief Executive Officer and the oversight of the Board, to enhance the long-term value of the Company for its stockholders. The Board is elected by the stockholders to oversee management and to assure that the long-term interests of the stockholders are being served.

The fundamental role of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its stockholders. In fulfilling that responsibility, the directors may reasonably rely on the honesty and integrity of the Company’s senior management and expert legal, accounting, financial and other advisors.

The Company faces a number of risks, including general economic risks, operational risks, financial risks, competitive risks and reputational risks. Management is responsible for the day-to-day management of those risks, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. While the full Board is charged with ultimate oversight responsibility for risk management, committees of the Board have responsibilities with respect to various aspects of risk oversight. In particular, the Audit Committee plays a significant role in monitoring and assessing the Company’s financial and operational risks. The Audit Committee reviews and discusses with management areas of financial risk exposure and steps management has taken to monitor and control such exposure. The Audit Committee is also responsible for establishing and administering the Company’s code of ethics and reviewing and approving transactions between the Company and any related parties. The Compensation Committee monitors and assesses risks associated with the Company’s compensation policies, and oversees the development of incentives that encourage a level of risk-taking consistent with the Company’s overall strategy. The Nominating and Corporate Governance Committee has oversight responsibility for corporate governance risks, including risks associated with director independence.

The Board believes that management of the Company should speak for the Company. Although individual directors may occasionally meet or otherwise communicate with stockholders, customers and others with whom the Company deals regarding Company matters, absent unusual circumstances or as

contemplated by the charters of the Board's various committees, such communications should be undertaken only with the knowledge of management and, in most instances, at the request of management.

B. Independence of the Board

At such time as the Company is no longer deemed to be a "controlled company," a majority of the members of the Board must satisfy the applicable independence requirements set forth in the Nasdaq rules and under applicable law; provided that all members of the Audit Committee shall satisfy such requirements immediately.

C. Executive Sessions of the Independent Directors

The non-management directors will meet periodically in executive session. Except in extraordinary circumstances, executive sessions shall be scheduled as a part of all regular Board meetings, and, in any event, such sessions shall be held not less than twice during each calendar year. Executive sessions shall be chaired by the Chairman of the Board if he or she is non-management director, or, if not, by the Lead Director. The chairman of each executive session will report to the Chief Executive Officer, as appropriate, regarding relevant matters discussed in the executive session.

D. Lead Director

A Lead Director will be approved if the Chairman of the Board is a member of management and will serve as the principal liaison between the non-management directors and the Chairman of the Board. In that capacity, the Lead Director presides over executive sessions of the independent directors, chairs Board meetings in the Chairman's absence, collaborates with the Chairman on agendas, schedules and materials for Board meetings and performs such additional duties as the Board may specify from time to time. The Board believes that this leadership structure provides the appropriate balance of management and non-management oversight.

E. Director Orientation and Continuing Education

Management will provide an orientation process for new directors, including background material on the Company and its business. As appropriate, management will provide opportunities for additional educational sessions for directors on matters relevant to the Company and its business.

F. No Specific Limitation on Other Board Service

The Board does not believe that its members should be prohibited from serving on boards of other organizations and has not adopted any guidelines limiting such activities. However, the Nominating and Corporate Governance Committee may take into account the nature of and time involved in a director's service on other boards and/or committees in evaluating the suitability of individual director candidates and current directors. Prior to accepting any position on the board of directors of any organization, whether for-profit or not-for-profit, current directors should notify the Chairman of the Board.

Service on other boards and/or committees should be consistent with the Company's conflict of interest policies set forth below.

G. Change in Director Circumstances

A director who experiences any significant change in his or her personal circumstances, including a change in the director's principal occupation or job responsibilities, shall consult with the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee regarding the impact

of such change on the director's ability to continue to carry out his or her duties and responsibilities effectively and whether continued Board service is appropriate. Where appropriate, the Nominating and Corporate Governance Committee shall review such change in circumstances and make its recommendation to the Board.

H. Term Limits

As each director is periodically subject to election by stockholders, the Board does not believe it is in the best interests of the Company to establish term limits at this time. Additionally, such term limits may cause the Company to lose the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company's business and therefore can provide an increasingly significant contribution to the Board.

I. Director Responsibilities

The business and affairs of the Company will be managed by or under the direction of the Board, including through one or more of its committees as set forth in the bylaws and committee charters. Each director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. These include:

- overseeing the conduct of the Company's business, to evaluate whether the business is being managed properly and in conformity with applicable laws and regulations;
- reviewing and, where appropriate, approving the Company's major financial objectives, plans and actions;
- reviewing and, where appropriate, approving major changes in, and determinations of other major issues respecting, the appropriate auditing and accounting principles and practices to be used in the preparation of the Company's financial statements;
- reviewing and, where appropriate, approving major changes in, and determinations under, the Board's Guidelines, the Company's Code of Conduct and Ethics and other Board-approved policies of the Company;
- reviewing and, where appropriate, approving actions to be undertaken by the Company that would result in a material change in the financial structure or control of the Company, the acquisition or disposition of any businesses or asset(s) material to the Company or the entry of the Company into any major new line of business;
- reviewing the performance of the Chief Executive Officer and other executive officers, considering any input from the Compensation Committee;
- planning for succession with respect to the position of Chief Executive Officer and monitoring management's succession planning for other key executives; and
- setting a "tone at the top" that emphasizes compliance with the highest standards of ethical conduct.

J. Director Compensation

Non-employee directors shall receive reasonable compensation for their services on the Board and its committees, as may be determined from time to time by the Board upon recommendation of the

Nominating and Corporate Governance Committee. Compensation for non-employee directors shall be consistent with the market practices of other similarly situated companies. The Company's executive officers shall not receive additional compensation for their service as directors.

K. Conflicts of Interest

Directors are expected to avoid any action, position or interest that conflicts with the interests of the Company or gives the appearance of a conflict. If an actual or potential conflict of interest develops, the director should immediately report all facts regarding the matter to the Board. Any significant conflict must be resolved or the director should resign.

L. Interaction with Institutional Investors, the Press and Customers

The Board believes that management speaks for the Company. Each director should refer all inquiries from institutional investors, the press or customers regarding the Company's operations to management. Individual Board members may, from time to time at the request of the management, meet or otherwise communicate with various constituencies that are involved with the Company. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman of the Board or Lead Director.

M. Director Stock Ownership

While the Board has not established a required level of share ownership for individual directors, the Board believes that directors should be stockholders in order to better align their interests with the long-term interests of the Company's stockholders.

N. Director Education and Orientation

The Company will develop and maintain an orientation program for new directors that shall include meetings with senior management and visits to the Company's facilities. Incumbent directors shall also be invited to attend the orientation program. All directors will comply with any continuing education requirements developed by Nasdaq.

O. Board Access to Management

The Board will have complete access to Company management in order to ensure that directors can ask any questions and receive all information necessary to perform their duties. Directors should exercise judgment to ensure that their contact with management does not distract managers from their jobs or disturb the business operations of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer, the Chairman of the Board or Lead Director, or if none is available or none is appropriate, directly by the director. To the extent appropriate, such contact, if in writing, should be copied to the Chief Executive Officer of the Company.

P. Board Access to Independent Advisors

The Board committees may hire independent advisors as set forth in their applicable charters. The Board as a whole shall have access to such advisors and such other independent advisors that the Company retains or that the Board considers necessary to discharge its responsibilities.

Q. Assessment of Board and Committee Performance

The Nominating and Corporate Governance Committee is responsible for conducting an annual evaluation of the performance of the full Board and reporting its conclusions to the Board. The Nominating

and Corporate Governance Committee's report should generally include an assessment of the Board's compliance with the principles set forth in these guidelines, as well as identification of areas in which the Board could improve its performance. Each of the Audit, Compensation and Nominating and Corporate Governance Committee will also conduct an annual evaluation and assessment of the effectiveness of the performance of such committee.

II. Board Meetings.

A. Frequency of Meetings

The Board will meet at least four (4) times annually. In addition, special meetings may be called from time to time as determined by the needs of the business. It is the responsibility of the directors to attend meetings.

B. Director Attendance

A director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. Accordingly, a director is expected to regularly prepare for and attend meetings of the Board and all committees on which the director sits (including separate meetings of the non-management directors), with the understanding that, on occasion, a director may be unable to attend a meeting. A director who is unable to attend a meeting is expected to notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting, and, whenever possible, participate in such meeting via teleconference.

C. Attendance of Non-Directors

The Board encourages the Chairman of the Board or of any committee to invite Company management and outside advisors or consultants from time to time to participate in Board and/or committee meetings to (i) provide insight into items being discussed by the Board which involve the manager, advisor or consultant, (ii) make presentations to the Board on matters which involve the manager, advisor or consultant, and (iii) bring managers with high potential into contact with the Board. Attendance of non-directors at Board meetings is at the discretion of the Board.

D. Selection of Agenda Items and Executive Sessions

The Chairman of the Board (in consultation with the Lead Director, if any) establishes the agenda for Board meetings although each Board member is free to suggest the inclusion of items on the agenda. The Board will meet at least quarterly in executive session without management directors and any other members of the Company's management present. In addition, at least annually, all independent directors shall meet in executive session. Non-management directors of each listed company must meet at regularly scheduled executive sessions without management.

E. Advance Receipt of Meeting Materials

Information regarding the topics to be considered at a meeting is essential to the Board's understanding of the business and the preparation of the directors for a productive meeting. To the extent feasible, the meeting agenda and any written materials relating to each Board meeting will be distributed to the directors sufficiently in advance of each meeting to allow for meaningful review of such agenda and materials by the directors. Directors are expected to have reviewed and be prepared to discuss all materials distributed in advance of any meeting.

III. Composition of the Board of Directors.

A. Director Qualifications

The Nominating and Corporate Governance Committee is responsible for, among other things, the selection and recommendation to the Board of nominees for election as directors.

When considering the nominees for election as directors at an annual meeting or to fill an existing vacancy, the Nominating and Corporate Governance Committee reviews the needs of the Board for various skills, background, experience and expected contributions and the qualification standards established from time to time by the Committee. When reviewing potential nominees, including incumbents, the Nominating and Corporate Governance Committee considers the perceived needs of the Board as a whole, the candidate's relevant background, experience and skills and expected contributions to the Board. The Nominating and Corporate Governance Committee also seeks appropriate input from the Chief Executive Officer and other executive officers in assessing the needs of the Board for relevant background, experience and skills of its members.

The Nominating and Corporate Governance Committee's goal is to assemble a board of directors that brings to the Company a diversity of experience at policy-making levels in business and technology, and in areas that are relevant to the Company's activities. Directors should possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of the stockholders. They must have an inquisitive and objective outlook and mature judgment. They must also have experience in positions with a high degree of responsibility and be leaders in the companies and institutions with which they are, or have been, affiliated. While the Company does not have a specific policy regarding diversity, when considering the nomination of directors, the Nominating and Corporate Governance Committee does consider the diversity of its directors and nominees in terms of knowledge, experience, background, skills, expertise and other demographic factors.

Director candidates must have sufficient time available, in the judgment of the Nominating and Corporate Governance Committee, to perform all Board and committee responsibilities that will be expected of them. Members of the Board are expected to rigorously prepare for, attend and participate in all meetings of the Board and applicable committees.

B. Mandatory Retirement Age

The Board does not believe that a fixed retirement age for directors is appropriate.

C. Size of Board

The Company's Certificate of Incorporation provides that the authorized number of directors shall be fixed from time to time by the Board. The Board will periodically evaluate the appropriate size of the Board and make any changes it deems appropriate.

D. Committees of the Board

The Board will at all times maintain an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. All members of the Audit Committee (and at such time as the Company is no longer a "controlled company," all members of the Compensation Committee and Nominating and Corporate Governance Committee) will be independent directors under the criteria established by the Securities Exchange Act of 1934, as amended, and the rules of the SEC and Nasdaq. From time to time, the Board may establish such other standing or special committees as it may deem to be

necessary or appropriate to carry out its responsibilities. Committee members will be appointed by the Board. Each committee will have its own charter which will set forth the purposes, duties and responsibilities of the committee.

E. Rotation of Committee Assignments and Chairs

Committee assignments and the designation of committee chairs should be based on the director's knowledge, interests and areas of expertise as well as the needs of the Company and the Board. The Board generally does not favor mandatory rotation of committee assignments or chairs because of its belief that experience and continuity are more important than rotation.

IV. Stockholder Communications with Directors.

Stockholders may communicate with the Board, or any individual director, by transmitting correspondence by mail, facsimile or email, addressed as follows: Board of Directors or individual director, c/o Corporate Secretary, Chris Uchida, 7979 Ivanhoe Avenue, #500, La Jolla, CA 92037; Fax: (619) 567-6954; Email Address: tcu@palomarspecialty.com. The Corporate Secretary will maintain a log of such communications and will transmit as soon as practicable such communications to the Board or to the identified director(s), although communications that are abusive, in bad taste or that present safety or security concerns may be handled differently, as determined by the Corporate Secretary.

All directors are expected to make reasonable efforts to attend the Company's annual meeting of stockholders.

V. Directors' Access to Management.

The directors shall have complete access to the Company's senior management. Directors shall use their judgment to ensure that contacts with Company personnel are not disruptive to the Company's operations. Except for contacts specifically approved by the Board or the Audit Committee, directors will inform the Chief Executive Officer of the general nature of all communications with Company personnel.

The Board encourages the Chief Executive Officer to invite members of the Company's management to attend Board meetings in order to (a) provide the Board with additional insight into matters discussed during the meeting or (b) expose to the Board key employees with future potential as senior managers of the Company.

VI. Retention of Advisors and Consultants.

The Board and each committee of the Board shall have the authority to retain outside financial, legal or other advisors as they deem appropriate, and shall have the authority to obtain advice, reports or opinions from internal and external counsel and advisors, without consulting with or obtaining approval from any officer of the Company.

VII. Executive Compensation.

The Compensation Committee shall annually review and establish the compensation of the Chief Executive Officer and the Chairman of the Board, if he or she is an employee of the Company. As part of its evaluation process, the Compensation Committee shall meet or confer with the other non-management directors to review and evaluate the performance of such officers. The evaluation shall be based upon objective criteria, including the Company's financial performance, accomplishment of strategic objectives and the development of management.

The Compensation Committee shall also annually evaluate the performance of the Company's other executive officers and approve their compensation, including salary, bonus and other incentive and equity compensation.

VIII. Succession Planning.

The Board is responsible for planning for the succession of the position of the Chief Executive Officer and other senior management positions. To assist the Board, the Chief Executive Officer shall report periodically to the Board on succession planning. The non-management directors shall consult with the Chief Executive Officer to (i) develop plans for interim succession of the Chief Executive Officer in the event that such officer should become unable to perform his or her duties and (ii) assess the qualification of senior officers as potential successors to the Chief Executive Officer.