

PALOMAR HOLDINGS, INC.

**CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS**

I. STATEMENT OF POLICY

This Charter specifies the authority and scope of the responsibilities of the Compensation Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Palomar Holdings, Inc. (the “**Company**”) and the manner in which those responsibilities shall be performed, including the Committee’s structure, processes and membership requirements. The Committee has the responsibility and authority to supervise and review the affairs of the Company as they relate to the compensation and benefits of executive officers of the Company, and for incentive compensation, equity-based and pension plans as further provided in this Charter. In carrying out these responsibilities, the Committee shall review all components of executive officer compensation for consistency with the Company’s compensation philosophy, as in effect from time to time, and with the interests of the Company’s stockholders.

II. ORGANIZATION AND MEMBERSHIP REQUIREMENTS

The Committee shall consist of three (3) or more directors each of whom shall satisfy the applicable independence and other compensation committee membership requirements of the Company’s corporate governance guidelines, The Nasdaq Stock Market and any other applicable regulatory requirements. Notwithstanding the foregoing, the members of the Committee shall not be required to meet the independence requirements of The Nasdaq Stock Market during any period in which the Company is a “controlled company” within the meaning of The Nasdaq Stock Market’s listing standards, unless the Board otherwise determines not to rely on The Nasdaq Stock Market’s “controlled company” exemption. If the Company ceases to be a “controlled company” or the Board determines not to rely on The Nasdaq’s Global Select Market’s “controlled company” exemption, the members of the Committee shall meet the independence requirements of The Nasdaq Stock Market within the periods required by The Nasdaq Stock Market’s phase-in rules applicable to companies who cease to be “controlled companies.”

At least one (1) member of the Committee shall have experience in matters relating to executive compensation either as a professional or as a business executive. At least two (2) members shall qualify as (a) outside directors for purposes of Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), and the rules and regulations promulgated thereunder, including Treasury Regulations Section 1.162-27, and (b) non-employee directors for purposes of Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and the rules and regulations promulgated thereunder.

If at any time the Committee includes a member who is not a “non-employee director” (“**Non-Employee Director**”) within the meaning of Rule 16b-3 under the Exchange Act, then either a subcommittee comprised entirely of individuals who are Non-Employee Directors or the Board of Directors of the Company shall approve any grants made to any individual who is subject to liability under Section 16 of the Exchange Act.

If at any time the Committee includes a member who is not an “outside director” (“**Outside Director**”) within the meaning of Section 162(m) of the Code, then a subcommittee comprised entirely of two or more individuals who are Outside Directors shall approve any grants made to any individual the deductibility of whose compensation the Committee determines is or could be affected by Section 162(m) of the Code.

The members of the Committee shall be appointed by the Board and shall serve until their successors are duly elected and qualified or until their earlier resignation, removal or death. Any member of the Committee may be removed or replaced by the Board at any time. Unless a Committee Chair is elected by the full Board, the members of the Committee may designate a Chair by the majority vote of the full Committee. The Chair shall preside at all regular meetings of the Committee and set the agenda for each Committee meeting.

In fulfilling its responsibilities, the Committee shall, to the extent permitted by law, be entitled to delegate any or all of its responsibilities to one or more subcommittees of the Committee comprised of at least two (2) members of the Committee.

The Committee shall have the authority to obtain advice or assistance from compensation consultants, independent legal counsel, accounting or other advisors as appropriate to perform its duties hereunder. Without limiting the generality of the foregoing, the Committee shall have sole authority to retain or obtain the advice of any compensation consultant, independent legal counsel or other advisor to assist the Committee in the performance of its duties and shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other advisor. Prior to selecting, or receiving advice from, any advisor, the Committee shall consider the independence of such advisor based on any applicable criteria specified by the Securities and Exchange Commission (the “SEC”); provided, however, that the Committee shall not be prohibited from obtaining advice from advisors that it determines are not independent. The Company shall provide appropriate funding, as determined by the Committee, for payment of the fees and costs of any consultant or advisor engaged by the Committee to assist it in performing its duties hereunder.

III. MEETINGS AND COMMITTEE ACTION

The Committee shall meet as often as it deems necessary to fulfill its responsibilities hereunder, but not less frequently than four times per year on a quarterly basis. The Committee may request that any employee of the Company attend any of its meetings or meet with any Committee member or any consultant or advisor to the Committee. The Committee shall meet at least annually with the Company’s chief executive officer and such other senior executives of the Company as the Committee deems appropriate. The Committee shall meet periodically in executive session without the presence of management. Meetings shall be called by the chairperson of the Committee or, if there is no chairperson, by a majority of the members of the Committee.

Formal action to be taken by the Committee shall be by the affirmative vote of a majority of the members present (in person or by telephone conference call) at a meeting at which a quorum is present or by unanimous written consent. A quorum shall consist of a majority of the members of the Committee. Any actions taken by the Committee during any period in which one or more of the members fail for any reason to meet the membership requirements set forth above shall still constitute duly authorized actions of the Committee for all corporate purposes. The Committee shall maintain written minutes of its meetings, which minutes shall be filed with the minutes of the meetings of the Board. The Committee will also record its summaries of recommendations to the Board in written form, which will be incorporated as part of the minutes of the Board meeting at which those recommendations are presented.

IV. AUTHORITY AND RESPONSIBILITIES

The Committee shall have the following authority and responsibilities, subject to such modification and additional authority as the Board may approve from time to time:

- Periodically review and advise the Board concerning the Company’s overall compensation philosophy, strategy, policies and plans, including a review of both regional and industry compensation practices and trends to ensure it is appropriate to attract, retain and motivate senior management and other key employees.
- Review and approve corporate goals and objectives relevant to the compensation of the chief executive officer, evaluate the performance of the chief executive officer in light of such goals and objectives, and determine and approve the chief executive officer’s compensation (including but not limited to salary, bonus, incentive compensation, equity awards, benefits and perquisites) based on this evaluation. In evaluating, determining and approving the long-term incentive component of chief executive officer compensation, the Committee may consider, among such other factors as it may deem relevant, the Company’s performance, shareholder returns, the value of similar incentive awards to executive officers at comparable companies, the value of similar awards given to other executive officers of the Company, the results of the most recent shareholder advisory vote on executive compensation required by

Section 14A of the Exchange Act (the “**Say-on-Pay Vote**”) and the awards given to the executive officer in past years. The chief executive officer shall not be present during voting or deliberations relating to his or her compensation.

- Develop, review and approve annual corporate goals and objectives relevant to the compensation of the Company’s other executive officers, evaluate the executive officers’ performance in light of those goals and objectives and set all compensation of the Company’s other executive officers (including but not limited to salary, bonus, incentive compensation, equity awards, benefits and perquisites). In evaluating, determining and approving the long-term incentive component of executive officer compensation, the Committee may consider, among such other factors as it may deem relevant, the Company’s performance, shareholder returns, the value of similar incentive awards to executive officers at comparable companies, the value of similar awards given to other executive officers of the Company, the results of the most recent Say-on-Pay Vote and the awards given to the executive officer in past years. No executive officer may be present during voting or deliberations relating to his or her compensation.
- Review and make recommendations to the Board with respect to the Company’s incentive compensation, equity-based and pension plans. With respect to each such plan, the Committee shall have responsibility for:
 - (a) administering the plan;
 - (b) setting performance targets under all annual bonus and long-term incentive compensation plans as appropriate and committing to writing any and all performance targets for executive officers who may be “covered employees” under applicable laws and regulations;
 - (c) if called for by the plan, certifying that any and all performance targets used for any performance-based equity compensation plans have been met before payment of any executive bonus or compensation or exercise of any executive award granted under any such plans;
 - (d) approving all amendments to, and terminations of, all compensation plans and any awards under such plans;
 - (e) granting any awards under any performance-based annual bonus, long-term incentive compensation and equity compensation plans to executive officers or current employees with the potential to become the chief executive officer or an executive officer, including stock options and other equity rights (e.g., restricted stock, stock purchase rights);
 - (f) approving which executive officers are entitled to awards under the Company’s stock option plans; and
 - (g) approving repurchases of securities from terminated employees.

In reviewing the Company’s incentive compensation, equity-based and pension plans, the Committee may consider the plan’s administrative costs, current plan features relative to any proposed new features, the results of the most recent Say-on-Pay Vote and the performance of the plan’s internal and external administrators if any duties have been delegated.

- Make recommendations to the Board regarding compensation-related matters outside the ordinary course, including but not limited to employment contracts, severance or change-in-control plans or arrangements, and all material amendments thereto.

- Periodically review and advise the Board concerning both regional and industry-wide compensation practices and trends in order to assess the adequacy and competitiveness of the Company's compensation programs for the Company's executive officers relative to comparable companies in the Company's industry.
- Monitor and assess risks associated with the Company's compensation policies and consult with management regarding such risks.
- Establish and periodically review policies concerning perquisite benefits.
- Determine make recommendations to the Board with respect to the Company's policy with respect to change-of-control or "parachute" payments. In determining and approving the Company's policy with respect to change of control or "parachute" payments, the Committee may consider, among such other factors as it may deem relevant, the results of the most recent Say-on-Pay Vote on "parachute" payments, if any.
- Review and approve executive officer and director indemnification and insurance matters.
- Review and recommend to the Board for approval the compensation of non-executive directors for their service to the Board.
- Approve compensation awards, including individual awards, as may be required to comply with applicable tax and state corporate laws.
- Review the Company's compensation disclosures in its annual proxy statement and its Annual Report on Form 10-K filed with the SEC. Review and discuss the Company's Compensation Discussion and Analysis ("CD&A") with management and based on such review and discussion, determine whether to recommend to the Board that such compensation disclosures and CD&A be disclosed in the Company's Annual Report on Form 10-K or annual proxy statement filed with the SEC, as applicable.
- Review and recommend to the Board for approval the frequency with which the Company will conduct Say-on-Pay Votes, taking into account the results of the most recent shareholder advisory vote on frequency of Say-on-Pay Votes required by Section 14A of the Exchange Act, and review and recommend to the Board for approval the proposals regarding the Say-on-Pay Vote and the frequency of the Say-on-Pay Vote to be included in the Company's proxy statement filed with the SEC.
- Prepare any report required by applicable rules and regulations or listing standards, including the report required by the SEC to be included in the Company's annual proxy statement, or, if the Company does not file a proxy statement, in the Company's Annual Report filed on Form 10-K with the SEC.
- Report to the Board on the Committee's activities on a regular basis.
- Recommend to the Board stock ownership guidelines for the Company's employees and non-employee directors, and periodically assess such guidelines and recommend revisions, as appropriate.
- Perform such other activities consistent with this Charter, the Company's Bylaws and governing law as the Committee deems necessary or as the Board may direct.

V. PERIODIC REVIEW

The Committee shall review on at least an annual basis this Charter, the scope of responsibilities of the Committee and the Committee's performance of its duties. Any proposed changes to this Charter or the scope of the Committee's responsibilities, where indicated, shall be referred to the Board for appropriate action.

VI. RESOURCES

The Committee shall have the authority to retain or terminate, at its sole discretion, compensation consultants, independent legal counsel or other advisors (collectively, "**Advisors**") to assist the Committee in its responsibilities and shall be directly responsible for overseeing the work of such Advisors. Before retaining an Advisor (other than in-house legal counsel and any Advisor whose role is limited to consulting on broad-based, non-discriminatory plans or providing information that is not customized in particular for the Company (as described in Item 407(e)(3)(iii) of Regulation S-K)), the Committee shall consider the independence of such Advisor, including any independence factors that it is required to consider by law or The Nasdaq Stock Market rules.

The chairperson of the Committee, at the request of any member of the Committee, may request that any officer, employee or advisor of the Company attend a meeting of the Committee or otherwise respond to Committee requests.

The Committee shall have the sole authority to determine the terms of engagement and the extent of funding necessary (and to be provided by the Company) for payment of compensation to any Advisors or other professionals retained to advise the Committee and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties