

**INDEPENDENCE HOLDING COMPANY
CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

PURPOSE

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) to assist the Board in fulfilling its responsibility to oversee the quality and integrity of the Company’s financial reporting and the audits of the financial statements of the Company. The Committee’s purpose is to:

- Assist the Board’s oversight of:
 - The integrity of the Company’s financial statements and internal controls;
 - The Company’s compliance with legal and regulatory requirements;
 - The Company’s overall risk management profile;
 - The qualifications and independence of the Company’s independent registered public accounting firm; and
 - The performance of the Company’s internal audit function and independent registered public accounting firm.
- Prepare the report of the Committee required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual meeting proxy statement.

MEMBERSHIP

The Committee shall be comprised of not less than three members of the Board. Members of the Committee shall be appointed by the Board and may be removed by the Board in its discretion. Unless a chairman of the Committee is appointed by the Board, the members of the Committee shall designate a chairperson of the Committee. All members of the Committee shall meet the independence criteria and have the qualifications set forth in the listing standards of the New York Stock Exchange (the “NYSE”) and Rule 10A-3 under the Securities Exchange Act of 1934 (the “Exchange Act”).

Accordingly, all of the members of the Committee shall be directors:

- Who do not accept any direct or indirect consulting, advisory or compensatory fee from the Company other than for board service or in respect of retirement or deferred compensation for prior service, who are not “affiliated persons” within the meaning of Rule 10A-3 under the Exchange Act and who otherwise satisfy the independence criteria set forth in the NYSE listing standards; and
- Who are financially literate (i.e. have the ability to read and understand fundamental financial statements as determined by the Board).

At least one member of the Committee shall qualify as an “audit committee financial expert” as defined in Item 401(e) of Regulation S-K under the Exchange Act (which the Board may presume satisfies the NYSE listing standard that one member have accounting or related financial management expertise).

Committee members shall not serve simultaneously on the audit committee of more than three other companies, unless the Board determines that such service will not impair the member’s ability to serve on the Committee.

DUTIES AND RESPONSIBILITIES

The Committee's responsibility is one of oversight. The Company's management is responsible for preparing the Company's financial statements and the independent registered public accounting firm is responsible for auditing those financial statements.

To carry out its oversight responsibility, the Committee shall undertake the activities set forth below. These activities are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given the circumstances.

Independent Registered Public Accounting Firm and Audit Process

- The Committee, subject to any action that may be taken by the full Board, shall have the ultimate authority and responsibility to appoint, retain (or nominate for shareholder ratification), oversee, evaluate and, where appropriate, replace the independent registered public accounting firm.
- The independent registered public accounting firm shall report directly to the Committee.
- The Committee shall evaluate at least annually the experience, qualifications and performance of the lead partner and the senior members of the independent registered public accounting firm's engagement team.
- The Committee shall review and approve the scope of the audit services outlined in the independent registered public accounting firm's annual engagement letter.
- The Committee shall review the scope of the annual audit outlined by the independent registered public accounting firm and their proposed audit plan and procedures.
- The Committee shall review with the independent registered public accounting firm any problems, difficulties or disputes the firm may have encountered in the course of the audit work or otherwise and any management letter provided by such firm and the Company's response to that letter.
- At least annually, receive and review a report by the independent registered public accounting firm describing:
 - the independent registered public accounting firm's internal quality-control procedures;
 - any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by an 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.
- The Committee shall review any report of the independent registered public accounting firm under Section 10A(k) of the Exchange Act relating to:
 - Critical accounting policies and practices to be used;
 - Alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosure and treatments and the treatment preferred by the independent registered public accounting firm; and
 - Other material written communications between the independent registered public accounting firm and management, such as a management letter or schedule of unadjusted differences.
- The Committee shall:

- Request from the independent registered public accounting firm annually a formal written statement delineating all relationships between such firm and the Company consistent with Independence Standards Board Standard Number 1;
- Discuss with the independent registered public accounting firm any such disclosed relationships and their impact on the independent registered public accounting firm's independence;
- Pre-approve all audit services and permissible non-audit services to be provided by the independent registered public accounting firm in accordance with policies adopted by the Committee;
- Ensure that the independent registered public accounting firm does not perform any non-audit services that are prohibited by law or regulation;
- Establish clear hiring policies for employees or former employees of the independent registered public accounting firm; and
- Ensure the rotation of the independent registered public accounting firm's lead and concurring audit partners every five years and other audit partners every seven years.

Financial Statements

- The Committee shall discuss with management and the independent registered public accounting firm the annual audited financial statements to be included in the Annual Report on Form 10-K (or the Annual Report to Shareholders if distributed prior to the filing of Form 10-K) and the quarterly financial statements to be included in the Quarterly Reports on Form 10-Q, including the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as well as the disclosures contained under "Management's Discussion and Analysis of Financial Condition and Results of Operations" prior to the Company's filing of the Form 10-K and Form 10-Q reports. The Committee shall determine whether to recommend inclusion of these financial statements in these SEC periodic reports.
- The Committee shall review earnings press releases, financial information and earnings guidance provided to analysts and rating agencies. The discussions need not occur in advance of each release or provision of guidance.
- The Committee shall consider major changes and other major questions of choice respecting the appropriate accounting principles, estimates and practices to be applied in the preparation of the Company's financial statements.
- The Committee shall review material pending legal proceedings involving the Company and consider other contingent liabilities, as well as other risks and exposures, that may have a material impact on the financial statements.
- The Committee shall review with management and consider major changes in the Company's policies with respect to risk assessment and risk management.
- The Committee shall review with management and the independent registered public accounting firm the financial statement effects of pending regulatory and accounting initiatives.
- The Committee shall review the impact of off-balance sheet structures on the Company's financial statements.
- The Committee shall review any significant disputes between management and the independent registered public accounting firm that arose in connection with the preparation of the Company's financial statements.

Internal Controls

- The Committee shall consider the quality and adequacy of the Company's internal controls.
- The Committee shall review the adequacy of the Company's internal audit function and shall approve the engagement of any outsourced consultant or service provider.
- The Committee shall review with the CEO and CFO the content of the certifications to be included in Form 10-K and 10-Q reports and certification process and related disclosures regarding disclosure controls and procedures and internal controls over financial reporting.
- The Committee shall obtain reports from management, internal auditors and the independent registered public accounting firm concerning the Company's compliance with applicable laws and regulations and compliance by directors, officers and employees with the Company's Code of Business Conduct and Ethics and the Committee shall advise the Board with respect to policies and procedures relating to such compliance matters.
- The Committee shall have the responsibility to establish procedures as required by Section 10A(m)(4) of the Exchange Act for:
 - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- The Committee shall review all related party transactions.

The Committee shall report regularly to the Board and shall review with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent registered public accounting firm and the performance of the internal auditors.

MEETINGS

The Committee shall meet as often as deemed necessary or appropriate in its judgment, generally at least four times each year, either in person or by phone. Any member of the Committee may call meetings of the Committee. The Committee shall meet with the independent registered public accounting firm at least quarterly. The Committee shall meet on occasion with the independent registered public accounting firm and internal audit staff outside the presence of senior management. The Committee shall report its recommendations to the Board after each Committee meeting.

PROCEDURES

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. The Committee shall have the authority and sufficient funding to retain outside legal counsel, accountants or other experts as it determines necessary and appropriate to assist the Committee in carrying out its functions, without obtaining the approval of the Board or management.

PERFORMANCE EVALUATION

The Committee shall prepare and provide to the Board an annual performance evaluation of the Committee, including an assessment of the performance of the Committee based on the duties and responsibilities set forth in this charter and such other matters as the Committee may determine. The evaluation to the Board may take the form of an oral report by the Committee chairperson or any other member of the Committee designated by the Committee to make the report, and shall be undertaken in accordance with the Corporate Governance Guidelines adopted by the Board. The Committee shall review

and assess the adequacy of the Committee charter annually, propose any necessary changes to the Board for review and approval to the Board.

LIMITATION OF AUDIT COMMITTEE'S ROLE

While the Committee has the oversight responsibility set forth in this Charter, it does not have the duty to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent registered public accounting firm. In addition, the Committee recognizes that the Company's management, internal audit staff and the independent registered public accounting firm, devote more time to reviewing or analyzing the Company's business and its operations and as a result, have more knowledge and detailed information concerning the Company than members of the Committee. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the quality or adequacy of the independent registered public accounting