

CHARTER
of the
AUDIT COMMITTEE
of the
BOARD OF DIRECTORS
of
UNITRIN, INC. (“COMPANY”)

I. AUDIT COMMITTEE PURPOSE.

The Audit Committee (the “Committee”) of the Company’s Board of Directors (“Board”) shall be a standing committee of the Board and shall assist the Board in fulfilling its oversight responsibilities with respect to: (A) the integrity of the Company’s financial statements; (B) the Company’s compliance with legal and regulatory requirements; (C) the independent auditors’ qualifications, independence and performance; and (D) the performance of the Company’s internal audit function. The Committee shall also prepare the report required by the rules of the Securities and Exchange Commission (“SEC”) to be included in the Company’s proxy statement for its annual meeting of shareholders.

II. COMPOSITION OF COMMITTEE.

The Committee shall consist of three or more directors appointed annually by the Board of Directors, considering the recommendation of the Nominating & Corporate Governance Committee. The Committee shall satisfy the independence, experience, financial literacy and expertise, and other requirements of all applicable laws, including the Securities Exchange Act of 1934 (the “Exchange Act”), the Sarbanes-Oxley Act of 2002 (the “Act”), the Company’s Corporate Governance Guidelines and the listing requirements of the New York Stock Exchange or such other securities market or exchange on which the Company’s common stock may from time to time be listed or qualified for trading (the “Listing Requirements”). In addition, no member of the Committee may serve simultaneously on more than three public company audit committees, including the Committee, unless the Board determines that such simultaneous service would not impair his or her ability to serve effectively on the Committee. The Board shall select one of the Committee members as the Chairman of the Committee, considering the recommendation of the Nominating & Corporate Governance Committee.

The Board shall have the power at any time to change the membership of the Committee and to fill vacancies in it, subject to satisfying the standards outlined above. Except as expressly provided in this Charter, the Amended and Restated Bylaws of the Company, the Corporate Governance Guidelines of the Company, the Listing Requirements or applicable laws or regulations (“Governing Rules”), the Committee shall fix its own rules of procedures.

III. COMMITTEE DUTIES AND RESPONSIBILITIES.

A. Registered Public Accounting Firm.

1. The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of the registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (the “Auditing Firm”). The Auditing Firm shall report directly to the Committee. The Committee shall preapprove all auditing services and permitted non-audit engagements with the Auditing Firm, subject to the de minimus exception for non-audit services provided under Section 10A of the Exchange Act. Prior approval of non-audit services may be delegated to the Chairman of the Committee, whose approval decisions shall be presented to the full Committee at its next scheduled meeting.

2. The Committee shall review with management and the Auditing Firm any problems or difficulties encountered in the course of audit work (including any restrictions on the scope of its activities or access to requested information) and management’s responses thereto. The Committee shall oversee the resolution of all disagreements between the Auditing Firm and the Company’s management regarding the Company’s financial reporting.

3. The Committee shall review the performance of the Auditing Firm at least annually, taking into account the views of the Company’s management and internal audit staff. As a part of such review, the Committee shall: (i) obtain and review a report by the Auditing Firm describing the Auditing Firm’s internal quality control procedures and any material issues raised by the most recent internal quality control review, or peer review, of the Auditing 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 Auditing Firm, and any steps taken to address any such issues; (ii) require the Auditing Firm to verify that it is registered with the Public Company Accounting Oversight Board in accordance with the Act; and (iii) monitor the required rotation of the lead audit partner in accordance with the Governing Rules. The Committee shall present its conclusions with respect to the Auditing Firm’s performance to the full Board.

4. At least annually, the Committee shall discuss with the Auditing Firm the matters required to be discussed by Statement on Auditing Standards No. 114 (“The Auditor’s Communication With Those Charged With Governance”) as may be modified or supplemented, and receive and review from the Auditing Firm the written disclosures and letter describing all relationships between it and the Company required by the Listing Requirements and Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as may be modified or supplemented. The Committee shall take such additional steps as the Committee deems necessary or appropriate to satisfy itself that the Auditing Firm

is independent. The Committee shall present its conclusions with respect to the Auditing Firm's independence to the full Board.

5. The Committee shall require the Auditing Firm to provide the Committee with timely reports of: (i) all critical accounting policies and practices to be used; (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Company's management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Auditing Firm; and (iii) other material written communications between the Auditing Firm and the management of the Company, such as any management letter or schedule of unadjusted differences.

6. The Committee shall set clear hiring policies for employees or former employees of the Auditing Firm consistent with applicable law and the Listing Requirements.

B. Financial Statements, Company Disclosures and Certifications

1. The Committee shall review and discuss the Company's annual audited financial statements and quarterly financial statements with management and the Auditing Firm, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as other matters required to be communicated to the Committee by the Auditing Firm or management under generally accepted auditing standards or the Governing Rules. In the case of the Company's annual audited financial statements, the Committee shall make a determination whether to recommend to the Board that such financial statements be included in the Company's Form 10-K.

2. The Committee shall discuss earnings press releases and review the type and presentation of information to be included therein (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information) as well as financial information and earnings guidance (if any) provided to analysts and ratings agencies.

3. At least annually and otherwise as appropriate, the Committee shall review and discuss with management and the Auditing Firm any major issues as to the adequacy of the Company's internal controls, any special audit steps adopted in light of material control deficiencies, the adequacy of disclosures about changes in internal control over financial reporting, management's report on internal control and the Auditing Firm's attestation report on management's internal control assessment.

4. At least annually and otherwise as appropriate, the Committee shall review and discuss with management and the Auditing Firm major issues regarding accounting principles and financial statement presentations (including any significant changes in the Company's selection or application of accounting principles), analyses prepared by management or the Auditing Firm setting forth significant financial reporting issues and judgments, and the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements.

5. The Committee shall review disclosures made by the Company's principal executive officer and principal financial officer regarding compliance with their certification obligations under the Act and the rules promulgated thereunder, including those pertaining to the disclosure of any significant deficiencies or material weaknesses in the design or operation of the Company's internal control over financial reporting and any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting.

C. Risk Assessment. The Committee shall discuss guidelines and policies with respect to financial risk assessment and management and actions by the Company's management to monitor and control such exposures.

D. Internal Auditors. The Committee shall at least annually and otherwise as appropriate:

1. Review and concur in the appointment, retention, replacement, reassignment, or dismissal of the Company's Director of Internal Audit.

2. Review the plans, budget and staffing of the Company's internal audit department and shall inquire of the Auditing Firm as to the competence and adequacy of internal audit personnel.

3. Review the internal audit department's compliance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* or any successor standards.

4. Review significant findings of internal audit reports.

E. Meetings/Review of Specific Matters.

1. The Committee shall meet on, or within reasonable proximity to, the date of all regularly scheduled meetings of the Board and at any other times deemed necessary or appropriate by the Chairman or a majority of the Committee. The Committee shall report its activities to the Board of Directors at each meeting of the Board and otherwise as appropriate.

2. At least quarterly, the Committee shall meet separately with management, with internal auditors (or others responsible for the internal audit function), and with the Auditing Firm.

3. The Committee shall review with management any significant issues arising in connection with the Company's Code of Business Conduct and Ethics. The Committee shall have sole authority to consider and grant waivers under the Company's Code

of Ethics for Senior Financial Officers, although there shall be a presumption against the granting of any such waivers.

4. The Committee may form subcommittees of two or more members and may delegate to such subcommittees such power and authority as the Committee deems appropriate; provided that the Committee may not delegate to a subcommittee any power or authority required by the Governing Rules to be exercised by the Committee as a whole.

5. The Committee shall meet with management and other employees, as it deems appropriate, to discuss matters which may have an impact on the financial statements.

6. Minutes of each meeting of the Committee shall be prepared by the Secretary of the Company (or such other person designated by the Chairman as the secretary of such meeting) and shall be submitted to the Committee for approval at its next meeting. All such minutes shall be filed with the records of the Company.

7. The Committee shall discharge any other duty or responsibility assigned to it by the Board.

F. Investigations. The Committee shall have the power to conduct or authorize an investigation into any matter brought to its attention which falls within the scope of its duties and responsibilities.

G. Complaints. The Committee shall establish and oversee procedures for: (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

H. Outside Advisors; Funding. The Committee shall have the sole authority to retain and terminate outside legal, accounting or other advisors in order to obtain advice and assistance in carrying out its duties and responsibilities or in conducting any investigation contemplated by this Charter, and shall have sole authority to approve such advisors' fees and other terms of retention. The Committee may direct the proper officers of the Company to pay the reasonable fees and expenses of any such advisors, the compensation of the Auditing Firm and the ordinary expenses of the Committee that are necessary or appropriate in carrying out its duties.

I. Committee Self Evaluation. At least annually, the Committee shall perform an evaluation of its own performance and report its findings to the Board.

J. Review of Charter. The Committee shall review and assess the adequacy of this Charter on an annual basis and recommend any proposed changes to the Board for approval.

IV. AUDIT COMMITTEE'S ROLE.

The Committee's responsibility is one of oversight. The responsibility for the completeness and accuracy of the Company's financial statements rests with the Company's management. It is the Auditing Firm's responsibility to perform an audit of, and to express an opinion as to whether, the Company's annual financial statements are fairly presented in accordance with generally accepted accounting principles. The role of the Committee does not include conducting audits or determining whether the financial statements are complete and accurate. In performing its duties, Committee members shall be entitled to rely in good faith upon the records of the Company and such information, opinions, reports or statements presented by any of its officers or employees or any other person or firm selected by or on behalf of the Company as to matters reasonably believed to be within such person's or firm's professional or expert competence.

V. COMPENSATION.

No Committee member shall accept any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries or affiliates except for director's fees. For this purpose, "director's fees" means any consideration paid or provided to a Committee member as compensation for his or her service to the Company as a director and for his or her service on any committees of the Board, including the Committee. Director's fees may be paid in the form of cash, stock of the Company, stock options, or any other form of consideration that is consistent with applicable law and the Listing Requirements.

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