

**UNIVERSAL AMERICAN FINANCIAL CORP.  
CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

**Organization**

This charter governs the operations of the Audit Committee of Universal American Financial Corp. (the "Company"). The committee shall review and reassess the adequacy of the charter at least annually and recommend any changes to the Board of Directors (the "Board"). Changes to be considered include those that are necessary as a result of new laws and regulations.

The committee shall be appointed by the Board and shall be comprised of at least three (3) directors who are in good standing, independent and financially literate. No member may 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 Board shall designate one member to serve as Chairman and shall have power and authority to fill any vacancy in the committee.

Members of the committee must meet the independence requirements under Securities and Exchange Commission rules and regulations and the listing requirements of NASDAQ. To be "independent", a member of the committee must not be an officer or employee of the company or any of its subsidiaries or have any relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In addition, the Board has the affirmative responsibility to determine that a director does not have any relationship that disqualifies him or her from being independent. Specifically, to be "independent," committee members must **not**:

- a. have been employed by the Company or any of its affiliates for the current year or any of the past three years;
- b. have accepted or have a family member who has accepted any payments from the Company or any of its affiliates during the current or any of the past three fiscal year, other than compensation for service on the Board, benefits under a tax-qualified retirement, or non-discretionary compensation;
- c. be, or have a Family Member who is, a current partner of the Company's outside auditor or was a partner or employee of the Company's outside auditor who worked on the Company's audit during any of the past three years;
- d. be a Family Member of an individual who is, or has been in any of the past three years, employed by the Company or any of its affiliates as an executive officer;
- e. be, or have a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received payments for property or services in the current or any of the past three fiscal years (other than those arising solely from investments in the Company's securities or payments under a non-discretionary charitable contribution matching program) that exceed five percent of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more; or
- f. be, or have a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the Company's executive officers served on that entity's compensation committee.

"Family Member" shall mean a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home.

To be financially literate, a member must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement, or become able to do so within a reasonable period of time after appointment to the committee. In addition, at least one member of the committee shall be designated as the financial expert, which means that member will have accounting or related financial management expertise, requisite certification in accounting, or any other comparable experience or background that results in such member's financial sophistication.

## **Statement of Policy**

The Audit Committee will have the responsibility to assist the Board of Directors of the Company in fulfilling its responsibilities to the shareholders, potential shareholders, the investment community, and others relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, and the legal compliance and ethics programs as established by management and the Board.

In so doing, it is the responsibility of the committee to maintain free and open means of communication among the committee, directors, independent auditors, the internal auditors and financial management of the Company. In discharging its role, the committee is empowered to inquire into any matter it considers appropriate to carry out its responsibilities, with access to all books, records, facilities and personnel of the Company. The committee has the power to retain outside counsel, independent auditors or other advisors to assist it in carrying out its activities, including compensation of the committee's counsel, independent auditors and other advisors. The committee shall have the sole authority to retain, compensate, direct, oversee and terminate counsel, independent auditors, and other advisors hired to assist the committee, who shall be accountable ultimately to the committee.

## **Meetings**

The committee shall meet at least four times a year and each time the Company proposes to issue a press release with its quarterly or annual earnings information (these meetings may be combined with regularly scheduled meetings), or more frequently as circumstances may require. The Audit Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary. The agenda for each meeting shall be prepared by the Chairman of the Audit Committee and, whenever reasonably practical, circulated to each member prior to the date of the meeting. The committee shall keep minutes of its proceedings. The committee shall conduct executive sessions with the outside auditors, chief executive officer ("CEO"), chief financial officer ("CFO"), chief internal audit executive ("CAE"), general counsel, outside counsel, director of financial reporting, controller, and anyone else as desired by the committee. Following each meeting of the committee and whenever so requested by the Board, the committee shall report to the Board on the committee's activities, findings and recommendations.

## **Responsibilities**

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing those financial statements. In carrying out its responsibilities, the committee shall establish and maintain flexible policies and procedures in order to best react to changing conditions and circumstances. The committee should take the appropriate actions to ensure that the Company's corporate accounting and financial reporting are in accordance with all requirements and are of the highest quality.

The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the committee may supplement them as appropriate or as the Board may request.

## **General**

- The committee shall discuss with management, the internal auditors and the independent auditors the adequacy and effectiveness of the Company's accounting and financial controls, including the Company's systems to monitor the integrity of the Company's financial reporting process, internal controls regarding finance and accounting compliance.
- The committee shall inquire of management, the CAE, and the independent auditors about significant risks or exposures facing the Company, assess the steps management has taken or proposes to take to minimize and manage such risks to the Company, and periodically review compliance with such steps.
- The committee shall inquire of the CEO and CFO regarding the "quality of earnings" of the company from a subjective as well as an objective standpoint.
- The committee will monitor the independence and performance of the Company's independent auditors.
- The committee will provide a means of communication among the independent auditors, management and the Board.
- The committee will review and reassess the adequacy of the Audit Committee Charter at least annually, submit the charter to the Board for approval and have the document published at least every three years in accordance with SEC regulations.
- The committee shall review with management and the independent auditor the effect of any regulatory and accounting initiatives, as well as off-balance-sheet structures, if any.
- The committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on Form 10-K, including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.
- The committee shall review and approve all related party transactions involving directors or executive officers and review potential conflict of interest situations where appropriate.
- The committee shall review the interim financial statements with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the committee shall discuss the results of the quarterly review and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards. The chair of the committee may represent the entire committee for the purposes of this review with the prior consent of the other members.

## **Independent Auditors**

- The committee shall have a clear understanding with management, the Board and the independent auditors that the independent auditors are ultimately accountable to the board and the Audit Committee, as representatives of the Company's shareholders.
- The committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, replace the independent auditors.
- Annually, 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 Standards Board.
- The committee needs to ascertain that the lead (or concurring) audit partner from any public accounting firms performing audit services, serves in that capacity for no more than five fiscal years of the Company. In addition, ascertain that any partner other than the lead or concurring partner serves no more than seven years at the partner level on the Company's audit.
- Annually, the committee shall review and recommend to the Board the appointment of the Company's independent auditors, including the establishment of the audit fees and pre-approval of any non-audit services provided by the independent auditors, including tax services, before the services are rendered.
- The committee shall discuss with the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation.

- The committee shall meet separately with the independent auditors, with and without management present, to discuss the results of their examinations and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards.
- The committee shall review with the independent auditors all critical accounting policies and practices used by the company and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the company, the ramifications of each alternative, and the treatment preferred by the Company.
- The committee shall review all material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
- The committee shall review with management and the independent auditors the Company's annual financial statements and related footnotes, the independent auditors' audit of the financial statements and their report thereon, the independent auditors' judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting, any significant changes required in the independent auditors' audit plan, any serious difficulties or disputes with management encountered during the audit, and matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, *Communication With Audit Committees* (AICPA, *Professional Standards*, vol. 1, AU sec. 380), as amended, related to the conduct of the audit.

### **Internal Audit Department**

- The committee shall review the organizational structure and qualifications of the internal audit department ("IAD"), including reviewing the annual scope and plan of the IAD, the appointment and annual reviews of the senior IAD officer and summaries of findings prepared by the IAD together with management's responses.
- The committee shall review with the independent auditor, the controller of the Company, and the CAE, the audit scope and plan of the internal auditors and the independent auditors. Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
- The committee shall review with management and the CAE, the significant findings on internal audits during the year and management's responses thereto, any difficulties the internal audit team encountered in the course of their audits, including any restrictions on the scope of their work or access to required information, any changes required in the scope of their internal audit, the internal auditing department budget and staffing, the IAD charter, the internal audit's compliance with the Institute of Internal Auditors' (IIA's) Standards for the Professional Practice of Internal Auditing (Standards).

### **Legal Compliance**

- On at least an annual basis, the committee will review with the Company's counsel any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with laws and regulations and inquiries received from regulators or governmental agencies.
- The committee shall periodically review the Company's code of conduct to ensure that it is adequate and up-to-date.
- The committee shall review with the CAE and the Company's general counsel the results of their review of the monitoring of compliance with the company's code of conduct.
- The committee shall review the procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to the Company.
- The committee shall review any complaints that might have been received, current status, and resolution if one has been reached.

### **Other Audit Committee Responsibilities**

- The committee shall consider, with management, the rationale for employing audit firms other than the principal independent auditors.
- The committee shall evaluate the independent auditors and the internal auditors.
- The committee shall review procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- The committee shall review any submissions that have been received, the current status, and the resolution if one has been reached.
- The committee shall annually prepare a report to shareholders as required by the Securities and Exchange Commission. The report should be included in the Company's annual proxy statement.
- The committee shall perform any other activities consistent with this Charter, the Company's by-laws and governing law, as the committee or the board of directors deems necessary or appropriate.
- The committee shall review with management the policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the internal auditor or the independent auditors.
- The committee shall maintain minutes of meetings and periodically report to the Board on significant results of the foregoing activities.
- The committee will review its effectiveness.