

KENTUCKY INVESTORS, INC. AUDIT COMMITTEE CHARTER

Organization

This Charter governs the operations of the Audit Committee. The Committee shall review and reassess the Charter at least annually and obtain the approval of the Board of Directors.

The Committee shall be appointed by the Board of Directors and shall be comprised of three or more directors, each of whom are independent of management and the Company, as defined under the provisions of Section 301 of the Sarbanes-Oxley Act of 2002. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full committee membership.

All committee members shall be financially literate, or shall become financially literate within a reasonable period of time after appointment to the Committee, and at least one member shall have accounting related financial management expertise to allow him/her to be designated and disclosed as a "financial expert" as defined in Section 407 of the Sarbanes-Oxley Act of 2002. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant.

The Committee shall hold such regular meetings as necessary and such special meetings as may be called by the Chair or at the request of the independent auditors or the internal auditor.

Responsibilities and Processes

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. The Committee should take the appropriate actions to ensure that the Company is providing quality financial reporting, sound business risk practices, and ethical behavior.

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.

- The Committee shall have a clear understanding with management 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 for the appointment, compensation, retention, and oversight of the work of the independent auditors. 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. Annually, the Committee shall review and recommend to the Board the selection of the Company's independent auditors, subject to shareholder's approval.

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- The Committee shall discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation. Also, the Committee shall discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's systems of internal controls, and the Company's system to monitor and manage business risk, and legal and ethical compliance programs. Further, the Committee shall meet separately with the internal auditors and the independent auditors, with and without management present, to discuss the results of their examinations. Among the items to be discussed in these meetings are any significant risks and exposures, audit activities and significant audit findings and the independent auditors' evaluation of the corporation's financial, accounting, and auditing personnel, and the cooperation that the independent auditors received during the course of the audit. Consistent with Section 301 of the Sarbanes-Oxley Act of 2002, the Committee has the authority to engage such other external advisors and experts as it deems necessary to fulfill its responsibilities. The Company shall be responsible for providing adequate funding to allow for the Committee to properly function and to hire and compensate independent auditors and other experts it deems necessary.
- The Committee is required to pre-approve all audit and audit-related services and fees prior to such services being performed. Management must inform the Committee of proposed services and gain this approval prior to formally engaging an external party. It is the Committee's responsibility to insure that no restricted services as defined in Section 201 of the Sarbanes-Oxley Act of 2002 are performed by the company's independent auditors.
- The Committee has the authority to establish de minimis limits on services and/or fees for which management can engage others for audit-related services without specific approval in advance by the Committee. However, such services and fees should be discussed with the Committee at the next meeting following engagement to keep the Committee informed as to the use of any de minimis exceptions.
- 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 may represent the entire committee for the purposes of this review.
- 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 (or the annual report to shareholders if distributed prior to the filing of 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 with management and the independent auditors the independent auditors' opinion rendered with respect to such

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financial statements. The Committee shall also discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards, including formal communications required under Section 203 of the Sarbanes-Oxley Act of 2002.

- The Committee shall also act as the official contact for anonymous submission of complaints to the Company's Ethics Hotline. The Committee will have the responsibility of ensuring that all submitted anonymous complaints, as well as any other submitted complaints of which the Committee is aware, have been satisfactorily addressed and communicated in accordance with the Ethics Hotline procedures and that appropriate documentation exists to support their conclusions.

CHARTER AMENDED: December 11, 2003