

AFFIRMATIVE INSURANCE HOLDINGS, INC.
CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS

Purpose

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Affirmative Insurance Holdings, Inc. (the “Company”) is to assist the Board in fulfilling its financial, legal and regulatory oversight responsibilities. The Committee’s primary responsibilities are to oversee the Company’s accounting, financial reporting and control processes and the audits of the Company and its insurance company subsidiaries’ financial statements, including (1) the preparation, presentation and integrity of the financial statements, (2) compliance with legal and regulatory requirements, (3) the independent registered public accountant’s qualifications and independence, and (4) the performance of the internal audit function and independent registered public accountant. The Audit Committee will also assist the Board in overseeing the Company’s Enterprise Risk Management (“ERM”) framework and governance process.

1. The Committee has the responsibilities and powers set forth in this Charter. Management is responsible for the financial reporting process, the preparation of consolidated financial statements in accordance with generally accepted accounting principles, the system of internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The Company’s independent registered public accountant is responsible for planning and carrying out a proper audit of the Company’s consolidated annual financial statements, reviews of the Company’s consolidated quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, and other procedures. The Committee’s function and responsibility is that of oversight with respect to these procedures. Nothing set forth in this Charter is intended to expand applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Committee. Accordingly, it is recognized that, in the context of fulfilling their responsibilities hereunder, members of the Committee are not full-time employees of the Company and are not, and do not represent themselves to be, performing the functions of an independent registered public accountant or the Company’s management. As such, it is not the duty of the Committee or its members to conduct “field work” or other types of auditing or accounting reviews or procedures or to set auditor independence standards. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

2. This Charter, and any amendments thereto, shall be displayed on the Company’s web site and a printed copy of such shall be made available to any stockholder of the Company who requests it.

Membership and Meetings

1. The Committee shall be appointed by the Board and shall report to the Board. Once appointed to the Committee, each member shall remain a member of the Committee until the earlier of such member's: (i) death, (ii) resignation from the Committee or the Board, (iii) failure to be re-elected as a member of the Company's Board of Directors, or (iv) removal from the Committee by the Board. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies, subject to such new member(s) satisfying Committee membership requirements. The Committee shall designate one of its members to be the Chairman of the Committee.
2. The Committee shall be comprised of not less than three members of the Board, each of whom is independent as determined by the Board in accordance with the Company's Corporate Governance Guidelines.
3. Each member of the Committee shall have the ability to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. In addition, at least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.
4. At least one member of the Committee shall, in the judgment of the Board, be an audit committee financial expert in accordance with the rules and regulations of the SEC.
5. No member of the Committee shall serve on more than three audit committees of publicly held companies, without notification and approval by the full Board.
6. The Committee shall meet at least quarterly, either in person or telephonically, and at such times and places as the Committee shall determine.

Oversight of the Company's Independent Registered Public Accountant

1. The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of the independent registered public accountant (subject to stockholder ratification). In exercising this responsibility, the Committee shall obtain and review a written report provided by the independent registered public accountant describing (1) the independent registered public accountant's internal quality control procedures, (2) any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more of the firm's audits, and any steps

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taken to deal with any such issues and (3) all relationships between the independent registered public accountant and the Company. The Committee shall actively engage in a dialogue with the independent registered public accountant with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent registered public accountant and shall take appropriate action to ensure such independence. Prior to commencement of the annual audit, the Committee will review the independent registered public accountant's scope of work to be performed. Subsequent to the commencement of the annual audit, the independent registered public accountant shall inform the Committee of any significant changes in the original audit plan, review the results of the audit and any problems or difficulties that the independent registered public accountant encountered in the course of their audit work. In addition, the independent registered public accountant shall discuss with the Audit Committee any questions, comments or suggestions that they may have relating to internal controls or accounting practices and procedures.

2. The Committee shall pre-approve any audit and permitted non-audit services performed by the independent registered public accountant to assure that the provisions of such services do not impair the registered public accountant's independence. In lieu of explicit pre-approval of each engagement, the Committee may establish by resolution policies and procedures for pre-approval of certain categories of services (e.g., Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees, or such other categories as may be required by applicable regulation), provided such policies and procedures (i) are detailed as to the nature of the services included within such categories (ii) do not delegate the authority to approve engagements to management and (iii) provide that the Committee be informed of each service actually rendered to the Company. Such policies and procedures shall be established by resolution at any time in advance of the provision of services for which pre-approval is required, and the Committee may revise the list of pre-approved services by resolution from time to time. Such policies and procedures may also provide for de minimis exceptions to the pre-approval requirement as permitted by law and applicable regulation.
3. The Committee may delegate the authority to pre-approve any audit or permitted non-audit service to one or more designated members of the Committee who are independent directors of the Company, and the decisions of any such designated member of the Committee shall be reported to the Committee at its next scheduled meeting.
4. The Committee shall approve the fees paid to the Company's independent registered public accountant. In lieu of explicit approval of fees for each engagement, the Committee may establish by resolution annual limits on fees to be paid to the independent registered public accountant for each category of service pre-approved by the Committee. Such limits may be established by resolution of the Committee from time to time. The Committee may delegate the authority to approve the fees paid to the independent registered public accountant to one or more designated members of the Committee who are independent directors of the Company, and the decisions of any such designated member of the Committee shall be reported to the Committee at its next scheduled meeting.

5. From time to time, the Committee will review with management and the internal auditors, without the presence of the independent registered public accountant, the competence and performance of the independent registered public accountant.

Annual and Quarterly Financial Statements

1. The Committee will review and discuss with management and the independent registered public accountant the annual audited financial statements and the quarterly financial statements, including the disclosures in management's discussion and analysis and the annual independent registered public accountant's opinion. The annual and quarterly discussions regarding the financial statements with management and the independent registered public accountant will include a discussion of:
 - a) all critical accounting policies and estimates inherent in the financial statements, including the appropriateness and clarity of the disclosure concerning such critical accounting policies and estimates;
 - b) all material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent registered public accountant;
 - c) other material written communications between the independent registered public accountant and the Committee or management, such as the independent registered public accountant's Report to Management and management's responses thereto or schedules of unadjusted differences and their significance to the Company's financial statements as a whole; and
 - d) any other matters related to the conduct of an audit required to be communicated to those responsible for the oversight of the financial reporting process (e.g., communications required by SAS Nos. 61, 90 and 100).
2. Upon completion of its annual review and discussions, the Committee shall make a recommendation to the Board whether the financial statements should be included in the Company's Annual Report on Form 10-K to be filed with the SEC.
3. The Committee shall also review with management and the Company's independent registered public accountant the Company's quarterly financial information prior to the filing of the Company's Quarterly Reports on Form 10-Q to be filed with the SEC.
4. The Committee shall also review with management and the Company's independent registered public accountant the insurance company subsidiaries' annual financial statements commencing with the 2010 statements.

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5. The Committee will review, at least quarterly, with the Company's independent registered public accountant (without the presence of management and internal audit), the adequacy of the cooperation of management and internal audit in the conduct of services, any audit problems or difficulties and any material disagreements with management.
6. The Committee shall be responsible for resolving any disagreements between the Company's independent registered public accountant and management.

Oversight of Internal Audit

1. The Committee shall oversee the Company's internal audit function. The internal audit function may be performed by an outside auditor other than the independent registered public accountant under the supervision of management, if the Committee determines appropriate. With regard to internal audit the Committee shall:
 - a) Review the proposed scope of the internal audit for each year under the period deemed appropriate;
 - b) The internal auditor shall inform the Committee of any significant changes in the original internal audit plan, review the results of internal audits, any problems or difficulties that internal audit encountered in the course of their audit work, and management's response, and discuss any questions, comments or suggestions that internal audit may have relating to the internal controls, and accounting practices and procedures;
 - c) At least quarterly, review with internal audit, without the presence of management, the cooperation of management during the performance of the internal audits; and

Review and concur in the appointment replacement, reassignment or dismissal of the director of internal audit.

Compliance with Legal and Regulatory Requirements

1. The Committee shall prepare the Audit Committee Report required by Securities and Exchange Commission ("SEC") Item 407(d) of Regulation S-K each year and cause such report to be included in the Company's annual proxy statement.
2. The Committee shall also review with management each year the disclosures relating to the audit committee and the administration of the audit required by applicable law and regulation, including:
 - a) Disclosures required in the proxy statement by Schedule 14A, Item 7 (or any successor regulation), including (i) identification of the audit committee members, (ii) statement that such members are "independent" as defined by applicable Nasdaq Global Select Market listing standards or additional information concerning any

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member who is not, and (iii) statement of adoption of this Charter and provision of a copy of the Committee's Charter at least once every three years and for the year in which the Charter is revised.

- b) Disclosures required in the annual report proxy statement by Schedule 14A, Item 9 (or any successor regulation), including (i) fees paid to the independent registered public accountant segregated by category (e.g., Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees, or such other categories as may be required by applicable regulation) and the nature of the services included within such categories and (ii) a description of the Committee's pre-approval policies and procedures to pre-approve services by category, including the percentage of the total fees paid to the independent accountant for unapproved services where a de minimis exception was used.
 - c) Disclosures required by Item 407(d)(5) of Regulation S-K – Audit Committee Financial Expert.
3. The Committee will be responsible for reviewing and approving all related party transactions from time to time unless another independent body of the Board is designated to review and approve any such transaction. The term "related party transaction" shall refer to transactions required to be disclosed pursuant to Item 404 of Regulation S-K.

Oversight of Enterprise Risk Management

- 1. The Committee shall oversee the Company's ERM framework and governance process. The Committee will authorize a management level ERM Committee, which will be comprised of no less than three senior members of management. The Committee will authorize a charter for the ERM Committee setting forth the specific responsibilities of the ERM Committee and providing the requisite authority to carry out those responsibilities.
- 2. The Committee's oversight of the ERM Committee shall include, at a minimum:
 - a) Review of the process by which the Company identifies and assesses key enterprise risks, establishes acceptable risk tolerances, and defines control standards to manage identified risks.
 - b) Periodic monitoring and reporting of key risk exposures, status of management action plans, with consideration of historical risks and whether the Company is nearing or exceeding risk tolerance levels in any key areas.
 - c) Consideration of emerging risks or risk trends.
 - d) Alignment of internal audit programs with identified risks, control standards and business controls.

3. The Chairman of the ERM Committee will report to the Committee on at least a quarterly basis. The Committee shall report to the Board on the activities of the Company's ERM function on a regular basis.

Other Duties and Responsibilities

1. The Committee shall be responsible for establishing procedures for and for the monitoring of the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submissions by Company employees regarding questionable accounting or auditing matters.
2. The Committee will obtain advice and assistance from outside legal, accounting or other advisors as the Committee deems necessary to carry out its duties. The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities. The Committee has the authority to retain and compensate such advisors without seeking Board approval.
3. The Committee shall receive funds from the Company for the payment of compensation to the Company's independent registered public accountant and outside legal, accounting or other advisors employed by the Committee, and ordinary administrative expenses, in such amounts and at such times as the Committee determines by resolution from time to time.
4. The Committee will discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. These discussions may be general discussions of the type of information to be disclosed and the type of presentations, and need not occur in advance of each earnings release or each instance in which the Company may provide guidance.
5. Meet periodically with management to review and assess the Company's major financial risk exposures and the manner in which risks are being monitored and controlled.
6. The Committee will review with the Company's general counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies, and any material reports or inquiries received from regulators or government agencies.
7. The Committee will establish by resolution from time to time clear hiring policies for employees or former employees of the independent registered public accountant.
8. The Committee will report regularly to the Board and review with the Board any issues that may arise with respect to:
 - a) the quality or integrity of the Company's financial statements;
 - b) the Company's compliance with legal or regulatory requirements;
 - c) the performance and independence of the Company's independent registered public accountant; or

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- d) the performance of the Company's internal audit function.
- 9. The Committee will annually review and reassess the adequacy of this Audit Committee Charter as needed to address new requirements, Company circumstances and changing expectations of the Board.
- 10. The Committee shall prepare and review with the Board an annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this Audit Committee Charter. The performance evaluation shall also recommend to the Board any improvements to the Audit Committee's Charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the chairman of the Committee, or any other member of the Committee designated by the Committee to make such report.

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Certification by Secretary as to Charter:

The undersigned, the duly elected and active Secretary of Affirmative Insurance Holdings, Inc., does hereby certify that this Charter of the Audit Committee, as approved by the Board of Directors, shall be made effective the 17th day of November, 2011.

_____/s/ Joseph G. Fisher

By: Joseph G. Fisher

Its: Secretary