

DIRECT GENERAL CORPORATION
CHARTER OF THE
NOMINATING AND CORPORATE GOVERNANCE COMMITTEE
(2/25/04)

Purpose

To assist the Board by identifying individuals qualified to become Board members, and to recommend to the Board the director nominees to stand for election at the annual meeting of shareholders; to recommend to the Board director nominees for each committee established by the Board; to recommend to the Board the Corporate Governance Guidelines applicable to the Company and to oversee compliance with those Guidelines and other applicable policies; to annually review and report on the performance by the Board and any committees thereof.

Membership

The Nominating and Governance Committee shall be composed of three (3) or more directors of the Company, who shall meet the independence definition set forth in the rules of the NASDAQ Stock Market. The members shall be appointed and replaced by the Board.

Responsibilities

The Committee shall:

1. Recommend to the Board of Directors the size of the Board, in accordance with the Company's charter and bylaws, and criteria for qualification as a candidate for Board membership.
2. Review qualifications of candidates for membership of the Board of Directors.
3. Actively seek individuals qualified to become board members for recommendation to the Board.
4. Have the sole authority to retain and terminate any search firm to be used to identify director candidates and shall have sole authority to approve the search firm's fees and other retention terms.
5. Have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
6. Recommend and nominate the slate of candidates for Board membership to be proposed for election by the shareholders at the Annual Meeting, and candidates to fill vacancies that may occur between Annual Meetings.
7. Recommend to the Board of Directors the establishment of, candidates for, and responsibilities of, various committees of the Board of Directors and make

recommendations concerning the rotation of committee chairs.

8. Make regular reports to the Board.
9. Recommend to the Board the Corporate Governance Guidelines applicable to the Company, review and reassess the adequacy of the Corporate Governance Guidelines, and recommend any proposed changes to the Board for approval.
10. Review Insider Trading Policy and Transaction Reporting Policy
11. Receive comments from all directors and report annually to the Board with an assessment of the Board's performance, to be discussed with the full Board.
12. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
13. Annually review its own performance and that of other Board committees.
14. The Committee may form and delegate authority to subcommittees when appropriate, which subcommittees may be comprised of Company officers and personnel who are not directors of the Company.