

**INVESTMENT COMMITTEE CHARTER
of the Investment Committee of
Mercury General Corporation**

As adopted May 2, 2008

This Investment Committee Charter was adopted by the Board of Directors (the “Board”) of Mercury General Corporation (the “Company”) on May 2, 2008.

I. Purpose

The purpose of the Investment Committee (the “Committee”) of the Board is to assist the Board in discharging the Board’s responsibilities in overseeing management’s investment of the Company’s investment portfolio, including, without limitation:

- (a) developing, reviewing and recommending to the Board investment strategies and Company investment guidelines;
- (b) monitoring management’s compliance with the Company’s investment strategies and guidelines;
- (c) selecting investment managers for the Company’s investment portfolio;
- (d) monitoring the competence and performance of internal and external investment managers;
- (e) monitoring compliance of the Company’s investment policies and practices with applicable legal and regulatory requirements;
- (f) reviewing and approving all investment transactions made by the Company;
- (g) reporting to the Board no less frequently than quarterly regarding the investment transactions made by the Company and the Company’s investment strategies and guidelines; and
- (h) performing all other duties of the Board with respect investment transactions made by the Company.

In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time consistent with the Company’s bylaws. The powers and responsibilities delegated by the Board to the Committee in this Charter or otherwise shall be exercised and carried out by the Committee as it deems appropriate without requirement of Board approval, and any decision made by the Committee (including any decision to exercise or refrain from exercising any of the powers delegated to the Committee hereunder) shall be at the Committee’s sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all the powers and authority of the Board. To the fullest extent permitted by law, the Committee shall

have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

II. Membership

The Committee shall be composed of three or more directors, as determined by the Board, each of whom has experience, in the business judgment of the Board, that would be helpful in addressing the matters delegated to the Committee. The members of the Committee, including the Chair of the Committee, shall be appointed by the Board. Committee members may be removed from the Committee, with or without cause, by the Board.

III. Meetings and Procedures

The Chair (or in his or her absence, a member designated by the Chair) shall preside at each meeting of the Committee and set the agendas for Committee meetings. The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company's bylaws that are applicable to the Committee.

The Committee shall meet on a regularly scheduled basis at least four times per year and more frequently as the Committee deems necessary or desirable.

All non-management directors that are not members of the Committee may attend and observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. The Committee may, at its discretion, include in its meetings members of the Company's management, or any other person whose presence the Committee believes to be desirable and appropriate. Notwithstanding the foregoing, the Committee may exclude from its meetings any person it deems appropriate, including but not limited to, any non-management director that is not a member of the Committee.

The Committee may retain any independent counsel, experts or advisors that the Committee believes to be desirable and appropriate. The Committee may also use the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any such persons employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Chair shall report to the Board regarding the activities of the Committee at appropriate times and as otherwise requested by the Chairman of the Board.

IV. Duties and Responsibilities

1. Develop and maintain a written Statement of Investment Objectives and Guidelines that includes investment objectives and guidelines that are consistent with the Company's strategies, goals and objectives, including with respect to investments in derivative instruments, to be approved by the Board of Directors.

2. Communicate clearly the major responsibilities of those responsible for investment results.

3. Review the Company's policies and procedures for investment risk management, review and monitor the credit risk of the Company's investment portfolios and make related recommendations, as might be appropriate, to the Board.

4. Monitor the Company's financial strategies regarding risk (currency and interest rate exposure and use of derivatives).

5. Review and approve all investment transactions made by the Company and performance of the Company's investment portfolio, including with respect to investment in derivative investments.

6. Report to the Board no less frequently than quarterly regarding the investment transactions made by the Company, the performance of the Company's investment portfolio, including with respect to investments in derivative instruments, and the Company's investment strategies and guidelines.

7. Determine that the Company has a clearly articulated investment policy, which specifies asset allocation and money management guidelines which provide reasonable assurance that the Company can meet its business and financial objectives with a reasoned balance between risk, return and cost. The over-riding constraints are to maintain the ability to meet any foreseeable financial obligation in a timely manner, support growth, and allow the Company to meet its financial goals.

8. Determine that investment constraints are consistent with the investment policy, clearly defined, properly measured, and consistently followed and that procedures are in place to ensure that the investment portfolio is managed in a manner consistent with the investment policy and applicable investment constraints.

9. Ensure that roles and responsibilities are clearly established for internal and external investment managers.

10. Assist management in reviewing investment portfolio performance against objectives and assesses the performance of the Company's investment staff.

11. Assist management in establishing systems and procedures to inform the Company's investment staff of applicable state and federal legal and regulatory requirements, to monitor compliance with those requirements, and to report and take remedial action in the event of any deviations therefrom.

12. Determine that procedures are in place to help ensure that members of the Company's investment staff do not trade any security while in possession of material inside information regarding the issuer thereof in violation of the federal securities laws.

13. Evaluate its own performance on an annual basis, including its compliance with this Charter, and provide the Board with any recommendations for changes in procedures or

policies governing the Committee. The Committee shall conduct such evaluation and review in such manner as it deems appropriate.

14. Review and reassess this Charter at least annually and submit any recommended changes to the Board for its consideration.

V. Delegation of Duties

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee, to the extent consistent with the Company's articles of incorporation, bylaws, Corporate Governance Guidelines and applicable law and rules of markets in which the Company's securities then trade.