

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

**Purpose**

The Investment Committee (the “Committee”) of the Board of Directors (the “Board”) of Affirmative Insurance Holdings, Inc. (the “Company”) is appointed by the Board to (a) assist the Board in monitoring (1) whether the Company has adopted and adheres to a rational and prudent investment and capital management policy, (2) whether management's investment and capital management actions are consistent with attainment of the Company's investment policy, financial objectives and business goals, (3) the Company's compliance with legal and regulatory requirements pertaining to investment and capital management, (4) the competence, performance, and compensation of the Company's internal and external money managers, and (b) perform such other functions as the Board may from time to time assign to the Committee.

Nothing contained 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. 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.

**Committee Membership**

The Committee shall consist of no fewer than three directors. The Committee shall be appointed annually by the Board and shall report to the Board. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies. The Committee shall designate one of its members to be the Chairman of the Committee.

**Committee Meetings**

The Committee shall meet as often as necessary to carry out its responsibilities and may act by written consent. Any actions taken by the Committee shall be reported to the Board of Directors at the next succeeding regular meeting of the Board of Directors, or as soon thereafter as practicable. Any Committee member may request the Chairman of the Committee to call a meeting. The Committee shall have the authority to retain special legal, financial or other consultants to advise the Committee. Further, the Committee may ask officers and members of management or others, including the Company's outside money managers or advisers, whose advice and counsel are relevant to the issues then being considered by the Committee, to attend any meetings and to provide such pertinent information as the Committee may request.

**Committee Authority and Responsibilities**

In carrying out its oversight responsibilities, the Committee's policies and procedures should remain flexible to enable the Committee to react to changes in circumstances and conditions so as to ensure the Company remains in compliance with applicable legal and regulatory requirements. The Committee shall have the following responsibilities:

1. 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.

Charter of the Investment Committee (cont.)

2. 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.
3. Ensure that roles and responsibilities are clearly established for the internal money managers, external money managers, and Treasurer.
4. Contribute to the evaluation of the qualifications and performance of the Company's internal money managers, external money managers, and Treasurer and provide feedback to the Chief Financial Officer and Chief Executive Officer.
5. Ensure that management reviews portfolio performance against objectives and assesses the performance of the Company's investment staff and, as necessary, takes corrective action.
6. Ensure that systems and procedures are in place 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.
7. Ensure that the Company has adopted and enforces a policy that requires Committee approval before the Company makes an investment where any member of its investment staff has a direct or indirect personal interest in the investment opportunity.
8. Confirm that the Company has in place a policy which prohibits its investment personnel from misappropriating for their own benefit investment opportunities that are made available to the Company, and from knowingly trading or taking a position in any security in advance of the Company's planned execution of a trade in that security or taking any other action that may frustrate or undermine the investment strategy or plans of the Company.
9. 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 non-public information regarding the issuer thereof in violation of the federal securities laws.
10. Determine that share repurchases by the Company are executed pursuant to a program which has been reviewed by legal counsel to ensure that the applicable legal requirements have been satisfied, including compliance with, as applicable, issuer tender offer rules, insider trading laws, Regulation M (which prohibits repurchases during a distribution of securities) and the requirements of SEC's Rule 10b-18 promulgated under the Securities Act of 1934.
11. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
12. The Committee shall perform any other responsibilities delegated to the Committee by the Board from time to time.

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