

DIRECT GENERAL CORP

Form DEF 14A

March 22, 2005

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**SCHEDULE 14A  
(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934 (Amendment No.    )**

Filed by the Registrant ☒ x

Filed by a Party other than the Registrant ☐ o

Check the appropriate box:

- ☐ o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☒ x Definitive Proxy Statement
- ☐ o Definitive Additional Materials
- ☐ o Soliciting Material under Rule 14a-12

**DIRECT GENERAL CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ x No fee required.
- ☐ o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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- ☐ Fee paid previously with preliminary materials.
- ☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**DIRECT GENERAL CORPORATION  
NASHVILLE, TENNESSEE**

**NOTICE OF 2005 ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 4, 2005**

**TO THE SHAREHOLDERS OF DIRECT GENERAL CORPORATION:**

Notice is hereby given that the 2005 Annual Meeting of Shareholders (the Meeting ) of Direct General Corporation (the Company ) will be held at the offices of the Company at 1281 Murfreesboro Road, Nashville, Tennessee 37217, at 11:00 a.m., on Wednesday, May 4, 2005 for the purpose of considering and acting upon the following:

- 1) The election of two (2) directors to hold office until the 2008 Annual Meeting of Shareholders or until each director's successor shall be elected and qualified; and
- 2) The transaction of such other business as may properly and lawfully come before the Meeting or any adjournment thereof.

All of the foregoing is more fully set forth in the Proxy Statement accompanying this notice.

The close of business on March 14, 2005 is the record date for purposes of determining shareholders who are entitled to notice of and to vote at the Meeting.

All shareholders are cordially invited to attend the Meeting in person. If you cannot attend the Meeting, you may submit your proxy by using the Internet, using the telephone or by using a traditional proxy card. The voting methods available to you are explained on the proxy card forwarded to you by Direct General Corporation or your broker or other holder of record of your shares. Any shareholder entitled to vote at the Meeting who submits a proxy may revoke the proxy prior to its use by (i) giving written notice of such revocation to our Secretary, Direct General Corporation, 1281 Murfreesboro Road, Nashville, Tennessee 37217; or (ii) executing and delivering to our Secretary a proxy bearing a later date; or (iii) appearing at the Meeting and voting in person. The board of directors recommends that you vote in favor of the nominees for director.

By Order of the Board of Directors,

Ronald F. Wilson  
Secretary

April 1, 2005

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**2005 PROXY STATEMENT**

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Copies of this Proxy Statement and our 2004 Annual Report on Form 10-K are available to shareholders at no cost upon written request to:

Office of the Secretary  
Direct General Corporation  
1281 Murfreesboro Road  
Nashville, Tennessee 37217

Copies of these documents are also available through our website at [www.direct-general.com](http://www.direct-general.com).

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**DIRECT GENERAL CORPORATION**

1281 Murfreesboro Road  
Nashville, Tennessee 37217

**PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 4, 2005**

**GENERAL**

This proxy statement is furnished to the holders of common stock, no par value per share, of Direct General Corporation (the Company, we, our and us) in connection with the solicitation of proxies by our board of directors be used for voting at the Annual Meeting of Shareholders (the Meeting) to be held at the time and place and for the purposes specified in the accompanying Notice of Annual Meeting of Shareholders and at any adjournments thereof. We anticipate that this proxy statement will be mailed to shareholders commencing on or about April 1, 2005.

When a proxy is properly submitted, the shares that the proxy represents will be voted at the Meeting in accordance with the instructions thereon. In the absence of any such instructions, the shares represented by the proxy will be voted in favor of the nominees for director. Management does not know of any other matters that may come before the Meeting for consideration by the shareholders. However, a signed proxy card will grant authority to the proxy holders to vote the shares represented thereby, in their discretion, on any matter that properly comes before the Meeting.

Any shareholder entitled to vote at the Meeting who submits a proxy may revoke it prior to its use by (i) giving written notice of such revocation to our Secretary, Direct General Corporation, 1281 Murfreesboro Road, Nashville, Tennessee 37217; or (ii) executing and delivering to our Secretary a proxy bearing a later date; or (iii) appearing at the Meeting and voting in person.

**Annual Report**

Our Annual Report for the year ended December 31, 2004 on Form 10-K as filed with the Securities and Exchange Commission, is enclosed with this proxy statement. Shareholders may obtain additional copies of our Annual Report or this proxy statement without charge upon written request addressed to our Secretary, Direct General Corporation, 1281 Murfreesboro Road, Nashville, Tennessee 37217. If the requesting person is not a shareholder of record (e.g., the shares are held in the name of a broker or other nominee), the request must include a representation that he or she was a beneficial owner of our common stock entitled to vote as of the Record Date. We will provide the documents listed as exhibits to our Annual Report on Form 10-K at cost; however, these documents are available electronically via EDGAR at [www.sec.gov](http://www.sec.gov).

**Expenses of Solicitation**

The cost of soliciting proxies will be paid by the Company. Our officers, directors, employees and agents may solicit proxies by telephone, facsimile, other electronic means or personal interview, without additional compensation.

**Voting**

Only holders of record of issued and outstanding shares of our common stock, as of March 14, 2005 (the Record Date), will be entitled to notice of and to vote at the Meeting. On the Record Date, there were 22,100,300 shares of common stock outstanding. Each share outstanding is entitled to one vote on each matter considered at the Meeting.

Beneficial owners of our common stock may receive information related to voting from their broker or other nominee holding shares for the beneficial owners.

In accordance with applicable law, abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present. Broker non-votes occur when a broker or other nominee holding shares for a beneficial owner does not vote on a proposal because the beneficial owner has not checked the applicable box on the proxy card. Because directors are elected by a plurality of the votes cast, abstentions and broker non-votes do not affect the vote.

If a quorum is present at the Meeting, either in person or by proxy, the nominees who receive the greatest number of votes cast for his/her election as director to hold office until the 2008 Annual Meeting of Shareholders at the Meeting will become a director of the Company at the conclusion of the tabulation of the votes.

**Table of Contents****SECURITY OWNERSHIP OF THE COMPANY**

The following table sets forth, as of March 14, 2005, information regarding the beneficial ownership of our common stock by our directors, nominees for election, each Named Executive Officer named in the Summary Compensation Table that appears under Executive Compensation Summary Compensation Table, all directors and executive officers as a group and each person known to us to own 5% or more of our common stock.

Name of Beneficial Owner (and address, with respect to 5% or greater beneficial owner)	Amount and Nature of Beneficial Ownership(1)	Percent of Shares of Common Stock(1)
Jacqueline C. Adair(2)	539,240	2.43
Tammy R. Adair(3) 2813 Business Park Drive Airport Business Park, Bldg I Memphis, TN 38118	4,858,729	21.98
William C. Adair, Jr.(4)	551,240	2.49
Kenneth A. Collom(5)	6,476	*
Barry D. Elkins(6)	186,000	*
Fred H. Medling	2,000	*
Raymond L. Osterhout(7)	180,595	*
Stephen L. Rohde	1,428	*
Directors and executive officers as a group(8)	5,927,468	26.64
Wasatch Advisors, Inc.(9) 150 Social Hall Avenue Salt Lake City, UT 84111 William C. Adair, Jr. Trust(10) 2813 Business Park Drive Airport Business Park, Bldg I Memphis, TN 38118	2,313,338	10.47
William C. Adair, Jr. Trust(10)	4,323,149	19.56

\* Less than one percent.

- (1) The numbers shown include the shares which are not currently outstanding, but which certain shareholders are entitled to acquire or will be entitled to acquire within 60 days.
- (2) Includes 120 shares held by William C. Adair, Jr., Ms. Jacqueline Adair's spouse, and 200 shares, by Lacey L. Adair, Ms. Adair's step-daughter, 400,000 shares held by WA Investments, LP of which Ms. Adair is a general partner and 48,000 shares underlying options. Ms. Adair disclaims any beneficial interest in the shares held by her spouse, step-daughter and the limited partnership.
- (3) Includes 4,323,149 shares held by the William C. Adair, Jr. Trust, of which Ms. Tammy Adair is the sole trustee and has sole voting and investment control and 400,000 shares held by TA Investments, LP of which Ms. Adair is a general partner.



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- (4) Includes 90,920 shares held by Jacqueline C. Adair, Mr. Adair's spouse, 200 shares held by Lacey L. Adair, Mr. Adair's daughter, 400,000 shares held by WA Investments, LP of which Ms. Adair is a general partner and 60,000 shares underlying options. Mr. Adair disclaims any beneficial interest in the shares held by his spouse, daughter and the limited partnership.
- (5) Includes 6,000 shares underlying options.
- (6) Includes 6,000 shares underlying options.
- (7) Includes 53,500 shares held by Wanda S. Osterhout, Mr. Osterhout's spouse.
- (8) Includes 152,400 shares underlying options.
- (9) Beneficial ownership information was obtained from the Schedule 13G filed by Wasatch Advisors, Inc. on March 10, 2005.
- (10) Beneficial ownership information was obtained from the Schedule 13G filed by the William C. Adair, Jr. Trust on February 14, 2005.

**Table of Contents****MANAGEMENT****Directors and Executive Officers**

The following table sets forth certain information concerning our directors and executive officers as of March 14, 2005:

<b>Name</b>	<b>Age</b>	<b>Title</b>	<b>Director Since</b>
William C. Adair, Jr	63	Chairman of the Board, Chief Executive Officer and President	1991(1)
Jacqueline C. Adair	46	Director, Executive Vice President and Chief Operating Officer	1991(1)
Fred H. Medling	80	Director	2003
Raymond L. Osterhout	73	Director	2003
Stephen L. Rohde	53	Director	1996
Tammy R. Adair	41	Executive Vice President	
Kenneth A. Collom	43	President of Direct General Consumer Products, Inc.	
Barry D. Elkins	44	Senior Vice President and Chief Financial Officer	
William J. Harter	48	Senior Vice President - Corporate Development, Banking and Finance	
Brian G. Moore	52	President of our premium finance subsidiaries	
Ronald F. Wilson	59	General Counsel and Secretary	

- (1) Each present director of the Company with an election date prior to 1993 (when the Company became the parent of Direct Insurance Company ( DIC ), was formerly a director of DIC, and the information set forth as to periods prior to 1993 reflects positions with DIC and the year such Director was first elected to the DIC board of directors.

**DIRECTORS**

Our board of directors consists of five members. Our directors are divided into three classes and serve for staggered three-year terms.

**Class II: Director Nominees for Election to Hold Office until the 2008 Annual Meeting of Shareholders**

*Jacqueline C. Adair* has been our Executive Vice President and Chief Operating Officer since September 2002. She also served as our President from September 1993 to April 1996 and Secretary from April 1996 to September 2002. Ms. Jacqueline Adair has also served as one of our directors since April 1991. Ms. Jacqueline Adair has worked in the automobile insurance and related industries for over 20 years. Ms. Jacqueline Adair is the wife of William C. Adair, Jr. and the step-mother of Tammy R. Adair.

*Fred H. Medling* became a director on May 20, 2003. Mr. Medling retired in 1995 after serving as Vice President of Management of The People's Bank in Collierville, Tennessee for 18 years. In this position, he was responsible for the management, operational and certain regulatory aspects of this banking and finance institution.

**Class III: Directors Continuing in Office until the 2006 Annual Meeting of Shareholders**

*Raymond L. Osterhout* became a director on May 20, 2003. Mr. Osterhout is currently retired after serving, from 1988 to 2002, as Group Vice President of Underwriting/Marketing and consultant for Swiss Reinsurance Corporation. He was responsible for underwriting and marketing activities throughout the United States. Mr. Osterhout has over 45 years of experience in the underwriting and reinsurance businesses.

*Stephen L. Rohde* has served as one of our directors since November 1996. Mr. Rohde has operated a financial consulting firm which provides services to small and mid-sized companies in the insurance industry since January 2004. From 1983 until December 2003, Mr. Rohde was employed by the Mutual Service Insurance Companies, a property-casualty and life insurance group, serving as its Vice President, Chief Financial Officer and Treasurer since 1991. Mr. Rohde has over 30 years experience in the financial operations of the insurance industry, including accounting, investments, auditing and financial reporting, reinsurance and treasury management.

Class I: Director Continuing in Office until the 2007 Annual Meeting of Shareholders

*William C. Adair, Jr.* founded Direct Insurance Company, our predecessor company, in 1991 and has served as Chairman of the Board since our inception. Mr. Adair became our Chief Executive Officer in April 1998, after having served in that position with us from September 1994 until April 1996, and became President in March 2001. Mr. Adair has worked in insurance and related industries for over 25 years. Mr. Adair is the husband of Jacqueline C. Adair and the father of Tammy R. Adair.

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**NON-DIRECTOR EXECUTIVE OFFICERS**

*Tammy R. Adair* has served as an Executive Vice President since September 2002. Prior to joining us as an officer, she spent eleven years as a founding partner in the law firm of Adair & Schuerman, P.C. and later formed Adair, Schuerman & White, an association of defense attorneys, which provided various legal services to us. Ms. Adair maintains her license to practice law in the states of Mississippi and Tennessee. In addition to her legal expertise, she has extensive experience in claims and other operational and regulatory aspects of insurance, agency and premium finance companies. Ms. Tammy Adair is the daughter of William C. Adair, Jr. and the step-daughter of Jacqueline C. Adair.

*Kenneth A. Collom* has served as President of Direct General Consumer Products, Inc., one of our subsidiaries, since August 2004 and was its Executive Vice President from July 2003 to August 2004. Prior to joining us, Mr. Collom was employed by Dollar Financial Group, Inc., an operator of retail consumer financial outlets, and served as a Vice President from April 2000 until July 2003. While at Dollar, Mr. Collom also served as Deputy Managing Director of its United Kingdom division based in Nottingham, England in 2001 and 2002. From 1999 until April 2000, he was employed by Fleetwood Enterprises, Inc., a producer of recreational vehicles and manufactured homes, as a General Manager Designate. Mr. Collom has over 18 years experience in the consumer products industry.

*Barry D. Elkins* has been our Chief Financial Officer since September 1993 and a Senior Vice President since February 2001. Mr. Elkins was a director from September 1993 to April 1996 and from February 2001 to February 2003. He also has served as our Secretary/Treasurer from September 1993 to April 1996, and Vice President from October 1996 to February 2001. Prior to joining us Mr. Elkins practiced as a certified public accountant for 10 years.

*William J. Harter* has been our Senior Vice President Corporate Development, Banking and Finance since February 2003 and served as our Senior Vice-President Products and Development from November 1999 to February 2003. Prior to joining us Mr. Harter was a corporate banker for 11 years.

*Brian G. Moore* has been President of Direct General Financial Services, Inc. and Direct General Premium Finance Company, our two premium finance subsidiaries, since March 2001 and September 2003, respectively. Prior to serving in this position, he served as our Treasurer from October 1996 to February 2001, as well as manager of our premium finance operations from November 1997 to March 2001. Mr. Moore has worked in the financial services industry for more than 25 years, including practicing as a certified public accountant.

*Ronald F. Wilson* has been our General Counsel since March 1998 and Secretary since September 2002. From October 1996 to March 1998, he served as our Assistant General Counsel, and from March 1998 to September 2002 he served as our Assistant Secretary. Mr. Wilson has been a corporate attorney for more than 20 years, serving primarily in-house in the areas of securities law, finance, corporate governance and insurance regulatory matters.

**Board of Directors**

The board of directors has documented its corporate governance practices in the Corporate Governance Guidelines, a copy of which can be found on the Corporate Governance section of our website at [www.direct-general.com](http://www.direct-general.com). Our board of directors has determined that Fred H. Medling, Raymond L. Osterhout and Stephen L. Rohde are independent, as defined under the Nasdaq Marketplace Rules. Our board of directors met four (4) times in 2004. In 2004, each incumbent director attended at least 75% of the meetings of the board and of the committee(s) of which he or she was a member held during the period for which he or she served. The independent directors met four (4) times in executive session during 2004.

## Committees of the Board of Directors

Our board of directors has three standing committees: Audit, Compensation, and Nominating and Corporate Governance. Each of these committees is described below.

*Audit Committee.* The Audit Committee is currently composed of Stephen L. Rohde (Chairman), Fred H. Medling and Raymond L. Osterhout, each of whom we have determined to be independent, as defined under the Nasdaq Marketplace Rules. The Audit Committee operates pursuant to a written charter adopted by the board of directors, a copy of which can be found on the Corporate Governance section of our website at [www.direct-general.com](http://www.direct-general.com). The Audit Committee is responsible for the oversight of our accounting, reporting and financial control practices. The Audit Committee reviews the qualifications of the independent auditors; selects and engages the independent auditors; informs our board of directors as to their selection and engagement; reviews the plan, fees and results of their audit; reviews our internal controls; and considers and approves any non-audit services proposed to be performed by the auditors. Our board of directors has determined that our Audit Committee shall have a financial expert. The board of directors believes Mr. Rohde qualifies as an audit committee financial expert as defined in the applicable regulations of the Securities and Exchange Commission and is independent, as defined under the Nasdaq Marketplace Rules. The Audit Committee met

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thirteen (13) times during 2004. The report of the Audit Committee is included in this proxy statement (see Report of the Audit Committee ).

*Compensation Committee.* The Compensation Committee is currently composed of Raymond L. Osterhout (Chairman) and Fred H. Medling, each of whom we have determined to be independent, as defined under the Nasdaq Marketplace Rules. Messrs. Osterhout and Medling are not officers or employees of the Company. For a discussion of certain Compensation Committee interlocks, please see Compensation Committee Interlocks and Insider Participation. The Compensation Committee oversees our compensation and benefit policies and programs for our senior officers and managers, including administration of our annual bonus awards and equity incentive plans and the evaluation of our board and senior management. The Compensation Committee met four (4) times during 2004. The report of the Compensation Committee on executive compensation is included in this proxy statement (see Report of the Compensation Committee on Executive Compensation ).

*Nominating and Corporate Governance Committee.* The Nominating and Corporate Governance Committee is currently composed of Raymond L. Osterhout (Chairman), Fred H. Medling and Stephen L. Rohde, each of whom we have determined to be independent, as defined under the Nasdaq Marketplace Rules. The Nominating and Corporate Governance Committee operates pursuant to a written charter adopted by the board of directors, a copy of which can be found on the Corporate Governance section of our website at [www.direct-general.com](http://www.direct-general.com). The Nominating and Corporate Governance Committee oversees and assists our board of directors in developing and recommending corporate governance practices and selecting the director nominees to stand for election at annual meetings of shareholders. The Nominating and Corporate Governance Committee's process for identifying and evaluating potential nominees includes soliciting recommendations from our directors and officers. Additionally, the Nominating and Corporate Governance Committee will consider persons recommended by our shareholders in selecting nominees for election. There is no difference in the manner in which the Nominating and Corporate Governance Committee evaluates persons recommended by directors, officers or employees and persons recommended by shareholders in selecting nominees. To be considered, recommendations from shareholders must be received by us in writing by at least 120 days prior to the anniversary date of the proxy statement for the previous year's annual meeting. Recommendations should identify the submitting shareholder, the person recommended for consideration and the reasons the submitting shareholder believes such person should be considered. The Nominating and Corporate Governance Committee believes directors must be persons of good character and integrity and must also have been nominated by persons of good character and integrity. The Nominating and Corporate Governance Committee also believes potential directors should be knowledgeable about the business activities and market areas in which we operate or in which we have foreseeable plans to operate. Upon the expiration of a director's term, the current director will be given preference for nomination when the director indicates his or her willingness to continue serving and, in the Nominating and Corporate Governance Committee's judgment, the director has made and is likely to continue to make a significant contribution to the board of directors and the Company. The Nominating and Corporate Governance Committee met two (2) times during 2004.

## **Shareholder Communications**

We do not have a formal process for shareholders to send communications to the board of directors. In view of the infrequency of shareholder communications to the board of directors, we do not believe that a formal process is necessary. We encourage, but do not require, our directors to attend the annual meeting of shareholders.

## **Certain Relationships and Related Transactions**

In 2002, several of our subsidiaries paid an aggregate of approximately \$1.4 million for various legal services, to an association of lawyers in which Tammy R. Adair held an ownership interest at that time. In addition, during this year, this association of lawyers collected \$4.1 million for us, of which sums it retained \$1.4 million. Also, Direct

Administration, Inc., one of our subsidiaries, leased property to this association of lawyers over the same period for an aggregate of \$15,500 in 2002. Ms. Tammy Adair has not been a member of this association since August 2002, and she no longer has an ownership interest in the firm. In exchange for her former ownership interest, her former law firm issued her a promissory note in the principal amount of approximately \$0.4 million, at an annual interest rate of 7.25%. The note was payable in monthly installments, matured in December 2004 and no further payments are payable to Ms. Tammy Adair under the note.

In 2004, 2003 and 2002, two of our insurance subsidiaries paid Mid-South Collision, LLC approximately \$0.9 million, \$0.9 million and \$0.8 million, respectively, for auto body work. Mid-South Collision is owned by the step-daughter and stepson-in-law of Ms. Tammy Adair.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, directors and persons who own more than ten percent of our equity securities to file initial reports of ownership and changes in ownership with the Securities and Exchange Commission and to furnish us with copies of all such forms they file. Based solely on our review of the forms we have received and on written representations from certain reporting persons that no such forms were required to be filed by them, we

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believe that for the fiscal year ended December 31, 2004, our executive officers, directors and greater than ten percent beneficial owners were in compliance with the Section 16(a) filing requirements on a timely basis.

**COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS****Compensation of Directors**

None of our directors who are also our employees receive compensation for serving as directors. Non-employee directors receive \$20,000 annually. Non-employee directors who also serve on special or standing committees receive an additional \$1,500 annually for each committee on which they serve. The chairman of the Audit Committee receives \$5,000 annually in lieu of the \$1,500 annual compensation for his service on the Audit Committee. We reimburse all directors for reasonable travel expenses and other reasonable out-of-pocket expenses incurred in connection with their service as directors.

**Compensation of Executive Officers**

The following table sets forth information concerning the total compensation received for services rendered to us during 2004, 2003 and 2002 by our Chief Executive Officer and our four other highest paid executive officers (such persons, together with the Chief Executive Officer, are referred to in this proxy statement as the Named Executive Officers ).

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards		Payouts	
		Salary	Bonus	Other Annual Compensation	Restricted Securities Stock Awards	Underlying Options(#)	LTIP Payout	All Other Compensation
		(\$)(1)	(\$)	(\$)	(\$)		(\$)	(\$)(2)
William C. Adair, Jr. Chairman, Chief Executive Officer and President	2004	500,000	150,000	11,929(3)	0	0	0	5,640(4)
	2003	368,069	350,000	3,287(3)	0	300,000	0	5,578(4)
	2002	299,988	400,000	3,709(3)	0	0	0	3,544(4)
Jacqueline C. Adair Executive Vice President and Chief Operating Officer	2004	205,178	75,000	3,855(3)	0	0	0	5,288(5)
	2003	200,000	150,000	4,143(3)	0	240,000	0	5,360(5)
	2002	193,846	175,000	2,740(3)	0	0	0	3,388(5)
Tammy R. Adair Executive Vice President	2004	205,178	70,000	7,785(3)	0	0	0	6,572(6)
	2003	200,000	60,000	6,819(3)	0	90,000	0	1,689(6)
	2002	61,538	25,000	162(3)	0	0	0	80(6)
Kenneth A. Collom President of Subsidiary (7)	2004	178,699	45,000	593(3)	0	0	0	156(8)
	2003	80,769	50,000	122(3)	0	30,000	0	150(8)



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Barry D. Elkins	2004	187,397	45,000	8,767(3)	0	0	0	6,018(9)
Senior Vice President	2003	180,000	60,000	6,687(3)	0	30,000	0	3,000(9)
and Chief Financial Officer	2002	175,385	45,000	0	0	0	0	3,382(9)

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- (1) Salary includes amounts deferred by the employees under our 401(k) plan, except for Ms. Tammy Adair in 2002 who had no deferred compensation.
- (2) The amount of matching contributions made on behalf of each named Executive Officer under our 401(k) plan for 2004 and included under this column may be reduced in order to comply with certain nondiscrimination tests required by the Internal Revenue Code.
- (3) Consists of personal use of company-owned automobiles.
- (4) Consists of \$5,100, \$5,100 and \$3,154 of matching contributions under our 401(k) plan and \$540, \$478 and \$390 for group life insurance premiums for 2004, 2003 and 2002, respectively.
- (5) Consists of \$5,100, \$5,100 and \$3,154 of matching contributions under our 401(k) plan and \$188, \$260 and \$234 for group life insurance premiums for 2004, 2003 and 2002, respectively.
- (6) Consists of \$6,384, \$1,429 and \$0 of matching contributions under our 401(k) plan and \$188, \$260 and \$80 for group life insurance premiums for 2004, 2003 and 2002, respectively.
- (7) Mr. Collom joined us in July 2003 and is currently President of Direct General Consumer Products, Inc.
- (8) Consists of \$156 and \$150 for group life insurance premiums for 2004 and 2003, respectively.
- (9) Consists of \$5,850, \$2,766 and \$3,154 of matching contributions under our 401(k) plan and \$168, \$234 and \$228 for group life insurance premiums for 2004, 2003 and 2002, respectively.

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There were no options granted to the Named Executive Officers in 2004.

**Stock Option Exercises and Values for 2004**

The following table sets forth information with respect to stock options exercised by the Named Executive Officers during the year ended December 31, 2004 and unexercised stock options held by the Named Executive Officers as of December 31, 2004.

**Aggregated Option Exercises During the Year  
Ended December 31, 2004 and 2004 Year-End Option Values**

<b>Name</b>	<b>Shares Acquired On Exercise (#)</b>	<b>Value Realized (\$)</b>	<b>Number of Securities Underlying Unexercised Options at Year-End Exercisable/Unexercisable (#)</b>	<b>Value of Unexercised In-the-Money Options at Fiscal Year-End Exercisable/Unexercisable(1)</b>
William C. Adair, Jr.	0	N/A	60,000/240,000	\$666,000/\$2,664,000
Jacqueline C. Adair	0	N/A	48,000/192,000	\$532,800/\$2,131,200
Tammy R. Adair	0	N/A	18,000/72,000	\$199,800/\$799,200
Kenneth A. Collom	0	N/A	6,000/24,000	\$66,600/\$266,400
Barry D. Elkins	90,000	\$3,033,000	96,000/24,000	\$2,830,500/\$266,400

- (1) In accordance with the rules of the Securities and Exchange Commission, values are calculated by subtracting the exercise price from the fair market value of the underlying common stock. For purposes of this table, fair market value is deemed to be \$32.10, the closing price of our common stock reported for the Nasdaq National Market on December 31, 2004.

**Employment Agreements**

We have entered into employment agreements with each of the Named Executive Officers: William C. Adair, Jr., Jacqueline C. Adair, Tammy R. Adair, Kenneth A. Collom and Barry D. Elkins.

*William C. Adair, Jr.* Mr. Adair's employment agreement provides that we will employ him for a period of five years commencing on August 15, 2003, the closing date of our initial public offering. We will pay Mr. Adair an annual base salary of at least \$500,000, plus a discretionary bonus as may be determined by the Compensation Committee, in its sole discretion, based on his performance, our business and financial condition and operating results achieved.

We may terminate Mr. Adair's employment for cause, including (a) failure or refusal to materially perform his duties under the employment agreement; (b) failure or refusal to follow material lawful directions of the Board; (c) engaging in any misconduct which materially and demonstrably injures us; (d) conviction of any felony; or (e) fraudulent or dishonest conduct. In addition, either party to the employment agreement may terminate the agreement at any time without cause. Mr. Adair may terminate his agreement for good reason, including (a) the assignment of any duties inconsistent with his status as an executive officer; (b) reduction in annual base salary or failure to include him in any stock option or equity-based benefit plan; (c) relocation of his principal place of

employment to a location more than 50 miles away; or (d) any material breach by us of our obligations under the employment agreement. If we terminate his agreement without cause or if he resigns for good reason, he will be entitled to continue receiving his salary and benefits for two years, and all stock options will immediately vest. In addition, in the event Mr. Adair's employment is terminated in connection with a change in control, we will pay him a severance payment equal to three times his annual base salary and three times his highest bonus paid to him within the preceding three years. Mr. Adair has agreed not to compete with us or solicit our employees for a period of two years following certain events of termination.

*Jacqueline C. Adair.* Ms. Jacqueline Adair's employment agreement provides that we will employ her for a period of five years commencing on August 15, 2003, the closing date of our initial public offering. We will pay Ms. Jacqueline Adair an annual base salary of at least \$200,000, plus a discretionary bonus as may be determined by the Compensation Committee, in its sole discretion, based on her performance, our business and financial condition and operating results achieved.

We may terminate Ms. Jacqueline Adair's employment for cause, including (a) failure or refusal to materially perform her duties under the employment agreement; (b) failure or refusal to follow material lawful directions of the Board; (c) engaging in any misconduct which materially and demonstrably injures us; (d) conviction of any felony; or (e) fraudulent or dishonest conduct. In addition, either party to the employment agreement may terminate the agreement at any time without cause. Ms. Jacqueline Adair may terminate her agreement for good reason, including (a) the assignment of any duties inconsistent with her status as an executive

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officer; (b) reduction in annual base salary or failure to include her in any stock option or equity-based benefit plan; (c) relocation of her principal place of employment to a location more than 50 miles away; or (d) any material breach by us of our obligations under the employment agreement. If we terminate her agreement without cause or if she resigns for good reason, she will be entitled to continue receiving her salary and benefits for two years, and all stock options will immediately vest. Ms. Jacqueline Adair has agreed not to compete with us or solicit our employees for a period of two years following certain events of termination.

*Tammy R. Adair.* Ms. Tammy Adair's employment agreement provides that we will employ her for a period of five years commencing on August 15, 2003, the closing date of our initial public offering. We will pay Ms. Tammy Adair an annual base salary of at least \$200,000, plus a discretionary bonus as may be determined by the Compensation Committee, in its sole discretion, based on her performance, our business and financial condition and operating results achieved.

We may terminate Ms. Tammy Adair's employment for cause, including (a) failure or refusal to materially perform her duties under the employment agreement; (b) failure or refusal to follow material lawful directions of the Board; (c) engaging in any misconduct which materially and demonstrably injures us; (d) conviction of any felony; or (e) fraudulent or dishonest conduct. In addition, either party to the employment agreement may terminate the agreement at any time without cause. Ms. Tammy Adair may terminate her agreement for good reason, including (a) the assignment of any duties inconsistent with her status as an executive officer; (b) reduction in annual base salary or failure to include her in any stock option or equity-based benefit plan; (c) relocation of her principal place of employment to a location more than 50 miles away; or (d) any material breach by us of our obligations under the employment agreement. However, if we terminate her agreement other than for cause or if she resigns for good reason, she will be entitled to continue receiving her salary and benefits for two years, and all stock options will immediately vest. Ms. Tammy Adair has agreed not to compete with us or solicit our employees for a period of two years following certain events of termination.

*Kenneth A. Collom.* Mr. Collom's employment agreement provides that we will employ him for a period of three years commencing on July 1, 2003. We will pay Mr. Collom an annual base salary of at least \$175,000, and a discretionary bonus of up to fifty percent of his base salary if so determined by the Board of Directors or Compensation Committee based on our operating results achieved and his contribution toward the attainment of our objectives.

We may terminate Mr. Collom's employment for cause including (a) refusal or failure to perform those duties assigned to him by the Board of Directors or by the Chief Executive Officer; (b) failure or refusal to comply with instructions of the Chief Executive Officer or any rules or policies with regard to our operations; (c) engaging in any unlawful conduct in connection with his duties of employment or any acts of dishonesty in connection therewith; or (d) conviction of a felony or a misdemeanor involving moral turpitude. In addition, we may terminate the agreement at any time without just cause. Mr. Collom may resign at any time, and he will receive his base compensation through the effective date of his resignation. However, if we terminate his agreement without just cause, he will be entitled to receive a lump sum severance payment of \$100,000. Mr. Collom has agreed not to compete with us for a period of six months following certain events of termination.

*Barry D. Elkins.* Mr. Elkins' employment agreement provides that we will employ him for a period of three years commencing on August 15, 2003, the closing date of our initial public offering. We will pay Mr. Elkins an annual base salary of at least \$190,000 and a discretionary bonus of up to fifty percent of his base salary if so determined by the Board of Directors or Compensation Committee based on our operating results achieved and his contribution toward the attainment of our objectives.

We may terminate Mr. Elkins' employment for cause including (a) failure or refusal to materially perform his duties under the employment agreement; (b) failure or refusal to materially comply with instructions of the Chief Executive Officer or any rules or policies with regard to our operations; (c) engaging in any misconduct which materially and demonstrably injures us; (d) engaging in any unlawful conduct in connection with his duties of employment or any acts of dishonesty in connection therewith; or (e) conviction of a felony or of a misdemeanor involving moral turpitude. In addition, we may terminate the agreement at any time without just cause. Mr. Elkins may resign at any time, and he will receive his base compensation through the effective date of his resignation. However, if we terminate his agreement without just cause, he will be entitled to continue receiving his base compensation and health benefits for a period of six months or until the expiration of the original term of the agreement, whichever is earlier. Mr. Elkins has agreed not to compete with us for a period of six months following certain events of termination or until the expiration of the original term of the agreement, whichever is earlier.

## **REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION**

Our Compensation Committee establishes the compensation arrangements for members of our board of directors and senior management, including the Named Executive Officers. These arrangements include overseeing our equity incentive plans in which officers and directors are eligible to participate and granting stock options or other benefits under such plans. The primary elements of our executive compensation program have historically consisted of a base salary, a cash bonus opportunity and stock options. Base salaries are determined, and have at times been increased, by evaluating the responsibilities of the position held and the experience level and overall performance of the executive. Overall compensation is based on the Compensation Committee's assessment of prevailing market compensation levels and the degree of success the Company has had in meeting its business objectives, including

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growth targets and other factors the Compensation Committee may deem relevant.

*Base Salary.* The Named Executive Officers' base salaries are determined based on a number of factors related to the individual executive, including his or her responsibilities, consistent contribution to the achievement of our business objectives, demonstrated leadership skills and overall management effectiveness and length of service. The base salaries are designed to be competitive with those offered in the markets in which we compete for executive talent. Although these and other factors are considered in setting the base salary, the overall assessment is primarily a subjective one, intended to reflect the level of responsibility and personal performance of the individual executive.

*Bonus Opportunity.* Any cash bonus awarded to the Named Executive Officers is based primarily upon the results of the Company or a particular business unit's operations and is granted solely at the discretion of the Compensation Committee. In determining whether to grant a cash bonus, the Compensation Committee considers various non-quantifiable qualitative factors, such as the executive's participation and leadership in the development of new products and services and the planning and implementation of the Company's entry into new markets. When granting a cash bonus as a performance incentive reward, the Compensation Committee considers the executive's achievement of individual performance goals and objectives. Although the Compensation Committee typically reviews the Company's results of operations and evaluates individual executives' performances on an annual basis, the Compensation Committee may, in its discretion, perform one or more such reviews or evaluations at any time during the Company's fiscal year and accordingly grant such cash bonuses as it deems appropriate.

*Stock Options.* Under the terms of the Company's 2003 Equity Incentive Plan, the Compensation Committee approves all grants of options under the 2003 Equity Incentive Plan, including grants to the Named Executive Officers. We believe stock option grants can promote the Company's long-term performance by aligning the stock option holder's economic interests with long-term shareholder value. Stock option grants are based on various subjective factors primarily relating to the responsibilities of the grantee and his or her past contributions and expected future contributions to the growth and profitability of the Company. Each of the Named Executive Officers were granted stock option during 2003 which vest in equal annual installments over a five-year period from the date of grant. There were no options granted to the Named Executive Officers in 2004.

*Compensation of CEO.* The basis for our CEO's compensation for 2004 was related to the same factors that our Compensation Committee considered in establishing the compensation arrangements for the other Named Executive Officers for the same fiscal year. Additionally, the Compensation Committee performs a separate annual review and assessment of the CEO. The review considers factors such as leadership skills, management effectiveness, knowledge of the industry and relationships with board members and management.

During 2003, the Compensation Committee fixed the CEO's salary at \$500,000 annually. The CEO's salary was not adjusted in 2004. Our CEO's 2004 cash bonus was equal to 28.9% of his 2004 salary. (See "Compensation of Directors and Executive Officers" Compensation of Executive Officers. )

In establishing our CEO's 2004 compensation arrangements, the Compensation Committee evaluated, among other things, the Company's overall success throughout 2004 and considered certain quantifiable measures of growth and performance that are derived from our financial statements such as the Company's gross revenues (a non-GAAP measurement which we think is key to evaluating our results), net income and earnings per share.

The Compensation Committee also considered other important indications of the Company's growth and success that occurred during 2004, such as completing the integration of the Cash Register agency offices in Florida, expanding our presence in Texas and entering the market in Missouri. In addition, in evaluating the CEO's performance and establishing his 2004 compensation arrangements, the Compensation Committee took into account certain qualitative and intangible factors that relate individually to our CEO. For example, such factors include our

CEO's dynamic leadership and vision that have played a significant role in the continuing success of the Company.

The foregoing has been provided by our Compensation Committee.

Raymond L. Osterhout (Chairman)

Fred H. Medling

### **Compensation Committee Interlocks and Insider Participation**

Until July 2003, William C. Adair, Jr. served as a member of the Compensation Committee of our board of directors. Also, during 2003, Mr. Adair was, and currently is, our Chairman, Chief Executive Officer and President. Mr. Adair and certain members of his immediate family engaged in related transactions with us and certain of our subsidiaries as further described in Certain Relationships and Related Transactions. None of our executive officers has served as a director or member of the compensation committee of any other entity whose executive officers of such entity served on our board of directors or Compensation Committee.

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**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee oversees our financial reporting process on behalf of the board of directors. The Audit Committee operates pursuant to a written charter adopted by the board of directors.

The Audit Committee discussed with our independent public accountants (see Independent Auditors ) the overall scope and specific plans for their audit, and the adequacy of our internal control over financial reporting. The Audit Committee reviewed and discussed our audited financial statements with management. Management has the primary responsibility for the systems of internal control over financial reporting. The independent public accountants are responsible for performing an independent audit of our consolidated financial statements in accordance with generally accepted auditing standards and to issue their report on those financial statements. The Audit Committee's responsibility is to monitor and oversee these processes. However, the members of the Audit Committee are not practicing certified public accountants or professional auditors in the fields of accounting and auditing and they rely, without independent verification, on the information provided to them and on the representations made by management and our independent public accountants.

The Audit Committee discussed with the independent public accountants those matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended. The Audit Committee received the written disclosures and the letter from our independent public accountants required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees. The Audit Committee discussed the independence of the independent public accountants.

The Audit Committee has considered whether the performance of the non-audit services is compatible with maintaining the principal accountants' independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the board of directors that the Company's audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2004, for filing with the Securities and Exchange Commission.

The foregoing has been provided by the Audit Committee.

Stephen L. Rohde (Chairman)

Fred H. Medling

Raymond L. Osterhout

**Independent Auditors**

On November 1, 2004, the Audit Committee appointed Ernst & Young LLP ( Ernst & Young ) to serve as our independent auditors for the fiscal year that ended December 31, 2004. Ernst & Young audited the accounts of the Company and its consolidated subsidiaries and performed other services for the year ended December 31, 2004. We have not selected our independent auditors for the year ending December 31, 2005, but intend to do so at an upcoming Audit Committee meeting. A representative of Ernst & Young is expected to be present at the Meeting and will have the opportunity to make a statement, and will be available to answer questions from shareholders.



**Table of Contents****Principal Accounting Firm Fees and Services**

Our Audit Committee has designated a subcommittee that may, among other things, grant pre-approvals of audit and permitted non-audit services to be performed by our principal accounting firm, Ernst & Young. The following table sets forth the aggregate fees billed to us by Ernst & Young for the fiscal years ended December 31, 2004 and 2003:

Fees	2004	2003
<b>Audit</b>		
Audit of consolidated financial statements, statutory audits and timely quarterly reviews.	\$ 705,000(1)	\$ 898,323(2)
<b>Audit Related</b>		
Sarbanes-Oxley Act Section 404 consultation and granting access to our working papers to facilitate a routine financial examination of one of the Company's insurance subsidiaries by its domiciliary state insurance department.	\$ 70,920	\$ 6,626
<b>Tax</b>	\$ 0	\$ 0
<b>All Other</b>		
Actuarial reserve certifications for property and casualty insurance subsidiaries.	\$ 55,000	\$ 55,000
<b>Total</b>	<b>\$ 830,920</b>	<b>\$ 959,949</b>

(1) Includes core audit fees and fees for the audit of internal control over financial reporting.

(2) Includes \$538,323 of fees related to SEC filings including comfort letters, consents and comment letters.

The Audit Committee preapproves all audit services and permitted non-audit services to be performed for the Company by its independent auditor, subject to an exception for de minimis non-audit services which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee's charter authorizes the committee to form and delegate authority to subcommittees consisting of one or more members, including the authority to grant preapprovals of audit and permitted non-audit services. The Audit Committee has considered whether the provision of the services described above is compatible with the maintenance of Ernst & Young in the conduct of its auditing functions and has determined that the provision of such services by Ernst & Young is compatible with that firm's independence.

Table of Contents**STOCK PERFORMANCE CHART**

Our common stock has been traded on the Nasdaq National Market under the symbol DRCT since our initial public offering on August 11, 2003. The initial public offering price of our common stock was \$21.00 per share. The following chart compares the percentage change in the cumulative total shareholder return on our common stock based on the closing price of our common stock on the day following our initial public offering (\$25.00) through December 31, 2004 (\$32.10) with the cumulative total return on the S&P 500 Property and Casualty Insurance Index and the S&P 500 Index during this same period.

**Total Return Analysis**

	8/11/2003	12/31/2003	12/31/2004
<b>Direct General Corporation</b>	<b>\$ 100.00</b>	<b>\$ 132.57</b>	<b>\$ 129.21</b>
<b>S&amp;P 500 Property &amp; Casualty Insurance Index</b>	<b>\$ 100.00</b>	<b>\$ 113.91</b>	<b>\$ 227.14</b>
<b>S&amp;P 500 Index</b>	<b>\$ 100.00</b>	<b>\$ 112.76</b>	<b>\$ 124.45</b>

Source: CTA Public Relations [www.ctapr.com](http://www.ctapr.com) (303) 665-4200. Data from BRIDGE Information Systems, Inc.

**ELECTION OF DIRECTORS**

The primary purpose of the Meeting is to elect Jacqueline C. Adair and Fred H. Medling to serve as directors until the 2008 Annual Meeting of Shareholders. Information concerning Ms. Adair and Mr. Medling is set forth under the caption Management Directors and Executive Officers.

The board of directors is divided into three classes with the members of each class serving for staggered three-year terms. The board of directors is comprised of five directors with two directors continuing in office until the Meeting, two directors continuing in office until the 2006 Annual Meeting of Shareholders and one director continuing in office until the 2007 Annual Meeting of Shareholders. If the nominees presented for election at the Meeting are elected by the shareholders, we will have two directors continuing in office until the 2006 Annual Meeting of Shareholders, one director continuing in office until the 2007 Annual Meeting of Shareholders and two directors continuing in office until the 2008 Annual Meeting of Shareholders. (See Management - Directors and Executive Officers. )

Nominees for election to the board of directors are considered and recommended by the Nominating and Corporate Governance Committee of the board of directors. (See Committees of the Board of Directors. ) The full board of directors considers the recommendations of the Nominating and Corporate Governance Committee and recommends the nominees to the shareholders. The nominees for election to the board of directors are Jacqueline C. Adair and Fred H. Medling.

The shares represented by the proxies solicited hereby will be voted in favor of the election of Ms. Adair and Mr. Medling

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unless authorization to do so is withheld in the proxy. If either of the nominees should be unavailable to serve as a director, which contingency is not presently anticipated, it is the intention of the persons named in the proxies to select and cast the votes they hold by proxy for the election of such other persons as the board of directors may designate.

**Vote Required and Board Recommendation**

A plurality of votes cast is required to elect directors. **Our board of directors recommends a vote FOR the nominees listed above.**

**SHAREHOLDER PROPOSALS**

For a shareholder proposal to be presented at the next annual meeting, it must be received by us at our principal executive offices not later than December 2, 2005, in order to be included in the proxy statement and proxy card for the 2006 annual meeting. Any such proposal should be addressed to our Secretary and delivered or mailed to our principal executive offices at 1281 Murfreesboro Road, Nashville, Tennessee 37217.

**OTHER BUSINESS**

We have no reason to believe that any other business will be presented at this Meeting; however, if any other business requiring shareholder action should properly and lawfully come before the Meeting, the proxies will vote on such matters in accordance with their best judgment.

**MULTIPLE SHAREHOLDERS SHARING THE SAME ADDRESS**

To reduce the expenses of delivering duplicate proxy materials, we are taking advantage of the Securities and Exchange Commission's householding rules that permit us to deliver only one set of proxy materials to shareholders who share the same address, unless otherwise requested. Any record shareholder, who shares an address with another record shareholder and who has received only one set of proxy materials, may receive a separate copy of these materials, without charge, upon written request addressed to Secretary, Direct General Corporation, 1281 Murfreesboro Road, Nashville, Tennessee 37217.

By Order of the Board of Directors,

Ronald F. Wilson  
Secretary

April 1, 2005

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**[FRONT OF CARD]**

**DIRECT GENERAL CORPORATION**

**The shares of common stock represented by this proxy will be voted as directed, or if directions are not indicated, will be voted FOR the election as director of the persons whose names are listed on this proxy, in the manner described in the Proxy Statement accompanying this Proxy Card.** This Proxy is revocable any time prior to its use. The Board of Directors recommends a vote FOR all proposals.

1. The election of two (2) directors to hold office until the 2008 Annual Meeting of Shareholders.

**NOMINEES:**

Class II: Until 2008 Annual Meeting of Shareholders:

(1) Jacqueline C. Adair

- o VOTE FOR all nominees listed above.  
(Except as listed to the contrary below)

(2) Fred H. Melding

- o VOTE WITHHELD from all nominees listed above.

(To withhold authority to vote for a nominee, write that nominee's name on the line provided below.)

\_\_\_\_\_

- o I intend to attend in person the Company's 2005 Annual Meeting of Shareholders to be held in Nashville, Tennessee.

(continued and to be signed on other side)

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**[REVERSE SIDE OF CARD]**

**DIRECT GENERAL CORPORATION  
1281 Murfreesboro Road  
Nashville, Tennessee 37217**

**Proxy Solicitation on behalf of the Board of Directors  
of the Company for the 2005 Annual Meeting of Shareholders to be held on May 4, 2005**

The undersigned hereby appoints William C. Adair, Jr., Barry D. Elkins and Ronald F. Wilson and each or either of them, as proxies, with full power of substitution and resubstitution, to vote all shares of the common stock of Direct General Corporation, which the undersigned is entitled to vote at the 2005 Annual Meeting of Shareholders to be held on May 4, 2005, and at any adjournment thereof, upon the items described in the Notice of Annual Meeting of Shareholders and Proxy Statement mailed to Shareholders on or about April 1, 2005 and upon any other business that may properly come before the 2005 Annual Meeting of Shareholders or any adjournment thereof. The undersigned hereby acknowledges prior receipt of the Notice of Annual Meeting of Shareholders and of the Proxy Statement.

Please complete, date and sign this proxy and return it promptly in the enclosed envelope, whether or not you plan to attend the Annual Meeting on May 4, 2005. If you attend the Annual Meeting, you may vote in person if you wish, even if you have previously returned your proxy.

Dated: \_\_\_\_\_, 2005

Signature(s)

NOTE: Your signature should match exactly the name printed on this proxy. Officers of corporations, partners, trustees and other fiduciaries should indicate the capacity in which they are signing this proxy. When shares are held in the names of more than one person, each person should sign the proxy.