

AMERICAN PHYSICIANS SERVICE GROUP, INC.

CHARTER OF THE

NOMINATING COMMITTEE OF THE BOARD OF DIRECTORS

I. Purpose

The Nominating Committee (the "Committee") is responsible for developing and implementing policies and procedures that are intended to constitute and organize appropriately the Board of Directors to meet its fiduciary obligations to American Physicians Service Group, Inc. (the "Company") and its shareholders.

II. Committee Membership

The Committee shall consist of a number of directors fixed from time to time by the Board but not fewer than two. The members of the Committee shall be appointed annually by the Board in its discretion. Committee members may be replaced by the Board between annual appointments in the Board's discretion. The Committee shall consist solely of "independent directors," i.e., those directors who neither are officers or employees of the Company or its subsidiaries nor have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and who are otherwise "independent" under the rules of the Nasdaq Stock Market, Inc. In addition, each member of the Committee shall be a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

III. Committee Structure and Operations

The Board shall designate one member of the Committee as its chairperson. In the event of a tie vote on any issue, the chairperson's vote shall decide the issue. The chairperson shall be responsible for scheduling all meetings of the Committee, determining the agenda for each meeting, presiding over meetings of the Committee and coordinating reporting to the Board. In the absence of the chairperson, the majority of the members of the Committee present at a meeting shall appoint a member to preside at the meeting.

The Committee shall meet in person or telephonically at such times and with such frequency as it determines to be necessary or appropriate. Any action of the Committee may be taken by written consent signed by all members of the Committee. The Committee may invite members of management, legal counsel, compensation consultants or other advisors to attend meetings of the Committee.

IV. Committee Duties and Responsibilities

The specific authority and responsibilities of the Committee shall include, but are not limited to, the following:

1. Authority to retain, at the Company's expense, and terminate any search firm or firms to be used to identify director candidates and authority to approve any such firm's fees and other retention terms.
2. Retain, at the Company's expense, legal counsel, accounting or other advisors as appropriate to assist in the performance of its duties hereunder, and approve the fees and other retention terms of such advisors.
3. Form and delegate responsibilities to subcommittees of the Committee, as may be necessary or appropriate.
4. Determine the skills and qualifications required of directors and develop criteria to be considered in selecting potential candidates for Board membership.
5. Identify and screen candidates for future Board membership.
6. Annually evaluate candidates to be nominated to serve on the Board of Directors and recommend the slate of nominees to stand for election at the annual meeting of shareholders. In addition, the Committee shall recommend candidates to fill vacancies or new positions on the Board of Directors, as necessary or advisable. The full Board of Directors shall approve nominees to stand for election at the annual meeting of shareholders and all new members of the Board of Directors; provided, that all such nominees and new members must be approved by the Committee. Invitations to join the Board of Directors shall be extended by the Chairman of the Board and the Chair of the Committee.
7. Consider any nominations of director candidates validly made by the shareholders in accordance with applicable law, rule or regulation.
8. Recommend to the full Board of Directors, as appropriate given the size of the board, a rotation policy for directors with respect to service on the various committees of the Board to ensure diversity of Board member experience and exposure to the various affairs of the Company. Any such rotation policy shall be subject to approval by the full Board.
9. Periodically evaluate the overall effectiveness of the organization of the Board (including the effectiveness of the committees) and the Board's (and committees') performance of its governance responsibilities and report such findings to the full Board of Directors.

10. Adopt and implement a policy or policies, as appropriate, governing service on the board of directors of other companies, charities and institutions applicable to members of the Board of directors and officers of the Company.
11. Review and assess the adequacy of this Charter annually, or more often as circumstances may require, and update or revise the Charter as appropriate.
12. Periodically evaluate and take steps to improve the effectiveness of the Committee in meeting its responsibilities under this Charter.

V. Committee Reports

The Committee shall produce the following reports and provide them to the Board.

1. An annual report of the Nominating Committee for inclusion in the Company's annual proxy statement in accordance with applicable SEC and Nasdaq rules and regulations.
2. A summary of the actions taken at each Committee meeting, which shall be presented to the Board at the next Board meeting.

As adopted by the Board effective March 31, 2004.