

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 27, 2005

HARLEYSVILLE GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware ----- (State or other jurisdiction of incorporation)	0-14697 ----- (Commission File Number)	51-0241172 ----- (IRS Employer Identification No.)
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355 Maple Avenue, Harleysville, Pennsylvania ----- (Address of principal executive offices)	19438 ----- (Zip Code)
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(215) 256-5000

Registrant's telephone number, including area code

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13

ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

The following is a description of Plans that were approved by the shareholders of Harleysville Group Inc. at the Annual Meeting of April 27, 2005.

Directors' Deferred Stock Unit Plan

On April 27, 2005, the shareholders of Harleysville Group Inc. (the "Company") approved the Directors' Deferred Stock Unit Plan (the "DSU Plan") pursuant to which the Company will provide deferred stock units to non-employee directors of the Company and non-employee directors of the Company's parent, Harleysville Mutual Insurance Company. The Company currently has seven non-employee directors and the Company's Parent has an additional two non-employee directors. A deferred stock unit is a right to receive, without payment to the Company, one share of common stock of the Company. Upon termination of service, a non-employee director shall receive shares of common stock equal to the number of deferred stock units in his or her account. The Deferred stock units are fully vested at all times. Cash dividends paid on shares of the Company's common stock will be deemed to be paid on the deferred stock units and paid to non-employee directors. A non-employee director has no voting rights with respect to any shares until the shares are issued.

The Company will automatically grant each non-employee director a number of deferred stock units with a total value of \$30,000 on the day of the April Board Meeting of each year that he or she serves as a non-employee directors, based on the fair market value of the stock on the day of the April Board Meeting. The term of the DSU Plan is from January 1, 2005 through December 31, 2009.

Amended & Restated Long Term Incentive Plan

On April 27, 2005, the shareholders of the Company also approved the Amended and Restated Long Term Incentive Plan (the "LTIP") for senior officers of the Company. The amendment changed from "no less than 50" to "no less than 20" the number of peer group companies against which the Company's Total Shareholder Return ("TSR") is measured. The revision also gives the Compensation and Personnel Development Committee of the Board of Directors (the "Committee") the express authority to decrease any award should circumstances warrant. The amended provisions apply to a three-year period, commencing January 1, 2005 and the three-year periods commencing thereafter.

On February 23, 2005, the Board of Directors had adopted, upon recommendation of the Committee and subject to the aforementioned shareholder approval of the LTIP, the 2005 Long Term Incentive Plan Target Awards for the period 2005-2007 which established target bonuses in cash and target bonuses in stock, which are a percentage of base salary paid in 2005 while in an eligible position ("LTIP Target Bonuses"). The LTIP Target Bonuses for the CEO, Executive Vice Presidents and Senior Vice Presidents are 45%, 35% and 15% in cash, and 155%, 30% and 35% in stock, respectively. Payments of bonuses under the LTIP, if any, will be made in 2008.

ITEM 5.03. AMENDMENT TO ARTICLES OF INCORPORATION OR BY-LAWS; CHANGE IN FISCAL YEAR.

(a) On April 27, 2005, the Board of Directors of the Company approved amendments to the Company's By-Laws effective April 27, 2005. The amendments to the By-Laws (1) delete the position of Director Emeritus; (2) allow for Board consents by electronic transmission and for notices of the Board of Directors' meeting by electronic communication; (3) change the names of the Nominating Committee to Nominating and Corporate Governance Committee and of Finance Committee to Finance and Investment Committee; (4) increase the minimum number of members of the Nominating and Corporate Governance and the Compensation & Personnel Development Committees from two to three; (5) specify the existence, membership and authority of the Coordinating Committee and the Corporate Strategy Committee; (6) allow for the stand alone position of CEO; (7) redefine the powers and duties of the Chairman of the Board, the Chief Executive Officer, and the President; (8) delete the requirement that the Board fix salaries of all the officers and (9) make certain other technical corrections. A copy of the Amended and Restated By-Laws is attached as Exhibit 3.1.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits

Exhibit 10.1 Harleystown Group Inc. Directors' Deferred Stock Unit Plan approved by shareholders on April 27, 2005.

Exhibit 10.2 Harleystown Group Inc. Amended and Restated Long Term Incentive Plan approved by shareholders on April 27, 2005.

Exhibit 3.1 Amended and Restated By-Laws of Harleystown Group Inc., as approved April 27, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HARLEYSVILLE GROUP INC.
Registrant

May 3, 2005

/s/Robert A. Kauffman

Robert A. Kauffman
Senior Vice President, Secretary
& General Counsel

EXHIBIT INDEX

Exhibit No.	Description
10.1	Harleysville Group Inc. Directors' Deferred Stock Unit Plan approved by shareholders on April 27, 2005 (furnished pursuant to Item 1.01 hereof).
10.2	Long Term Incentive Plan approved by shareholder on April 27, 2005(furnished pursuant to Item 1.01 hereof).
3.1	Amended and Restated By-Laws of Harleysville Group Inc., as approved April 27, 2005 (furnished pursuant to Item 5.03(a) hereof).

HARLEYSVILLE GROUP INC.

DIRECTORS' DEFERRED STOCK UNIT PLAN

Approved by the Board of Directors February 23, 2005
Approved by Shareholders on April 27, 2005

1. PURPOSE

Harleysville Group Inc. (the "Company") has established the Plan to further its long-term financial success by providing stock units to Non-Employee Directors of the Company and of its Parent, Harleysville Mutual Insurance Company, (the "Parent") whereby such directors can share in achieving and sustaining such success. The Plan also provides a means to attract and retain the Non-Employee Directors needed to achieve the Company's and the Parent's long-term growth and profitability objectives.

2. DEFINITIONS

The following terms, when used with an initial capital letter, shall have the following meanings:

"Annual Meeting" means the annual shareholders meeting held in April of

each year.

"April Board Meeting" means the meeting of the Board of Directors held

in April of each year.

"Board" means the Board of Directors of the Company and the Board of

Directors of the Parent.

"Committee" means the Nominating and Corporate Governance Committee of

the Board.

"Company" means Harleysville Group Inc., a Pennsylvania corporation.

"Deferred Stock Unit" means a right to receive, without payment to the

Company, one (1) Share as further described in Section 4.

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"Effective Date" means January 1, 2005, contingent upon approval of the

Company's shareholders at the first Annual Meeting of the shareholders held after the adoption of the Plan by the Board.

"Fair Market Value" means, with respect to a given day, (i) the closing

sales price of a Share as reported on the principal securities exchange on which Shares are then listed or admitted to trading, or (ii) if not so reported, the closing sales price on the immediately preceding business day of a Share as published in the NASDAQ National Market Issues report in the Eastern Edition of The Wall Street Journal, or (iii) if not so reported, the

average of the closing bid and asked prices on the immediately preceding business day as reported on the NASDAQ National Market System, or (iv) if not so reported, as furnished by any member of the National Association of Securities Dealers, Inc. selected by the Board.

"Grant" means a grant of Deferred Stock Units which are subject to the

terms and conditions of this Plan.

"Grant Date" means the date on which a Deferred Stock Unit is granted.

"Non-Employee Director" means a member of the Company's Board of

Directors or a member of the Parent's Board of Directors, who is not an employee of the Company or the Parent.

"Parent" means Harleysville Mutual Insurance Company.

"Plan" means the Harleysville Group Inc. 2005 Non-Employee Directors

Deferred Stock Unit Plan, as set forth herein and as amended from time to time.

"Share" means a share of common stock of the Company, par value \$1 per

share

"Termination of Service" means the termination of an individual's

status as a Non-Employee Director for any reason whatever, whether voluntarily or involuntarily, including disability or death of the Non-Employee Director.

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3. AUTHORIZATION OF SHARES SUBJECT TO DEFERRED STOCK UNIT -----

The maximum number of Shares for which Deferred Stock Units may be granted during the entire duration of the Plan is 110,000. This number shall be adjusted if the number of outstanding Shares is increased or reduced by split-up, reclassification, stock dividend or similar event. The number of

Shares subject to outstanding Deferred Stock Units shall also be adjusted whenever the number of outstanding Shares is so increased or reduced.

4. GRANTING OF DEFERRED STOCK UNITS

(a) At the April Board Meeting for 2005, and at each April Board Meeting thereafter for four consecutive years until and including the April 2009 Board Meeting, each individual who is a Non-Employee Director on such date shall automatically receive a number of Deferred Stock Units equal to the result of dividing (i) \$30,000 by (ii) the Fair Market Value of a Share as of the day before the date of the April Board Meeting for that year.

(b) Each Grant of Deferred Stock Units under the Plan shall be evidenced by a written document which shall indicate (i) the number of Deferred Stock Units granted to the Non-Employee Director; (ii) the effective date of the Grant; and (iii) any other terms and conditions the Board deems necessary or appropriate.

(c) All Grants shall be subject to the terms of this Plan and the written document evidencing such Grant.

5. TERM OF DEFERRED STOCK UNITS

Deferred Stock Units shall be granted on the following terms:

Deferred Stock Units shall be fully vested at all times.

Upon a Non-Employee Director's Termination of Service, he, or, upon the Non-Employee's Director's death, the executor or administrator of his estate or the person or persons who shall have acquired a Deferred Stock Unit directly from the Non-Employee Director by bequest or inheritance, shall receive a number of Shares equal to the number of his Deferred Stock Units.

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A Deferred Stock Unit shall not be transferable otherwise than by will or the laws of intestate distribution.

A Non-Employee Director granted a Deferred Stock Unit under this Plan shall have only the rights of a general unsecured creditor of the Company until such Non-Employee Director receives Shares equal to the number of his Deferred Stock Units pursuant to Section 4.

A Non-Employee Director shall have no voting rights with respect to any Shares issuable pursuant to Deferred Stock Units until the date on which a certificate or certificates representing such Shares are issued.

6. GRANT OF DIVIDEND EQUIVALENT RIGHTS

Whenever the Company pays cash dividends with respect to Shares, a Non-Employee Director shall receive an amount equal to all or any portion of the dividends that would be paid on Shares equal to the number of his Deferred Stock Units.

7. COMMON STOCK SUBJECT TO DEFERRED STOCK UNITS

Shares issuable under Deferred Stock Units may be unissued shares or treasury shares. The Company at all times during the term of this Plan shall reserve for issuance the number of Shares issuable under Deferred Stock Units.

8. COMPLIANCE WITH LEGAL REQUIREMENTS

The Company will not be obligated to issue Shares if, in the opinion of its counsel, such issuance would violate any applicable federal or state securities laws. The Company will seek to obtain from each regulatory commission or agency having jurisdiction, such authority as may be required to issue Shares. Inability of the Company to obtain from any such regulatory commission or agency authority which counsel for the Company deems necessary for the lawful issuance of Shares shall relieve the Company from any liability for failure to issue such Shares until the time when such authority is obtained.

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9. NONASSIGNMENT OF DEFERRED STOCK UNITS

Except as otherwise provided in Section 5, Deferred Stock Units and the rights and privileges conferred hereby shall not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of a Deferred Stock Unit, right or privilege contrary to the provisions hereof, or upon the levy of any attachment or similar process upon the rights and privileges conferred hereby, such Deferred Stock Unit and the rights and privileges conferred hereby shall immediately terminate.

10. RIGHTS OF NON-EMPLOYEE DIRECTOR IN STOCK

Neither the holder of a Deferred Stock Unit, nor the legal representatives, heirs, legatees or distributees of any holder, shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any Shares issuable under such Deferred Stock Unit unless and until such Shares are issued to him or them and such person or persons have received a certificate or certificates therefore, except for dividend equivalent rights as provided in Section 6.

11. WITHHOLDING OF APPLICABLE TAXES

The Company shall have the right to deduct or withhold, or require a holder of a Deferred Stock Unit to remit to the Company, an amount sufficient to satisfy Federal, state, and local taxes required by law to be withheld with respect to any grant, exercise, or payment made under or as a result of the Plan.

12. PLAN AND DEFERRED STOCK UNITS NOT TO AFFECT SERVICE AS A DIRECTOR

Neither this Plan nor any Deferred Stock Unit shall confer upon any Non-Employee Director any right to continue as a director of the Company.

13. ADMINISTRATION AND INTERPRETATION

The Plan shall be administered by the Committee. Subject to the express provisions of the Plan, the Committee shall have authority to interpret the Plan, to prescribe, amend

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and rescind rules and regulations relating to the Plan and to make all other determinations deemed necessary or advisable in the implementation and administration of the Plan; provided, however, that the Committee shall have no discretion with respect to the eligibility or selection of Directors to receive stock units under the Plan, the number of stock units granted under the Plan, or the price thereof, and provided further that the Committee shall not have the authority to take any action or make any determination that would materially increase the benefits accruing to Participants under the Plan. The determination of the Committee in the administration of the Plan as described herein, shall be final, conclusive and binding upon all persons including, without limitation, the Company, its stockholders and the persons granted stock units under the Plan. The Secretary of the Company shall be authorized to implement the Plan in accordance with its terms and to take such action of a ministerial nature as shall be necessary to effectuate the intent and purposes thereof.

14. AMENDMENT OF PLAN

The Board shall have complete power and authority to amend the Plan, provided, however, that it shall not without shareholder approval (a) increase the maximum number of Deferred Stock Units that may be granted or (b) adopt any other amendment which the Board determines to be required or advisable to be approved by the shareholders of the Company under regulations of the U. S. Securities and Exchange Commission, the rules of any stock exchange or stock market on which the Company's stock is listed, the Internal Revenue Code of 1986, as amended, or other applicable law or regulation.

15. NOTICES

Any notice required or permitted hereunder shall be sufficiently given only if sent by registered or certified mail, postage prepaid, addressed to the Company, 355 Maple Avenue, Harleysville, PA 19438-2297, and to the holder of a Deferred Stock Unit at the most recent address on file with the Company.

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16. SUCCESSORS

The Plan shall be binding upon and inure to the benefit of any successor or successors of the Company.

17. SEVERABILITY

If any part of this Plan shall be determined to be invalid or void in any respect, such determination shall not affect, impair, invalidate or nullify the remaining provisions of this Plan which shall continue in full force and effect.

18. EFFECTIVE DATE AND TERM OF PLAN

The Plan shall become effective on the Effective Date and shall expire on December 31, 2009, unless sooner terminated by the Board. The Board may terminate this Plan at any time. The Board shall submit this Plan to the shareholders of the Company for their approval at the first Annual Meeting of the shareholders held after the adoption of the Plan by the Board. Any Deferred Stock Unit granted before the approval of the Plan by the Company's shareholders shall be expressly conditioned upon, and shall not be exercisable until, such approval. If such shareholder approval is not received at the first annual meeting held after the adoption of the Plan by the Board, all Shares granted under the Plan shall automatically expire.

19. GENDER AND NUMBER

Unless clearly indicated by context, the singular shall include the plural and the masculine shall include the feminine, and vice-versa.

HARLEYSVILLE GROUP INC.

Amended and Restated

LONG TERM INCENTIVE PLAN

Approved by Board of Directors February 23, 2005
Approved by Stockholders on April 27, 2005

I. INTRODUCTION

A. PURPOSE OF THE PLAN: Harleysville Group Inc. (the "Company") has

established the Long Term Incentive Plan ("Plan") to further the growth, development and success of the Company by providing additional incentives to those senior officers who are responsible for the management of the Company's business affairs which enable them to participate directly in the growth of the capital stock of the Company. The Company intends that the Plan will facilitate securing, retaining, and motivating senior management employees of high caliber and potential. It is intended that the Plan shall satisfy the requirements for transactions pursuant hereto to be exempt from Section 16(b) of the Securities Exchange Act of 1934 ("Exchange Act") and for compensation paid hereunder to be fully deductible to the Company to the extent permitted under Section 162(m) of the Internal Revenue Code of 1986.

B. DEFINITIONS: When used in the Plan, the following terms shall have

the meanings set forth below:

1. "Board" shall mean the Board of Directors of the Company.
2. "Change in Control" shall mean:

(a) if the "beneficial ownership" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of securities representing more than twenty percent (20%) of the combined voting power of the Employer Voting Securities (as herein defined) is acquired by any individual, entity or group (a "Person"), other than the Parent, the Employer, any trustee or other fiduciary holding securities under any employee benefit plan of the Employer or an affiliate thereof, or any corporation owned, directly or indirectly, by the stockholders of the Employer in substantially the same proportions as their ownership of stock of the Employer ("Employer Voting Securities" shall mean the then outstanding voting securities of the Employer entitled to vote generally in the election of directors); provided, however, that the following shall not

constitute a Change in Control under this paragraph (a) : (i)
any acquisition pursuant to a transaction which complies with

clauses (i), (ii) and (iii) of paragraph (c) of this Section 2;
(ii) any acquisition of the Employer Voting Securities from the Parent pursuant to a Business Combination (as herein

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defined) or otherwise, if (x) the acquiring or resulting entity is organized in the mutual form, and (y) persons who were members of the Incumbent Board (as herein defined) of the Parent immediately prior to such acquisition constitute at least two-thirds of the members of the Board of Directors of the acquiring entity immediately following such acquisition and (iii) any acquisition of voting securities from the Employer or the Parent by a person engaged in business as an underwriter of securities who acquires the shares through his participation in good faith in a firm commitment underwriting registered under the Securities Act of 1933; and (iv) any acquisition otherwise within the terms of this paragraph (a) during any period in which Parent owns at least a majority of the combined voting power of Employer Voting Securities (the "Parent Control Period"), but if such an acquisition is made during a Parent Control Period by any Person and such Person continues to hold more than 20% of the combined voting power of all Employer Voting Securities on the first day following the termination of a Parent Control Period, such acquisition will be deemed to have been first made on such date; or

(b) if, during any period of twenty-four (24) consecutive months, individuals who, as of the beginning of such period, constitute the Board of Directors of the Employer or the Parent, as the case may be (the "Applicable Incumbent Board"), cease for any reason to constitute at least a majority of the Board of Directors of the Employer or the Parent, as the case may be; provided, however, that (x) any individual becoming a

director of the Employer or the Parent, as the case may be, during such period whose election, or nomination for election, was approved by a vote of at least a two-thirds of the directors then comprising the Applicable Incumbent Board (other than in connection with the settlement of a threatened proxy contest) shall be considered as though such individual were a member of the Incumbent Board of Directors of the Employer or the Parent, as the case may be, and (y) the provisions of this paragraph (b) shall not be applicable to the composition of the Board of Directors of Parent if Parent shall cease to own at least 20% of the combined voting power of all Employer Voting Securities; or

(c) upon consummation by the Employer of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Employer or the acquisition of assets or stock of another entity (a "Business Combination"), unless, in any such case, immediately following such Business Combination the following three conditions are met: (i) more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of (x) the corporation resulting from such Business Combination (the "Surviving Corporation"), or (y) if applicable, a corporation which as a result of such transaction owns the Employer or all

or substantially all of the Employer's assets either directly or through one or more subsidiaries (the "New Parent Corporation"), is represented, in either such case, directly or indirectly, by Employer Voting Securities outstanding immediately prior to such Business

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Combination (or, if applicable, is represented by shares into which such Employer Voting Securities were converted pursuant to such Business Combination), and such voting power is distributed among the holders thereof in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Employer Voting Securities, and (ii) no Person (excluding any employee benefit plan (or related trust) of the Employer or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of the combined voting power of the then outstanding voting securities eligible to elect directors of the New Parent Corporation (or, if there is no New Parent Corporation, the Surviving Corporation) except to the extent that such ownership of the Employer existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the New Parent Corporation (or, if there is no New Parent Corporation, the Surviving Corporation) were members of the Board of Directors of the Employer at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or

(d) Parent affiliates with, or acquires by merger, a third party and, as a consequence thereof, persons who were members of the Incumbent Board of Parent immediately prior to such transaction cease to constitute at least two-thirds of the directors of Parent following such transaction provided,

however, that this paragraph (d) shall not apply if immediately prior to such affiliation or merger, Parent does not own more than 20% of the combined voting power of Employer Voting Securities; or

(e) upon approval by the stockholders of the Employer and all necessary regulatory authorities of a complete liquidation or dissolution of the Employer; or

(f) any other event shall occur that would be required to be reported by the Employer in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act (or any provision successor thereto); or

(g) the Employer or Parent has entered into a management agreement or similar arrangement pursuant to which an entity other than the Employer or the Parent or the Boards of Directors or the executive officers and management of the Employer or the Parent has the power to direct or cause the direction of the management and policies of the Employer or the Parent; provided, however, that this paragraph (g) shall

not apply to Parent if, immediately prior to entering into any such management agreement or similar arrangement, Parent does not own more than 20% of Employer Voting Securities.

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3. "Code" shall mean the Internal Revenue Code of 1986, as amended.
4. "Committee" shall mean the Compensation & Personnel Development Committee of the Board of Directors of Harleysville Group Inc.
5. "Common Stock" shall mean the common stock of the Company, par value of \$1.00 per share, and may be either stock previously authorized but unissued, or stock reacquired by the Company.
6. "Company" shall mean Harleysville Group Inc., a Delaware corporation, and any successor in a reorganization or similar transaction. Also, see definition of "Employer".
7. "Director" shall mean a member of the Board of Directors of the Company and/or Parent.
8. "Disability" shall mean the inability of a Participant to perform the services normally rendered due to any physical or mental impairment that can be expected to be of either permanent or indefinite duration, as determined by the Committee on the basis of appropriate medical evidence, and that results in the Participant's cessation of active employment with the Company.
9. "Employer" shall mean Harleysville Group Inc., a Delaware corporation, and any successor in a reorganization or similar transaction. Also, see definition of "Company".
10. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.
11. "Fair Market Value" shall mean the last existing closing price of Common Stock on the Nasdaq National Market System. The foregoing notwithstanding, the Committee may determine the Fair Market Value in such other manner as it may deem more appropriate for Plan purposes or as is required by applicable laws or regulations.
12. "Named Executive Officers" shall be those persons covered by Item 402(a)(3) of Regulation S-K pursuant to the Exchange Act.
13. "Parent" shall mean Harleysville Mutual Insurance Company.
14. "Participant" shall mean those eligible officers and other key employees of the Company who receive Awards under the Plan.
15. "Plan" shall mean the Company's Long Term Incentive Plan.
16. "Retirement" shall mean cessation of a Participant's employment after age 55 if an employee is entitled to a benefit under the Company's qualified defined benefit Pension Plan.

17. "Termination of Employment" shall mean a cessation of the Participant's employment with the Company, its parent or any affiliates for any reason other than retirement, death or disability.

18. "Total Shareholder Return" ("TSR") shall mean the change in value of a share of Common Stock during any three year period based on share price appreciation plus dividends, with the dividends re-invested as of the day such dividends were ex-dividend. The Committee may adopt any reasonable method of calculating total shareholder return that is consistent with

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the requirements of Item 402(1) of Regulation S-K promulgated by the Securities and Exchange Commission.

19. "Withholding Obligation" shall mean the prevailing mandatory federal rate plus any applicable state and local withholding tax.

II. PLAN ADMINISTRATION

A. ADMINISTRATION: The Plan shall be administered by the Committee.

Subject to the express provisions of the Plan, the Committee shall have full and exclusive authority:

- (i) to interpret the Plan;
- (ii) to determine additional employees, if any, to whom awards should be made under the Plan;
- (iii) to determine the nature, size and terms of each such award;
- (iv) to determine the time when the awards are granted and the duration of any applicable restriction period, including the criteria for acceleration thereof;
- (v) to certify that the TSR goals were met prior to payment;
- (vi) to prescribe, amend and rescind rules and regulations relating to the Plan; and
- (vii) to make all other determinations deemed necessary or advisable in the implementation and administration of the Plan as permitted by federal and state laws and regulations, including those laws and regulations regarding deductibility from income under the Code and exemption from §16 of the Exchange Act, or by rules and regulations of a national securities exchange or the Nasdaq National Market System.

The determination of the Committee in the administration of the Plan, as described herein, shall be final and conclusive and binding upon all persons including, without limitation, the Company, its stockholders, Participants, and any persons having any interest under

the Plan. The Secretary of the Company shall be authorized to implement the Plan in accordance with its terms and to take such action of a ministerial nature, including the preparation of award documents provided to participants, as shall be necessary to effectuate the intent and purposes hereof.

B. ELIGIBILITY: Persons eligible to receive Awards under the Plan shall

be the Chief Executive Officer and the Senior Vice Presidents and Executive Vice Presidents that report to the Chief Executive Officer, and such others as are determined by the Committee. The Directors of the Company who are not otherwise officers or employees of the Company, its Parent or its subsidiaries shall not be eligible to participate in the Plan.

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C. MAXIMUM NUMBER OF SHARES AVAILABLE: Subject to adjustment as

specified in Section II.E. below, the aggregate number of shares of common stock that may be issued under the Plan is 600,000 shares, which were registered subsequent to the adoption and approval of the Long Term Incentive Plan as amended and restated November 17, 1999 and approved by the Stockholders April 26, 2000. Such shares that are issued may be previously authorized and unissued shares, or treasury shares. Except as provided herein, any shares subject to an award which for any reason are not issued shall again be available under the Plan.

D. ADJUSTMENTS: In the event of stock dividends, stock splits,

recapitalizations, mergers, consolidations, combinations, exchanges of shares, spin-offs, liquidations, reclassifications or other similar changes in the capitalization of the Company, the number of shares of Common Stock available for award under this Plan in the aggregate or to any one individual shall be adjusted proportionately. In the event of any other change affecting the Common Stock reserved under the Plan, such adjustment, if any, as may be deemed equitable by the Committee, shall be made to give proper effect to such event.

E. REGISTRATION CONDITIONS:

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1. Unless issued pursuant to a registration statement under the Securities Act of 1933, as amended, no shares shall be issued to a Participant under the Plan unless the Participant represents and agrees with the Company that such shares are being acquired for investment and not with a view to the resale or distribution thereof, or such other documentation as may be required by the Company, unless in the opinion of counsel to the Company such representation, agreement or documentation is not necessary to comply with such Act.
 2. Any restriction on the resale of shares shall be evidenced by an appropriate legend on the stock certificate.

3. The Company shall not be obligated to deliver any Common Stock until it has been listed on each securities exchange on which the Common Stock may then be listed and until there has been qualification under or compliance with such federal or state laws, rules or regulations as the Company may deem applicable. The Company shall use reasonable efforts to obtain such listing, qualification and compliance.

F. RIGHTS UPON A CHANGE IN CONTROL: In the event of a Change in

Control, notwithstanding any other provisions herein, the Plan shall terminate and all target awards shall be paid out immediately on a pro-rata basis for each completed month.

III. TARGET AWARDS

A. PERFORMANCE MEASURES: Determination of payouts shall be based on

Company's Total Shareholder Return ("TSR") relative to a peer group of no less than 20 companies that are primarily or wholly in the property/casualty insurance industry as selected from time to time by the Committee.

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B. PERFORMANCE MEASURE PERIOD: The period for determining performance

shall be a three year period that will commence each January 1st and terminate on the third December 31st thereafter.

C. TARGET AWARD LEVELS: Subject to Paragraph III. D. below, the target

levels for the Participants shall be determined by the Committee for each three-year period no later than March 30th of the first year of the plan period.

D. PERFORMANCE STANDARDS: Prior to each three-year period, the Committee

shall determine a target award and award range for each Participant which target award and award range may have both a cash component and a stock component as determined by the Committee. The award range shall provide that: no award shall be paid if the TSR is lower than the 35th percentile; 50% of the target award shall be paid if the TSR is at the 35th percentile; 100% of the target award shall be paid if the TSR is at the 50th percentile; and 150% of the target award shall be made if the TSR is at the 80th percentile or above. If the TSR falls between the 35th and 50th percentiles or the 50th and 80th percentiles, the percent of the target award paid shall be interpolated.

E. MAXIMUM COMPENSATION PAID: The maximum paid in cash to any

Participant for any performance period shall not be more than \$750,000, and the maximum shares of stock issued to any Participant for any performance period shall not be more than 100,000.

- F. COMMITTEE CERTIFICATION: At the end of the three-year period and

after determination of the relative peer group ranking, but prior to payment of the awards, the Committee shall review the TSR for the three-year period just completed and certify in writing or in minutes of the Committee meeting that the Company has attained a TSR level entitling participants to a payout.
- G. DISCRETIONARY ADJUSTMENTS: At the end of each three-year period,

but prior to payment, the Committee may, in its discretion, if circumstances warrant, decrease the awards determined by Paragraph III.D.
- H. IMPUTED DIVIDEND REINVESTMENT PLAN PARTICIPATION: After the amount

of stock to be issued is determined pursuant to Paragraph III. G. and any discretionary adjustment thereof made pursuant to Paragraph III. E., then the amount so determined and delivered to a Participant shall be increased by imputing dividends paid by the Company during the period to such number of shares and the immediate reinvestment thereof for each quarter throughout the full three-year period.
- I. PAYMENT OF AWARDS: The payment of the cash element of the award

shall be made as soon as practicable after the completion of the three-year period; provided, however, that a Participant may elect to defer receipt of the award pursuant to the Company's Non-Qualified Deferred Compensation Plan. Such election shall be made by December 31st of the second year of the performance period. Payment of shares of stock shall also be made as soon as practicable; provided, however, that a Participant may satisfy his or her tax withholding obligation by having shares withheld equal in Fair Market Value to the Withholding Obligation or deliver already owned

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shares of Company stock equal in Fair Market Value to the amount sought to be withheld, or any combination thereof, so long as there is no accounting charge to earnings resulting therefrom. Payment by shares may be made by attestation. Alternatively, prior to December 31st of the second year of the three-year period, the Participant may elect to defer delivery of shares of stock for (i) five years, (ii) ten years, or (iii) until Termination of Employment. If receipt of the share of stock is deferred, there shall be no imputed dividends during the period of deferral; nor shall a Participant exercise any other rights of ownership
- J. RIGHTS UPON TERMINATION OF EMPLOYMENT: Upon the Termination of

Employment of a Participant for any reason other than retirement, death or disability, all awards to such Participant shall immediately expire.
- K. RIGHTS UPON RETIREMENT, DEATH OR DISABILITY: If a Participant ceases

to be an employee because of retirement, death or disability, the award shall be payable at the end of the performance period on a pro-rata basis for each completed month.

IV. MISCELLANEOUS PROVISIONS

A. AMENDMENT, SUSPENSION AND TERMINATION OF PLAN: The Board of Directors

may suspend or terminate the Plan or revise or amend it in any respect whatsoever; provided, however, that if shareholder approval is required by federal or state laws or regulations or by rules and regulations of a national securities exchange or the Nasdaq National Market of The Nasdaq Stock Market, the amendment will not be effective until such stockholder approval.

B. GOVERNMENT AND OTHER REGULATIONS: The obligation of the Company to

issue Awards under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any government agencies as may be required.

C. OTHER COMPENSATION PLANS AND PROGRAMS: The Plan shall not be deemed

to preclude the implementation by the Company, Parent or its subsidiaries of other compensation plans or programs which may be in effect from time to time. Participation in this Plan shall not affect an employee's eligibility to participate in any other benefit or incentive plan of the Company, its Parent or its subsidiaries. Any awards made pursuant to this Plan shall not be used in determining the benefits provided under any other plan of the Company, Parent or its subsidiaries unless specifically provided in such other Plan.

D. WITHHOLDING TAXES: The Company shall have the right to require a

payment from a Participant to cover applicable withholding for any federal, state or local taxes. The Company reserves the right to offset such tax payment from any other funds which may be due the Participant by the Company.

E. SINGLE OR MULTIPLE DOCUMENTS: Multiple forms of awards or

combinations thereof may be evidenced by a single document or multiple documents, as determined by the Committee.

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F. NON-UNIFORM DETERMINATIONS: The Committee's determinations under the

Plan (including without limitation determinations of the persons to receive awards, the form, amount and timing of such awards, the terms and provisions of such awards, and the documents evidencing same) need not be uniform and may be made selectively among persons who receive, or are eligible to receive, awards under the Plan whether or not such persons are similarly situated.

- G. CONSTRUCTION OF PLAN: The interpretation of the Plan and the

application of any rules implemented hereunder shall be determined
in accordance with the laws of the Commonwealth of Pennsylvania.
- H. PRONOUNNS, SINGULAR AND PLURAL: The masculine may be read as

feminine, the singular as plural, and the plural as singular as
necessary to give effect to the Plan.
- I. LIMITATION OF RIGHTS:

1. No Right to Continue as an Employee: Neither the Plan, nor the

granting of an option nor any other action taken pursuant to
the Plan, shall constitute or be evidence of any agreement or
understanding, express or implied, that the Participant has a
right to continue as an employee of the Company for any period
of time, or at any particular rate of compensation.
2. No Shareholder's Rights: A Participant shall have no rights as

a shareholder with respect to the shares covered by awards
granted hereunder until the date of the issuance of a stock
certificate therefor, and no adjustment will be made for
dividends or other rights for which the record date is prior to
the date such certificate is issued.
- J. DURATION OF THE PLAN: The Plan shall remain in effect indefinitely,

but, in any event, at least until all awards have been issued or
paid.
- K. STOCKHOLDER APPROVAL: The initial adoption of this Plan shall be

subject to stockholder approval.

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TO RECORD THE AMENDMENT AND RESTATEMENT OF THIS PLAN, THE COMPANY HAS
CAUSED ITS AUTHORIZED OFFICERS TO AFFIX THE CORPORATE NAME AND SEAL HERETO THIS
23rd DAY OF February , 2005.

HARLEYSVILLE GROUP INC.

BY: /s/Michael L. Browne

Michael L. Browne,
President & Chief Executive Officer

ATTEST:

/s/Robert A. Kauffman

Robert A. Kauffman, Senior Vice President,
Secretary & General Counsel

Exhibit 3.1

**AMENDED AND RESTATED
BY-LAWS
of
HARLEYSVILLE GROUP INC.**

REVISED APRIL 27, 2005

Article I - CORPORATION OFFICE

Section 1. REGISTERED OFFICE

The registered office shall be at The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801.

Section 2. PRINCIPAL OFFICE

The principal office of the Corporation shall be at 355 Maple Avenue, Harleysville, Montgomery County, Pennsylvania 19438. The Corporation may also have offices at such other places as the Board of Directors may from time to time designate or the business of the Corporation may from time to time require.

Article II - SEAL

The corporate seal of the Corporation and any alterations thereof shall contain the name of the Corporation, the year of incorporation, and the words, "Corporate Seal, Delaware".

Article III - MEETINGS OF STOCKHOLDERS

Section 1. PLACE OF MEETINGS

All meetings of the stockholders shall be held at such time and place as may be fixed from time to time by the Board of Directors and stated in the notice of meeting or in a duly executed waiver of notice thereof.

Section 2. ANNUAL MEETING

The Annual Meeting of the stockholders shall be held on the fourth Wednesday of the month of April in each year, if not a legal holiday, and if a legal holiday, then on the next full business day following, at 10:00 A.M., or at such other date and time as shall be designated from time to time by the Board of Directors and stated in the notice of

meeting or a duly executed waiver of notice thereof when the stockholders shall elect a Board of Directors or a class thereof and shall transact such other business as may properly be brought before the meeting.

Section 3. SPECIAL MEETINGS

Special Meetings of the stockholders, for any purpose or purposes, may be called at any time by the Chairman of the Board or the President of the Corporation, and shall be called by the Secretary of the Corporation at the request in writing of a majority of the Board of Directors, or a majority of the Executive Committee of the Board of Directors, or stockholders owning at least twenty-five (25%) percent of the entire capital stock of the Corporation issued and outstanding and entitled to vote thereat. Any request for a special meeting of the stockholders shall be signed by the person or persons making the same and shall state the purpose or purposes of the proposed meeting.

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Upon receipt of any such request, it shall be the duty of the Secretary of the Corporation to call a special meeting of the stockholders to be held at such time, no less than ten (10) nor more than sixty (60) days thereafter, as the Secretary of the Corporation may fix. If the Secretary of the Corporation shall neglect or refuse to issue such call within five (5) days from the receipt of such request, the person or persons making the request may issue the call.

Section 4. NOTICE

Written notice of all meetings of the stockholders other than adjourned meetings of stockholders, stating the place, date and hour, and, in the case of special meetings of stockholders, the purpose or purposes thereof, shall be served upon, or mailed, postage prepaid, or telegraphed, charges prepaid, not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote thereat at such address as appears on the transfer books of the Corporation. Business transacted at any special meeting of the stockholders shall be limited to the purposes stated in the notice of meeting or a duly executed waiver of notice thereof.

Section 5. ACTION BY TELEPHONE CONFERENCE

One (1) or more stockholders may participate in any meeting of the stockholders by means of conference telephone or similar communications equipment which enables all persons participating in the meeting to hear

one another, and such person or persons shall be counted for purposes of a quorum.

Section 6. QUORUM

The presence in person, by proxy, or by telephonic or similar communications equipment, of stockholders entitled to cast a majority of the votes which all stockholders are entitled to cast on the particular matter shall constitute a quorum for purposes of considering such matter, and unless otherwise provided by statute, the acts of such stockholders at a duly organized meeting shall be the acts of the stockholders with respect to such matter. If, however, such quorum shall not be present at any meeting of the stockholders, the stockholders entitled to vote thereat present in person, by proxy, or by such communications equipment shall have the power, except as otherwise provided by statute, to adjourn the meeting from time to time and to such time and place as they may determine, without notice other than an announcement at the meeting, until a quorum shall be present in person, by proxy, or by such communications equipment. At any adjourned meeting at which a quorum had been present, the stockholders present in person, by proxy or by such communications equipment at a duly organized and constituted meeting, can continue to do business with respect to any matter properly submitted to the meeting until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum for the purposes of considering any particular such matter.

Section 7. VOTING RIGHTS

Except as may be otherwise provided by statute or by the Certificate of Incorporation, at every stockholders meeting, every stockholder entitled to vote thereat shall have the right to one (1) vote for every share having voting power standing in his or her name on the books of the Corporation on the record date fixed for the meeting. No share shall be voted at any meeting if any installment is due and unpaid thereon.

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Section 8. MANNER OF VOTE

When a quorum exists at any meeting, the oral vote of the holders of a majority of the stock having voting power present in person, by proxy, or by telephonic or similar communications equipment shall decide any question brought before such meeting, unless the question is one for which, by express provision of statute or of the Certificate of Incorporation or of these By-laws, a different vote is required. Upon demand made by a stockholder at any election for directors before the voting begins, the election shall be by ballot.

Section 9. PROXIES

Every stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him or her by proxy. Every proxy shall be executed in writing by the stockholder or the duly authorized attorney-in-fact and filed with the Secretary of the Corporation. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until notice thereof has been given to the Secretary of the Corporation. No unrevoked proxy shall be valid after eleven (11) months from the date of its execution, unless a longer time is expressly provided therein, but in no event shall a proxy, unless coupled with an interest, be voted after three (3) years from the date of its execution. A proxy shall not be revoked by the death or incapacity of the maker, unless before the vote is counted or the authority is exercised, written notice of such death or incapacity is given to the Secretary of the Corporation.

Section 10. RECORD DATE

The Board of Directors may fix a time, not more than sixty (60) nor less than ten (10) days prior to the date of any meeting of stockholders, or the date fixed for the payment of any dividend or distribution, or the date for the allotment of rights, or the date when any change or conversion or exchange of shares will be made or go into effect, as the record date for the determination of the stockholders entitled to notice of, or to vote at, such meeting, or entitled to receive payment of any such dividend or distribution, or entitled to receive any such allotment of rights, or to exercise the rights in respect to any change or conversion or exchange of shares. In such case, only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to notice of, or to vote at, such meeting or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after any record date fixed as aforesaid. The Board of Directors may close the books of the Corporation against transfers of shares during the whole or any part of such period, and in such case written or printed notice thereof shall be mailed at least ten (10) days before the closing thereof to each stockholder of record at the address appearing on the stock transfer books of the Corporation or supplied to the Corporation for the purpose of notice. While the stock transfer books of the Corporation are closed, no transfer of shares shall be made thereon. If no record date is fixed by the Board of Directors for the determination of stockholders who are entitled to receive notice of, or vote at, a stockholders meeting, or to receive payment of any such dividend or distribution, or to receive any such allotment of rights, or to exercise the rights in respect to any such change or conversion or exchange of shares, transferees of shares which are transferred on the stock transfer books of the Corporation within ten (10) days immediately preceding the date of such meeting, dividend, distribution, allotment of rights, or exercise of such rights

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shall not be entitled to notice of, or to vote at, such meeting, or to receive payment of any dividend or distribution, or to receive any such allotment of rights, or to exercise the rights in respect to any such change or conversion or exchange of shares.

Section 11. STOCKHOLDER LIST

The officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least ten (10) days before each meeting of stockholders, a complete alphabetical list of the stockholders entitled to vote at the meeting, with their addresses and the number of shares held by each. Such list shall be subject to inspection by a stockholder at any time during usual business hours, for any purpose germane to the meeting, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held which shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. Such list shall be produced at the meeting and shall be kept open for inspection by any stockholder during the entire meeting. The original stock transfer books of the Corporation shall be prima facie evidence as to who are the stockholders entitled to exercise the rights of a stockholder.

Section 12. INSPECTORS OF ELECTION

In advance of any meeting of the stockholders, the Board of Directors may appoint Inspectors of Election, who need not be stockholders, to act at such meeting or any adjournment thereof. If Inspectors of Election are not so appointed, the Chairman of any such meeting may, and on the request of any stockholder or their proxy shall, make such appointment at the meeting. The number of inspectors shall be one (1) or three (3). If appointed at a meeting on the request of one (1) or more stockholders or proxies, the majority of shares present and entitled to vote shall determine whether one (1) or three (3) inspectors are to be appointed. No person who is a candidate for office shall act as an inspector. The Inspectors of Election shall do all such acts as may be proper to conduct the election or vote and such other duties as may be prescribed by statute with fairness to all stockholders, and if requested by the Chairman of the meeting or any stockholder thereof, shall make a written report of any matter determined by them and execute a certificate as to any fact found by them. If there be three (3) Inspectors of Election, the decision, act or certificate of a majority shall be the decision, act or certificate of all.

Section 13. ACTION BY CONSENT

Any action required to be taken at any meeting of the stockholders, or of a class of stockholders, may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its principal place of business. Prompt notice of corporate action taken without a meeting by less than unanimous written consent shall be given to the non consenting shareholders.

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Article IV - BOARD OF DIRECTORS

Section 1. NUMBER, ELECTION AND TERM OF OFFICE

A. Number and Election

The business affairs, property and corporate functions of the Corporation shall be managed and conducted by a Board of Directors of not less than three (3) nor more than twelve (12), who shall be natural persons of full age and need not be residents of Delaware or stockholders of the Corporation. The exact number of directors shall be determined annually by resolution of the Board of Directors at its meeting next preceding the Annual Meeting in such year. The Board of Directors shall be elected by classes by the stockholders at Annual Meetings of the Stockholders. Each Director shall file a written acceptance of trust with the Secretary of the Corporation.

B. Nominations

The Board of Directors shall nominate, at a meeting of the Board of Directors held during the month of November immediately preceding the Annual Meeting, candidates for election to succeed Directors whose terms are about to expire. If any duly qualified nominee shall become unavailable for the position of Director, the Board of Directors may designate a substitute nominee.

C. Term of Office

Except in the case of vacancies as herein provided, members of the Board of Directors shall serve for a term of three (3) years and until their successor shall be elected and qualified, except that the term of any director who becomes seventy-two (72) years of age shall expire at the Annual Meeting immediately following the

seventy-second (72nd) birthday of such director. Members of the Board of Directors are subject to removal as provided by statute.

D. Classes of Directors

The Board of Directors shall be divided into three (3) classes: Class "A", Class "B", and Class "C". At each Annual Meeting the successors to the directors of the class whose term shall expire in that year shall be elected for a term of three (3) years so that the term of office of one (1) class of directors shall expire in each year, unless such candidate will attain age 72 prior to the third Annual Meeting following election in which case a director will be elected for a term consistent with paragraph IV.1.C above. The number of directors in each class shall be as nearly equal as possible so that, except for temporary vacancies, the number in any class shall not exceed the number in any other class by more than one (1).

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Section 2. MEETINGS

A. Annual Meeting

The Annual Meeting of each newly elected Board of Directors for the transaction of any and all such business which is brought before the meeting, including but not limited to the election of officers, shall be held at the place of and immediately succeeding the Annual Meeting of Stockholders at which Directors shall be elected as provided in Section 2 of Article III hereof; provided, however, that if for any reason the Stockholders fail to elect Directors at any such Annual Meeting of Stockholders then and in such event, the Annual Meeting of the Board of Directors shall be held at the place of and immediately succeeding the Special Meeting of the Stockholders convened for the election of Directors as provided by law and at which Directors shall be elected.

B. Stated Meetings

Stated meetings of the Board of Directors shall be held at the principal office of the Corporation on the fourth Wednesday of February, June, August and November, or on such other day, or at such other place, within or without the State of Delaware, as may be designated by the Executive Committee or by a majority of the Board of Directors. The Board of Directors, by resolution, may elect to eliminate and omit the holding of any Stated Meeting.

C. Special Meetings

Special Meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, the Chief Executive Officer, the President, the Executive Committee, or by a majority of the members of the Board of Directors. Any and all business may be trans-acted at any such Special Meeting of the Board of Directors, unless both the call and the notice specifically limit the meeting to the business referred to in such call and notice and shall specifically exclude from consideration any and all other business not referred to therein.

D. Action by Consent

Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the Secretary of the Company. Such consent shall be treated as a vote for all purposes.

E. Action by Telephone Conference

Any action required to be taken or that may be taken at a meeting of the Board of Directors may be taken at a meeting held by means of conference telephone or similar communications equipment by means of which all participants can hear each other simultaneously at the same time. Participation in such meeting shall constitute presence in person at such meeting.

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Section 3. NOTICE OF MEETINGS

A. Annual or Stated Meetings

No notice of Annual or Stated Meetings need be given to the members of the Board of Directors.

B. Special Meetings

Notice of Special meetings shall be given to members of the Board of Directors either personally, or by telephone, telegram, facsimile, electronically or similar communications equipment, or written notice, transmitted to the last known address of each Director, at least four (4) hours prior to the time designated for the convening of such Special Meeting.

C. Waiver of Notice

No notice of meeting need be given to any Director if a written waiver of notice is signed by the person or persons entitled to such notice, whether before or after the time stated therein, which shall be deemed equivalent to the giving of such notice, is filed with the Secretary of the Company, or to any Director who attends the meeting without objecting prior thereto at its commencement or at the time a particular item of business is taken under consideration that the meeting was not lawfully called or convened.

Section 4. QUORUM

At all meetings of the Board of Directors, the presence, in person or by telephonic or similar communications equipment, of a majority of the directors shall constitute a quorum for the transaction of business, and the acts of a majority of the directors present at a duly convened meeting at which a quorum is present shall be the acts of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation or by these By-Laws. If a quorum shall not be present, in person or by telephonic or similar communications equipment, at any meeting of the Board of Directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be so present.

Section 5. REMOVAL OF DIRECTORS

At any Annual or Stated Meeting of the Board of Directors, or at any Special Meeting thereof called for that purpose, the Board of Directors, by affirmative vote of a majority of its members, may remove from office and declare vacant the office of any Director for such cause as they shall deem proper, including but not limited to failure, in writing, to accept the trust imposed within thirty (30) days after election, repeated nonattendance at meetings or inability to perform duties because of illness or disability. The stockholders may also remove directors as provided by law.

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Section 6. FILLING OF VACANCIES

A. Vacancies on the Board of Directors, including vacancies resulting from an increase in number of directors, but excluding vacancies caused by expiration of the term of any director who becomes age seventy-two (72) years, shall, irrespective of whether holders of any class or series of stock or other voting securities of the Corporation are entitled to elect one (1) or more directors to

fill such vacancies or newly created directorships at the next Annual Meeting of the stockholders, be filled by a majority of the remaining members of the Board of Directors, though less than a quorum or by the sole remaining director, as the case may be, and each person so elected shall be a director until his or her successor is elected by the stockholders at the Annual Meeting of the stockholders at which his or her term expires or at any special meeting of the stockholders prior thereto duly called for that purpose.

- B. Vacancies on the Board of Directors caused by expiration of the term of any director who becomes age seventy-two (72) years shall be filled by election by the stockholders at the Annual Meeting at which the expiration of the term occurs. Each person so elected shall be a director until his successor is elected by the stockholders at the meeting at which his term expires or at any special meeting of the stockholders prior thereto duly called for that purpose.

Section 7. COMPENSATION

Directors, as such, may receive a stated salary for their board services, or a fixed sum and expenses for attendance at regular or special meetings of the Board of Directors, or any committee thereof, or any combination of the foregoing as may be determined from time to time by resolution of the Board of Directors and nothing contained herein shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 8. POWERS

The Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised and done by the stockholders, including, but not limited to, authority to appoint two (2) or more members to act as an executive, financial, or other committee with the right and authority to exercise the full powers of the Board of Directors itself in such capacities.

Article V - COMMITTEES

Section 1. APPOINTMENT

The Board of Directors shall designate from its number, the members of a Coordinating Committee, a Corporate Strategy Committee, an Executive Committee, a Finance & Investment Committee, an Audit Committee, a Nominating & Corporate Governance Committee, and a Compensation & Personnel Development Committee, and may designate such number of its

members to such additional Committees as it may deem appropriate from time to time.

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Section 2. EXECUTIVE COMMITTEE

The Nominating and Corporate Governance Committee shall appoint, with the approval of the Board of Directors, two (2) or more Directors, who, together with the Chairman of the Board and the Chief Executive Officer, shall constitute an Executive Committee which, to the fullest extent permitted by law, during the intervals between meetings of the Board of Directors, shall possess and may exercise every power, right and privilege conferred by law, these By-Laws, or otherwise, upon the Board of Directors, in the management and conduct of all business affairs, property and corporate function of the Corporation, including by way of example, but not by way of limitation, the making and enforcing of rules and regulations for the conduct of the Corporation, its officers and employees, appointment of committees, and designation of times and places of meetings of Stockholders and Directors, the designation of salaries and compensation of officers and employees, and the purchase, sale conveyance, transfer, delivery, hypothecation, investment and re-investment of all real, personal, mixed, tangible and intangible property of the Corporation and the making and negotiation of loans on behalf of the Corporation as its needs, from time to time, may require, except if such authority is delegated to another committee in accordance with these By-Laws.

A. Quorum

A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business at any meeting of such committee.

B. Removal of Committee Members

Any member of the Executive Committee, other than the Chairman, may be removed, with or without cause, by the Board of Directors.

C. Filling of Vacancies

The Nominating and Corporate Governance Committee, with the approval of the Board of Directors, shall fill all vacancies upon the Executive Committee.

D. Meetings of the Executive Committee

The Executive Committee shall hold meetings at such times and places as may be prescribed from time to time by the Chief Executive Officer or Chairman of the Board or by a majority of the members of such Committee.

E. Notice of Meetings

Notice of all meetings of the Executive Committee shall be given to each member at least twenty-four (24) hours prior to, unless in the discretion of the Chief Executive Officer, it shall be deemed necessary to convene a meeting upon shorter notice, in which event, said meeting may be convened by notice given to members of such Committee by at least two (2) hours prior thereto.

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F. Ratification by Board of Directors

All acts and resolutions of the Executive Committee shall be recorded in an appropriate minute book and reported to the Board of Directors at the next succeeding stated meeting thereof, at which time the Board of Directors may revise, modify or disapprove any of the acts and resolutions so reported; provided, however, that the rights of third parties shall not be affected by any such revision, modification or disapproval. Except to the extent that the Board of Directors may so revise, modify or disapprove any act or resolution so reported, the Board of Directors shall be deemed to have ratified, confirmed and adopted the acts and resolutions as so reported at such meeting of the Board of Directors.

G. Informal Action

If all of the members of the Executive Committee shall severally or collectively consent, in writing, electronically, or over the telephone, to the taking of any action or the adoption of any resolution, such action or resolution shall be binding and valid to the same extent as if authorized or adopted at a formal meeting of the Executive Committee.

Section 3. FINANCE & INVESTMENT COMMITTEE

The Nominating and Corporate Governance Committee, with the approval of the Board of Directors, shall designate two (2) or more members of the Board of Directors, who, together with the Chairman of the Board, shall constitute a Finance and Investment Committee, which, subject to any policies in regard thereto established by the Board of Directors, shall have the power to review the Corporation's capital management policies and issues and to direct the purchase and sale of securities and mortgages by the Corporation. The provisions of Sections 2.A through

2.G inclusive of this Article shall likewise be applicable to the Finance and Investment Committee.

Section 4. AUDIT COMMITTEE

The Nominating and Corporate Governance Committee, with the approval of the Board of Directors, shall designate three (3) or more members, who are not officers or employees of the Corporation, its subsidiaries, or affiliates, who shall constitute the Audit Committee which may make or cause to be made by either the internal auditor or the outside auditors of the Corporation, or both, such examinations and audits as it may from time to time decide, or as the Board of Directors may by resolution direct. The Audit Committee shall receive reports from the internal auditor of the Corporation, shall consult with the outside auditor of the Corporation during the preparation of any report by such auditors and shall make written reports to the Board of Directors of all examinations and audits which such Committee makes or causes to be made. Sections 2.A through 2.G inclusive of this Article shall likewise be applicable to the Audit Committee.

Section 5. NOMINATING & CORPORATE GOVERNANCE COMMITTEE

The Chairman of the Board, with the approval of the Board of Directors, shall designate three (3) or more members of the Board of Directors, who are not officers or employees of the Corporation, its subsidiaries, or affiliates, who shall constitute a Nominating and Corporate Governance Committee, which shall have the responsibility of recommending nominees for election as directors

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subject to acceptance of the nomination by the Board of Directors. The provisions of Sections 2.A through 2.G inclusive of this Article shall likewise be applicable to the Nominating Committee.

Section 6. COMPENSATION & PERSONNEL DEVELOPMENT COMMITTEE

The Nominating and Corporate Governance Committee, with the approval of the Board of Directors, shall designate three (3) or more members of the Board of Directors, who are not officers or employees of the Corporation, its subsidiaries, or affiliates, who shall constitute a Compensation & Personnel Development Committee, which shall have the responsibility of reviewing and developing compensation and personnel practices, and management development and succession programs. The provisions of Sections 2.A through 2.G inclusive of this Article shall likewise be applicable to the Compensation & Personnel Development Committee.

Section 7. COORDINATING COMMITTEE

The Coordinating Committee, which shall consist ex officio of the members of the Corporation's Board of Directors, who are not directors of Harleysville Mutual Insurance Company, and who are not employees of the Company or its subsidiaries or affiliates, shall approve all transactions between the Corporation and its subsidiaries and Harleysville Mutual Insurance Company and its affiliates. The provisions of sections 2.A through 2.G inclusive of this Article shall likewise be applicable to the Coordinating Committee.

Section 8. CORPORATE STRATEGY COMMITTEE

The Nominating and Corporate Governance Committee, with the approval of the Board of Directors, shall designate three (3) or more members of the Board of Directors, who shall constitute a Corporate Strategy Committee, which shall have the responsibility of overseeing the development and implementation of the Corporation's business strategy. The provisions of Sections 2.A through 2.G inclusive of this Article shall likewise be applicable to the Corporate Strategy Committee.

Article VI - OFFICERS

Section 1. ELECTIONS

The officers of the Corporation shall be elected by the Board of Directors at its annual meeting, and other times as necessary and appropriate and shall consist of a President, a Secretary and a Treasurer. The Board of Directors may also elect a Chairman of the Board, a Chief Executive Officer, who need not hold another offership, one (1) or more Vice Presidents and such other officers, and appoint such agents as it shall deem necessary. Each officer of the Corporation shall hold office for such term, have such authority and perform such duties as set forth in these By-Laws and as may from time to time be prescribed by the Board of Directors. Any two (2) or more offices may be held by the same person.

Section 2. REMOVAL

The Board of Directors, by a vote of a majority of the entire number of Directors then in office, at any time, with or without cause, may remove from office any officer of the Corporation. Upon

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removal of any officer of the Company, all employment of such person by the Corporation, in every capacity, including employment in any non-officer capacity, and all rights to compensation by this Corporation shall cease, except as may otherwise be affirmatively directed by the Board of Directors.

Section 3. FILLING OF VACANCIES

A vacancy in any office may be filled by the Board of Directors.

Section 4. POWERS AND DUTIES

The powers and duties of the officers of the Corporation shall be as follows:

A. Chairman of the Board

Only if elected and designated as Chief Executive Officer shall the Chairman be an officer of the Corporation. If elected, the Chairman of the Board shall preside at all meetings of the stockholders and directors and shall direct the President or Chief Executive Officer to ensure that all orders and resolutions of the Board of Directors are put into effect, subject, however, to the right of the Board of Directors to delegate any powers, except such as may be by statute exclusively conferred on the Chairman of the Board, to any other officer of the Corporation. The Chairman of the Board may also be designated, from time to time, as the Chief Executive Officer of the Corporation, and when the Chairman of the Board has been so designated, shall, have the power and duties as set forth in section 4.B. If not so designated he shall have the duties assigned by the Board of Directors. The Board of Directors may elect a Vice-Chairman of the Board who shall have the power and duties assigned to him by the Board of Directors.

B. Chief Executive Officer

The Board of Directors shall elect a Chief Executive Officer of the Corporation, who may be the Chairman of the Board, the President, or any other employee. The Chief Executive Officer shall, insofar as permitted by statute and subject to supervision by and control of the Board of Directors, have general charge and direction of the business and affairs of the Corporation and have and exercise all such powers and duties otherwise generally or specifically vested in the Chief Executive Officer of a Corporation, including any and all powers and duties otherwise generally or specifically vested in the President by any provision of these By-Laws, and may delegate, recall and redelegate any part of these powers or duties to the President or to one (1) or more other officers, employees or agents of the Corporation. The Chief Executive Officer of the Corporation shall have daily control of the conduct of the Corporation's operations; shall have general and active management of the business of the Corporation; shall see that all orders and resolutions of the Board of Directors are put into effect as directed by the Chairman of the Board, subject,

however to the right of the Board of Directors to delegate any specific powers to any other officer or officers of the Corporation; shall execute bonds, mortgages and other contracts requiring a seal under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. If the Chairman of the Board

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shall not have been elected or is absent, the Chief Executive Officer shall preside at all meetings of the stockholders and directors.

C. President

The President of the Corporation may be designated as the Chief Executive Officer of the Corporation. If the President is designated as the Chief Executive Officer he shall have the power and duties set forth in section 4.B. If not, he shall have those powers assigned to him by the Board of Directors or by the Chief Executive Officer.

D. Vice Presidents

Each Vice President shall have such powers and shall perform such duties as may be assigned from time to time by the Board of Directors, the Chief Executive Officer or the President. Unless and except as the Board of Directors shall designate some other officer to perform such duties and functions, the Vice Presidents (in such order as may be assigned to them respectively by the Board of Directors) shall, in the absence or disability of the Chief Executive Officer and the President, perform the duties of both offices until the return of either the Chief Executive Officer or the President to active duty, provided, however, that when the Chief Executive Officer and the President are temporarily absent on vacation or business, the Chief Executive Officer or President may designate the Vice President or Vice Presidents who will perform the duties of the Chief Executive Officer and of the President during such temporary absences.

E. Assistant Vice Presidents

Each Assistant Vice President shall have such powers and perform such duties as are provided in these By-Laws or as may be assigned to them respectively by the Board of Directors, the Chief Executive Officer, the President or the Vice Presidents.

F. Secretary

The Secretary, in general, shall do all things required by law to be done by or incident to the office of a Secretary, including but not limited to retention of custody of the corporate seal, attendance at and keeping minutes of all meetings of Shareholders and of the Board of Directors and of each committee (unless otherwise directed by the Board of Directors or by such committee or by the Chief Executive Officer or by the President) and recording all such minutes and all votes of Shareholders, Board of Directors and Committees in books to be kept for that purpose. The Secretary shall attend to the giving of all notices required by law or these By-Laws to the Members, Directors or Committee Shareholders, unless and except as the Chief Executive Officer, President or the Board of Directors from time to time may designate some other officer to perform such functions. Except as may otherwise be directed by the Board of Directors, the Chief Executive Officer or the President, any duties may be delegated to any Associate or Assistant Secretary who shall perform such duties under the Secretary's direction and supervision. The Secretary may vote shares of subsidiaries of this Corporation. The Secretary shall have such further powers and duties as are provided in these By-Laws or as the Board of Directors, the Chief Executive Officer or the President shall assign or delegate.

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G. Assistant Secretaries

Each Assistant or Secretary shall have such powers and perform such duties as are provided in these By-Laws or as may be assigned to them respectively by the Board of Directors, the Chief Executive Officer, the President or the Secretary.

H. Treasurer

The Treasurer shall be a natural person of full age, and shall have care and custody of the Corporation's funds and securities and shall cause the same to be deposited or held in the name of and for the account of the Corporation in one or more banks, trust companies or banks and trust companies as directed by the Board of Directors. The Treasurer shall, in general, do all things required by law to be done by or incident to the office of Treasurer, and shall render to the Chief Executive Officer and the Board of Directors, upon demand or request, an account of all transactions as Treasurer and of the financial condition of the Corporation. Any duties may be delegated to any Assistant or Associate Treasurer, who shall perform such duties under the Treasurer's direction and supervision. The Treasurer shall have such further powers and duties as are provided in these By-Laws or as the Board of Directors, the Chief Executive Officer or the

President shall assign or delegate. The Treasurer may vote shares of non-subsiary corporations owned by this Corporation.

I. Assistant Treasurers

Each Assistant Treasurer shall have such powers and perform such duties as are provided in these By-Laws or as may be assigned to them respectively by the Board of Directors, the Chief Executive Officer, the President or the Treasurer.

Section 5. OTHER OFFICERS

The Board of Directors shall have the power, from time to time, to make such appointments of persons to corporate offices not specifically created by, or designated by title in these By-Laws and to employ such persons as shall be deemed necessary therefor. Such persons shall have such duties and such powers as, from time to time, shall be assigned to them by the Board of Directors, the Chief Executive Officer or the President.

Section 6. BOND OF OFFICERS

The Treasurer and every other officer or employee of the Corporation, required to do so by the Board of Directors, shall furnish, before entering upon their duties, at the expense of the Corporation, for the faithful performance of duties, a surety company bond in an amount prescribed by, and with such surety, and in such form, as is approved by the Board of Directors.

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Article VII - INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. AUTHORIZATION

A. The Corporation shall indemnify any person who was or is a party, or is threatened to be made a party to, or who is called as a witness in connection with any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that they are or were a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection

with such action, suit or proceeding if they acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that their conduct was unlawful.

- B. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to, or who is called as a witness in connection with any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit if they acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

Section 2. REQUIRED

To the extent that a director, officer, employee or agent has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 of this Article, or in defense of any claim, issue or matter therein because a director, officer, employee or agent of the Corporation, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

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Section 3. DETERMINATION AND AUTHORIZATION

Any indemnification under Sections (1) and (2) of this Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Sections (1) and (2) of this Article. Such determination shall be made (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iii) by the stockholders.

Section 4. ADVANCES

Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

Section 5. NON-EXCLUSIVE REMEDY

This indemnification and advancement of expenses provided by, or granted pursuant to, this Article is in addition to and independent of and shall not be deemed exclusive of any other rights to which any person may be entitled under any certificate of incorporation, articles of incorporation, articles of association, by-law, agreement, vote of stockholders or disinterested directors, statute, or otherwise, both as to action in their official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person; provided, that any indemnification realized other than under this Article shall apply as a credit against any indemnification provided by this Article.

Section 6. INSURANCE

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or

not the Corporation would have the power to indemnify him or her against such liability under this Article.

Section 7. DURATION

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

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Section 8. EXTENT OF COVERAGE

The Corporation may, to the fullest extent permitted by applicable law from time to time in effect, indemnify any and all persons whom the Corporation shall have power to indemnify under said law from and against any and all of the expenses, liabilities or other matters referred to in or covered by said law, if and whenever the Board of Directors of the Corporation deems it to be in the best interest of the Corporation to do so.

Section 9. DEFINITIONS

- A. For purposes of this Article, references to the "Corporation" shall include, in addition to the resulting Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article with respect to the resulting or surviving Corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.
- B. For purposes of this Article, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any services as a director, officer, employee, or agent of the Corporation which imposes duties on, or involves services by, such person with respect to an employee benefit plan, its participants or its beneficiaries; a person who acted in good faith and in a manner reasonably believed

to be in the interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in such a manner "not opposed to the best interest of the Corporation" as referred to in this Article.

Article VIII - SHARES AND SHARE CERTIFICATES

Section 1. FORM

The certificates for shares of the Corporation's capital stock, when issued, shall be numbered and registered in a share register as they are issued; shall bear the name of the registered holder, the number and class of shares represented thereby, and the par value of each share or a statement that such shares are without par value, as the case may be, shall be signed by the President or a Vice President of the Corporation, and the Secretary or the Treasurer of the Corporation, or any other person properly authorized by the Board of Directors and shall bear the corporate seal, which seal may be a facsimile engraved or printed. Where the certificate is signed by a transfer agent or a registrar, the signature of any corporate officer on such certificate may be a facsimile engraved or printed. In case any officer who has signed, or whose facsimile signature has been placed upon, any share certificate shall have ceased to be such officer because of death, resignation or otherwise, before the certificate is issued, it may be issued by the Corporation with the same effect as if the officer had not ceased to be such at the date of its issue.

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Section 2. TRANSFER OF SHARES

Upon surrender to the Corporation of a share certificate duly endorsed by the person named in the certificate or by an attorney duly appointed in writing and accompanied where necessary by proper evidence of succession, assignment or authority to transfer, a new certificate shall be issued to the person entitled thereto and the old certificate cancelled and the transfer recorded upon the stock transfer books and share register of the Corporation.

Section 3. REPLACEMENT OF CERTIFICATE

Should any stockholder of the Corporation allege the loss, theft, or destruction of one or more certificates for shares of the Corporation and request the issuance by the Corporation of a substitute certificate therefor, the Board of Directors may direct that a new certificate of the same tenor and for the same number of shares be issued to such person upon such person's making of an affidavit in form satisfactory to the Board of Directors setting forth the facts in connection therewith,

provided that prior to the receipt of such request the Corporation shall not have either registered a transfer of such certificate or received notice that such certificate has been acquired by a bona fide purchaser. When authorizing such issuance of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance of such certificate, require the owner of such lost, stolen or destroyed certificate, or his heirs or legal representatives, as the case may be, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such form and for such sum and with such surety or sureties, with fixed or open penalty, as shall be satisfactory to the Board of Directors, as indemnity for any liability or expense which it may incur by reason of the original certificate remaining outstanding.

Section 4. REGISTERED SHAREHOLDERS

Except as may otherwise be expressly provided by law, the Corporation shall be entitled to treat the holder of record of any shares of stock as the holder in fact thereof, and accordingly, shall not be bound to recognize any equitable or other claims to or interest in such shares on the part of any other person whether or not it shall have express or other notice thereof.

Article IX - DIVIDENDS

The Board of Directors may, from time to time, at any duly convened stated or special meeting or by unanimous consent, declare and pay dividends upon the outstanding shares of capital stock of the Corporation in cash, property or shares of the Corporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, shall deem proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purposes as the Board of Directors shall believe to be in the best interests of the Corporation, and the Board of Directors may reduce or abolish such reserve in the manner in which it was created.

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Article X - CHECKS AND NOTES

All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Article XI - FISCAL YEAR

The fiscal year of the Corporation shall be as determined from time to time by resolution of the Board of Directors.

Article XII - NOTICES AND WAIVERS THEREOF

Section 1. HOW GIVEN

Whenever written notice is required to be given to a Stockholder, Director, or committee member under the provisions of law or these By-Laws, it may be given either personally or by sending a copy by first-class or express mail, postage prepaid, or by telegraph, telex or TWX (with answer back received), or by courier service (charge prepaid), or by facsimile transmission, to the address (or to the telex, TWX or facsimile number) appearing on the books of the Corporation, or in the case of Directors, supplied by the Director to the Corporation for the purpose of notice. If the notice is sent by mail, telegraph or courier service, it shall be deemed to have been deposited in the United States mail or with a telegraph office or courier service for delivery to that person or, in the case of telex or TWX, when dispatched. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of these By-Laws.

Section 2. WAIVER

Any written notice required to be given to any person may be waived in a writing signed by the person entitled to such notice whether before or after the time stated therein. Attendance of any person entitled to notice, whether in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where any person attends a meeting for the express purpose of objecting to the trans-action of any business because the meeting was not lawfully called or convened. Where written notice is required of any meeting, the waiver thereof must specify the purpose only if it is for a Special Meeting of the stockholders.

Article XIII - CONTRACTS OF INSURANCE

Contracts of insurance or reinsurance may be made or entered into, on behalf of the Corporation, either with or without the seal thereof, when subscribed by the Chairman of the Board, the President, or such other officer as may be designated by the Board of Directors for the purpose, and attested by the Secretary or such other officer or officers designated by the Board of Directors for that purpose. Any such subscription may be by personal subscription or by facsimile duly authorized by the Board of Directors or the Executive Committee.

Article XIV - SUBORDINATION TO LAW

Every part of each Section of these By-Laws shall be construed, whenever possible, as being consistent with applicable laws, and only such part as is clearly inconsistent, and to the extent that it is clearly inconsistent, shall be inoperative; and such part to the extent not clearly inconsistent and all other parts of the Section and all other Sections shall remain operative.

Article XV - AMENDMENTS

These By-laws may be altered, amended or repealed by a majority vote of the stockholders entitled to vote thereon at any Annual Meeting or Special Meeting duly convened after notice to the stockholders of that purpose or by a majority vote of the members of the Board of Directors at any stated meeting or special meeting duly convened after notice to the directors of that purpose, subject always to the power of the stockholders to change such action of the directors.