

HARLEYSVILLE INSURANCE AUDIT COMMITTEE COMPLAINTS PROCEDURES AND WHISTLEBLOWER PROTECTION POLICY

This policy does not constitute a contractual commitment of the Company. This policy should not be construed as preventing, limiting or delaying the Company from taking disciplinary action against any individual, up to and including termination, in circumstances (such as, but not limited to, those involving problems of performance, conduct, attitude or demeanor) where the Company deems disciplinary action appropriate. This policy in no way alters an employee's at-will employment status with the Company. Either the Company or an employee can terminate the employment relationship at the Company at any time, for any reason or no reason, with or without cause, warning or notice.

Anyone filing a complaint concerning a violation or suspected violation of any law, regulation or policy of the Company (including, the Code of Conduct) must be acting in good faith and have reasonable grounds for believing the information disclosed indicates such a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

1. Introduction

Whistle blowing is the disclosure by an employee of any alleged illegal, unethical or dangerous activity or practice engaged in by an organization or one of its officers, directors or employees. Pursuant to federal and state laws, employees have the right to report and testify about actions by or on behalf of one's company that are illegal or violate specific public policies including accounting, internal controls and auditing matters.

Harleysville Group Inc. and its parent and affiliates (collectively, the "Company") is committed to preventing adverse employment action of any kind against employees of the Company who lawfully report information about (a) fraudulent activities within the Company; (b) questionable accounting, internal accounting controls or auditing matters of the Company; (c) conduct by executives of the Company that causes reports and other public disclosures by the Company that are not full, fair and accurate; and (d) violations of state and federal laws.

To advance this commitment, the Company has adopted this Audit Committee Complaints Procedures and Whistleblower Protection Policy (hereinafter "Policy"). In conjunction with the Code of Conduct and Ethics for Directors, Officers and Employees and the Code of Ethics for Senior Financial Officers, this Policy establishes procedures to prevent and detect illegal conduct.

2. Purpose

This Policy establishes standards and procedures to ensure that complaints and concerns regarding the Company's operations, conduct and reporting are handled in a manner that complies with the Company's objectives.

Pursuant to Section 301 of the Sarbanes-Oxley Act of 2002 and Rule 10A-3 of the Securities Exchange Act of 1934, this Policy also establishes procedures for the confidential, anonymous submission by employees, receipt, retention and treatment of complaints and concerns regarding questionable accounting, internal accounting controls or auditing matters.

This Policy protects all officers, directors and employees of the Company from discharge, demotion, suspension, threats, harassment or any discriminatory or retaliatory action against the officer, director or employee for any lawful act done that includes: (1) providing information or causing information to be provided or assisting in an investigation regarding any conduct which the employee reasonably believes constitutes corporate fraud or violates regulations set forth by any federal regulatory or law enforcement agency, any member of Congress or any committee of Congress, or a person with supervisory authority over the employee, or (2) filing, causing to be filed, testifying, participating in, or otherwise assisting in a proceeding filed or about to be filed (with any knowledge of the employer) relating to an alleged violation of corporate fraud laws or any rule of regulation of the Securities Exchange Commission.

Any officer, director or employee who feels he or she is being retaliated against due to the submission of any type of complaint that is covered by this Policy may file complaints with the U.S. Department of Labor, 200 Constitution Avenue, NW, Washington, D.C. 20210, within 90 days following the date of the alleged retaliation.

3. Scope of Policy

This Policy applies to Harleysville Group Inc. and its parent and affiliates, its directors, officers and employees.

4. Administration

The Audit Committee of the Board of Directors is responsible for maintaining this Policy and establishing procedures to receive, retain and treat complaints regarding accounting, internal controls or auditing matters and to produce a method for employees to report the same, confidentially and/or anonymously. The Vice President of Internal Audit has been identified as the Chief Complaint Officer and will enforce the provisions of this Policy without prejudice and in accordance with the procedures set forth elsewhere in this Policy. At the discretion of the Audit Committee, responsibilities of the Audit Committee created by these procedures may be delegated to any member of the Audit Committee or to a subcommittee of the Audit Committee.

The Audit Committee, in consultation with the Company's General Counsel or if appropriate outside counsel, shall have the authority to make interpretations regarding the operation of this Policy.

The Audit Committee shall have the authority to engage independent counsel and other advisors, as it determines necessary to carry out its duties.

5. Scope of Matters Covered by Policy

This Policy relates to complaints concerning any questionable accounting or auditing matters including: (1) fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Company; (2) fraud or deliberate error in the recording and maintaining of financial records of the Company; (3) deficiencies in or noncompliance with the Company's internal accounting controls; (4) misrepresentations or false statement to or by a senior officer or accountant regarding a matter contained in the financial records, financial reports or audit reports of the Company; or (5) deviation from full and fair reporting of the Company's financial condition.

6. Procedures

A. Submission of Complaints

Any employee may submit, confidentially and anonymously, a good faith complaint regarding alleged accounting or auditing improprieties or inadequacies, or any questionable accounting or auditing matters involving the Company and/or its employees to the Chief Complaint Officer in the following method:

U.S. Mail: Anonymous, written complaints should be sent to the Chief Complaint Officer, c/o Harleysville Insurance, 355 Maple Avenue, Harleysville, PA 19438. The complaint should contain a sufficient amount of detail so that the situation may be properly investigated. The complaint should include copies of documents, transactions or other details to support the claim. To remain confidential, the envelope should include the words "Confidential Audit Committee Submission." The envelope shall not be opened by any officer or employee of the Company. The Chief Complaint Officer shall promptly forward the envelope to the Chairman of the Audit Committee. The anonymity of the sender may be compromised if a return address is used or the letter is signed.

E-mail: Complaints may be sent via e-mail to the Chief Complaint Officer directly at chiefcomplaintofficer@harleysvillegroup.com. The e-mail should include sufficient details to allow for a proper investigation into the claim. Files may be attached to the e-mail in order to provide additional support. However, the confidentiality of the complaint and the anonymity of the sender may be compromised due to the technological nature of the submission, the ability to identify the sender's e-mail address, the lack of a secure e-mail environment and the potential ability for others to access the transmission or file. All incoming e-mails are scanned for viruses and profanity by the Company and may not be deliverable if either exists.

In Person: To file a complaint in person, the office of Joseph Buick, Vice President of Internal Audit and Chief Complaint Officer, is located on the first floor of Building A in the Accounting Department at the Home Office of Harleysville Insurance, which is located at 355 Maple Avenue, Harleysville, Pennsylvania 19438.

If requested by a complainant, the Audit Committee may acknowledge receipt of a complaint via U.S. mail. In such case, a complainant's identity would not be anonymous.

Changes to the individual serving as the Chief Complaint Officer and his/her contact information will be posted as such time occurs.

B. Receipt of Complaints

Upon receipt of a complaint, the Chairman of the Audit Committee shall review the complaint and determine appropriate action to take that may include circulation to the Audit Committee for further deliberation and scheduling of a meeting. If the allegation raises a matter that should be considered by another Committee of the Board of Directors, the Chairman shall forward it to the Chair of the appropriate Committee. The designated Committee may, as provided in its Charter, retain independent advisors to investigate the allegations.

The Chairman of the Audit Committee or the full Audit Committee may request management to investigate allegations made in a complaint and report back to the Audit Committee. If the Audit Committee determines that management should investigate the allegation, the Audit Committee will notify the General Counsel in writing of its conclusion. Management, under the guidance of the General Counsel, shall promptly thereafter investigate the allegation and shall report the results of its investigation in writing to the Audit Committee.

Prompt and corrective action shall be taken when and as warranted in the judgment of the Audit Committee. If required, additional reporting to regulatory or law enforcement agencies may be necessary.

C. Records

The Audit Committee shall keep a log of all submissions including date submitted, actions taken and final disposition. To the extent that the Audit Committee determines to communicate the report or findings outside the Audit Committee, all directors should receive the communication.

The Audit Committee may provide a copy of the complaint or allegation without identification of the complainant to the CEO, CFO, General Counsel or Vice President of Internal Audit.

The Audit Committee shall in its discretion disclose results of its investigation in writing to the CEO, CFO, General Counsel and Vice President of Internal Audit.

The internal audit department shall bi-annually review all complaints submitted, without identification of complainant, to determine if there is any pattern of conduct or allegations that need to be more thoroughly addressed.

The Audit Committee shall retain for a period of seven years all records relating to any allegation and to the investigation of any such allegation.

7. Distribution

The Policy shall be posted on the Company's internal and external websites.

I:\publ\HMIC\mbk\00020212.DOC