

**Harleysville Group Inc.  
Harleysville Mutual Insurance Company**

**BOARD OF DIRECTORS' GOVERNANCE PRINCIPLES  
Amended and Restated by the Board of Directors - October 2008**

***Role of the Boards:*** The primary responsibility of each Board is to manage the business and affairs of the corporation for, in the case of Harleysville Group Inc. (HGI), the benefit of shareholders, and, in the case of Harleysville Mutual Insurance Company (HMIC), for the benefit of policyholders. HGI, HMIC and their respective insurance subsidiaries are referred to in these Principles as the Companies. Because the daily operations of the Companies are the responsibility of management, the role of each Board is to oversee management's performance of that function. Accordingly, each Board, as applicable, directly or through a Committee, shall:

- Ensure that the Board membership collectively has the appropriate skills for it to execute its responsibilities effectively,
- Appoint the Chief Executive Officer (CEO),
- Provide advice and counsel to the CEO,
- Evaluate the CEO's performance annually,
- Evaluate the Board's performance annually,
- Participate with management in determining the Companies' corporate strategy and reviewing its suitability as circumstances change,
- Approve changes in by-laws and proposals to be submitted to stockholders of HGI,
- Declare dividends for stockholders and policyholders,
- Oversee an effective management development and succession process,
- Review financial goals and performance, and
- Create and support an ethical and legally compliant business environment, including adoption of, and oversight of compliance with a Code of Conduct for Directors, Officers and Employees and a Code of Ethics for Senior Financial Officers.

***Size of the Boards:*** The Boards of Directors of HGI and HMIC should have seven or more directors each. In combination, the Boards of the two companies should have between ten and twelve members.

***Independent Directors:*** The membership of each Board should include no more than three "inside" current or former employee directors, all others meeting the definition of "independent directors" as defined by the SEC and applicable stock exchange on which the HGI stock is then traded. Independent directors may not have, directly, or indirectly, any substantial business transactions with the Companies, such as would have to be disclosed in a proxy statement under the Securities Exchange Act of 1934. No independent director should occupy a position as a director or officer or employee of any entity with which the Companies directly and significantly compete, or with which they will directly and significantly compete in the foreseeable future. Directors may not be independent directors on more than three other boards of for-profit companies.

Each Board, led by the Nominating and Corporate Governance Committee, shall make an annual assessment of the compliance with the applicable independence requirement by the Board and each Committee of the Board.

***Selection of Directors:*** Each Board shall nominate qualified individuals for election by stockholders or policyholders, and in filling vacancies on the Board, shall elect qualified individuals. These individuals should have outstanding records of achievement in their chosen career, the skills to perform the role of a director, and the time and motivation to perform as a director. The Nominating and Corporate Governance Committee, with the active participation of the CEO and Chairman, screens director candidates and recommends candidates to the Board for election as a director. Directors should bring specialized talents to the Board that can add value both to the Board's deliberative process and advance the business goals and social consciousness of the Companies. Directors must be knowledgeable about profit-making enterprises and the elements necessary for such enterprise to be successful.

***Director Attendance:*** Directors should attend all meetings of the stockholders, the Board or Boards on which they serve and the Committees on which they serve.

***Director Compensation:*** Director compensation should be competitive with the compensation of directors at peer companies. Director fees are determined by the Compensation and Personnel Development Committee after consultation with independent compensation consultants.

***Stock Ownership:*** Each director shall own HGI stock worth five times the current annual retainer, within five years of first election. Ownership shall be determined by shares of stock beneficially owned. Until actual beneficial ownership is achieved, reasonable and substantial progress towards that goal must be demonstrated unless there are exceptional circumstances preventing such progress.

***Individual Director Responsibilities:*** In order to perform the role described above, each director should:

- Understand his or her fiduciary duties under Delaware law or Pennsylvania law, or both,
- Develop a thorough understanding of the property/casualty insurance industry in general and the Harleysville organization in particular,
- Understand his or her duties as a director under the federal securities laws,
- Be familiar with the Articles or Certificate of Incorporation and By-Laws of the Companies,
- Thoroughly prepare for each Board or Committee Meeting,
- Communicate ideas/concerns to the CEO when such ideas/concerns arise,
- Make informed decisions,
- Contribute his or her expertise for the advancement of the Companies' business at applicable Board meetings,
- Attend Stockholder, Policyholder, and applicable Board and applicable Committee Meetings, and
- Keep pace with developments in his or her specialized areas of knowledge.

***Board Leadership:*** Each Board retains the right to exercise its judgment in combining or separating the offices of CEO and Chairman of the Board.

***Directors' Term of Office and Retirement Policy:*** Directors will serve for a term of office of three (3) years or until a successor has been elected and qualified. Pursuant to the by-laws of each Company, each independent director must retire from the applicable Board at the next annual meeting following his or her seventy-second birthday. No director should continue to serve as a director after retiring or resigning from his or her principal employment, unless otherwise agreed upon by the Chairman and the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee shall be

responsible for recommending to each Board whether or not a director should be nominated for reelection at the end of a 3-year term.

***Affiliations of Directors:*** Under the Companies' Code of Conduct, each director shall notify the corporate secretary of any affiliation that might create a potential conflict of interest or any embarrassment to the Companies.

***Executive Compensation:*** Compensation of the CEO and other officers of HGI subject to the requirements of Section 16 of the Securities Exchange Act of 1934 (Section 16 Officers) is determined by the Compensation and Personnel Development Committee, after consultation with the CEO (except with respect to the CEO compensation) and consultation with independent compensation consultants. In the case of the CEO compensation, the Compensation and Personnel Development Committee makes a recommendation to, and such compensation is approved by, the independent directors of the HGI Board. Fees paid to non-employee directors are determined by the Compensation and Personnel Development Committee after consultation with independent compensation consultants.

***Board Meeting Frequency:*** As stipulated in each of the By-Laws, in Article IV, Section 2, each Board will conduct an annual meeting and hold regular meetings on four other occasions during each year. Each Board may, at its discretion, elect to hold additional meetings and/or to omit any of its regular meetings. In addition, a strategy review session of each Board that will be devoted to a review and critical appraisal of company strategies, including new products, new market opportunities, and prospective acquisitions, shall be held as slated by the Chairman or as requested by the Board.

***Board Meeting Agendas:*** A Board calendar shall be established for each year that list items to be addressed. Additional items are added as necessary by the Chairman and CEO but each director may suggest items for the agenda and raise subjects at a Board meeting that are not on the agenda. Information about the Companies' financial and operating performance as well as industry general information will be communicated to directors by express mail, fax, or e-mail prior to regular Board meetings and during the intervals between Board meetings.

***Meeting Attendees:*** Each Board encourages regular attendance by the Companies' senior officers during prescribed portions of Board meetings in order for them to report on key activities.

***Executive Sessions:*** Each Board shall have the opportunity to meet in executive session without employee directors or employees present after each regular Board meeting.

***Committees of the Board:*** The Committees of the Boards include the Executive, Finance and Investment, Audit, Coordinating, Nominating and Corporate Governance, Compensation and Personnel Development and Corporate Strategy Committees. The role of the Committees is to oversee, where permitted by applicable legal and regulatory requirements, specific key functions on behalf of the whole Board. Membership on Committees must comply with applicable regulatory requirements. Each Committee shall, subject to approval by the Board, develop and maintain a charter consistent with these principles setting forth the function and responsibilities of each Committee. The Boards shall retain full authority of those responsibilities not delegated or assigned to a Committee. Those charters, upon approval of the applicable Board, shall be incorporated into these Principles by reference. Minutes of Committee meetings are provided to the full Committee, including the Committee Chairman and they have the opportunity to comment on Committee activities at each meeting.

***Annual Assessment of Board Performance:*** The Nominating and Corporate Governance Committee will annually conduct a process of self-assessment of each Board's effectiveness and make a report on the subject to such Board.

***Review and Interpretation of Corporate Governance Principles:*** Periodically, the Nominating and Corporate Governance Committee will review these principles and recommend any appropriate changes to the Board. The Nominating and Corporate Governance Committee will also provide guidance on the interpretation of these Principles and a director's compliance with them.

***Effect of Non-Compliance:*** Non-compliance with these Principles may lead to a director's removal for cause or failure to be re-nominated for election.

***Publication of Governance Principles:*** These Principles shall be available to the public.

***Access to Management and Independent Advisors:*** The directors should have access to management and, as necessary and appropriate, independent advisors.