



Harleysville Mutual Insurance Company

CHARTER OF THE AUDIT COMMITTEE Amended and restated February 18, 2009

A. Establishment

The Board of Directors of Harleysville Mutual Insurance Company (the Company) has established an Audit Committee pursuant to Article V, Section 4 of its By-Laws and the requirements of the insurance laws of the various states in which the Company's insurance subsidiaries (Companies) are domiciled.

B. Membership

The Audit Committee of the Company shall consist of three or more directors who are independent of the management of the Companies, and otherwise have no business directly or indirectly with the Companies that could influence their judgment or interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Its members shall not be officers or employees of the Companies and shall meet the definition of independent director as established by the SEC and by the principal securities exchange on which the Harleysville Group Inc. Common Stock is then listed. Each Committee member must be able to read and understand fundamental financial statements including a company's balance sheet, income statements, and cash flow statements. At least one member of the Audit Committee must have past or current employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

C. Function

The purpose of the Audit Committee is to assist the Board of Directors in its role as representatives of the policyholders by overseeing corporate accounting policies, reporting practices, and quality and integrity of the financial reports of the Company and by reviewing the financial information that is provided to policyholders, regulatory authorities, and others.

Management is responsible for the Company's financial reporting process and for the preparation of its financial statements in accordance with generally accepted accounting principles. The independent auditor is responsible for auditing those financial statements. The Committee's responsibility is to monitor and review these processes. It is not the Committee's responsibility to conduct auditing or accounting reviews or accounting procedures.

D. Responsibilities

The Audit Committee shall perform all the duties as set forth herein or as directed by the Board of Directors. The policies and procedures of the Committee must be flexible in order to react effectively to changing conditions and to assure the Board and policyholders that the corporate accounting and reporting practices of the Companies are in accordance with all requirements and are of the highest quality.

To carry out its function, the Audit Committee shall:

1. Appoint, determine funding for, oversee and as necessary terminate the services, subject to Board ratification, of the independent auditor that audits the financial statements of the Company. The audit engagement contract shall be signed by the Committee chair as well as the Chief Financial Officer.

2. Approve in advance the audit and non-audit services to be provided by the independent auditor selected. The chair of the Committee or, if she or he is unavailable, any member of the Committee may pre-approve any additional audit or non-audit services, subject to compliance with pre-approval policies and procedures established by the Audit Committee that can not include delegation to management. In the event of such approval by the chair, the full Committee shall be so informed at its next meeting. With regard to non-audit services, the pre-approval requirement is not necessary if: 1) the aggregate amount of all such services provided constitutes no more than five percent of the total amount of revenues paid by the Company to its independent auditor during the fiscal year in which the services are provided; 2) such services were not recognized by the Company at the time of the engagement to be non-audit services; and 3) such services are promptly brought to the attention of the Audit Committee and approved by the Audit Committee or by its chair prior to the completion of the audit. The Committee may adopt policies and procedures to implement the foregoing.
3. Insure that the independent auditor's lead partner, and other partners, involved in the engagement be changed in accordance with applicable law.
4. Consider whether it is advisable and appropriate to change the independent auditor from time-to-time.
5. Require the independent auditor to report to the Audit Committee on critical accounting policies to be used and alternative treatments of financial information that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor. Any changes in accounting policies should be reviewed.
6. Require the independent auditor to report to the Audit Committee other material written communications between it and management, such as any management letter or schedule of unadjusted differences.
7. Obtain annually from the independent auditor a statement regarding its independence and evaluate such statement.
8. At least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review of the firm, or by any inquiry, investigation or review by governmental or professional authorities, including, without limitation, the Public Company Accounting Oversight Board, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Company.
9. Require the independent auditor to discuss the matters required to be discussed by Statements of Accounting Standards Nos. 61 and 71 for both annual and interim financial statements.
10. Review policies with respect to risk assessment and risk management.
11. Regularly meet in executive session each with management, with internal auditors, and with the independent auditor. Among the items to be discussed in these meetings are the independent auditor's evaluation of the Companies' financial, accounting, and auditing personnel, and the cooperation that the independent auditor received during the course of the audit.
12. Review with the independent auditor any audit problems or difficulties and management's response.

13. Meet with the independent auditor and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized. At the conclusion of the audit, the Committee shall review such audit findings along with the independent auditor's management letter, if any, and the Companies' response, with the purpose of identifying ways to improve financial systems and reporting procedures.
14. Review with the independent auditor, the Companies' internal auditors, and the Companies' financial and accounting management the adequacy and effectiveness of the accounting and financial controls of the Companies, and elicit recommendations for the improvement of internal control procedures or particular areas where additional detailed controls or procedures are desirable. Particular emphasis will be given to the adequacy of such internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
15. Review the internal audit function of the Companies including the independence and authority of its reporting obligations, the proposed audit plans for the coming year, and the coordination of such plans with the independent auditor.
16. Receive a summary of findings from completed internal audits and a progress report of the proposed internal audit plan, with explanations for any deviations from the original plan.
17. Monitor compliance with complaint procedures that provide for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
18. Investigate any matter brought to its attention within the scope of its duties, with the power to retain outside counsel and other experts for this purpose if in its judgment that is appropriate.
19. Review and, if appropriate, approve related party transactions that are not within the jurisdiction of the Coordinating Committee.
20. Annually review and assess the adequacy of this Audit Committee Charter and recommend changes to it as necessary for approval by the Board.
21. Conduct an annual review of the Committee's performance.
22. Submit the minutes of all meetings of the Audit Committee to and regularly report on its activities to the Company's Board of Directors.

E. Authority

The Committee may retain at the Company's expense such independent consultants, attorneys, accountants, actuaries, as appropriate and necessary, to support its oversight role.

F. Compensation

No member of the Committee, nor any immediate family member or employer of any Committee member, or an entity as to which a Committee member is an affiliate, may receive compensation from the Company or an affiliate other than fees as a director (which may include Committee fees).