

BENEFITS AND COMPENSATION COMMITTEE CHARTER
PENNSYLVANIA NATIONAL MUTUAL CASUALTY INSURANCE COMPANY

APPROVED BY: The Board of Directors

APPROVED DATE: April 13, 1998

Revised 04/13/98

BENEFITS AND COMPENSATION COMMITTEE CHARTER

PENNSYLVANIA NATIONAL MUTUAL CASUALTY INSURANCE COMPANY

FUNCTION/PURPOSE:

The purpose of this committee is to: a) review corporate benefit and compensation policies and programs, and b) to make recommendations relative thereto to the Board of Directors in support of the Company's mission.

COMMITTEE MEMBERSHIP/ORGANIZATION:

This committee is appointed by the President/CEO subject to the approval by the Pennsylvania National Mutual Casualty Insurance Company Board of Directors. The committee consists of at least three (3) outside board members plus the President/CEO, Senior Vice President and General Counsel, Senior Vice President/CFO and the Senior Vice President of Human Resources and Administration. The latter four (4) are non-voting members as respects matters of executive officer compensation. The committee will be appointed for an annual term at the Annual Board of Directors meeting, and will be chaired by one of the outside members of the board of directors.

MEETING SCHEDULE/ACTIVITIES:

This committee will meet as required to accomplish its responsibilities, but at a minimum it will meet twice annually.

This committee will also:

- review all compensation strategies and significant policies before board of directors approval is sought;
- recommend elected officers' compensation packages and changes to these packages;
- oversee and recommend for board of directors approval, salary structure changes;
- ensure the proper oversight and administration of all employee benefit programs;

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- coordinate with the Finance/Investment Committee of the board of directors, as to the development and execution of the investment strategy of the pension, 401(k), and ESOP plans as applicable;
- Oversee trustee relationships;

The committee chairperson will be responsible to see that minutes of each committee meeting are recorded, with copies sent to each committee member, as well as to the secretary of the Company for permanent retention.

RESPONSIBILITIES AND OBJECTIVES:

As respects compensation:

This committee has the responsibility and authority to:

- review compensation strategies and significant policies recommended by the Human Resources Division;
- direct the Human Resources Division to research alternative compensation plans;
- direct the development of executive compensation plans involving stock and other incentives to further the interests of the Penn National Insurance Companies;
- review and recommend for approval by the board of directors compensation for elected officers and general compensation for all employees, including but not limited to salaries, pensions, bonuses, incentives and other compensation plans;
- the Committee will be provided with performance evaluation data prepared by the board as respects the President and by the President as respects the other executive officers.
- set reasonable compensation for members of the board and for participation on committees of the board; and
- perform other oversight functions as requested by the board of directors, or as deemed necessary by the Committee.

As respects benefits:

The committee has the responsibility and authority to:

- provide oversight to assure that retirement and welfare plans are financially sound, responsive to employee needs, and deemed qualified by the Internal Revenue Service.

- direct the development of a comprehensive employee benefits program that supports corporate strategies;
- review and recommend the amendment of the existing plans;
- provide input to Investment Managers, regarding 401(k) plan investment offerings;
- oversee trust relationships for pension and 401(k) plans;
- recommend benefit plan changes to the board of directors, in support of corporate strategies;
- review the Human Resources Division's research and analysis, regarding recommended plan changes;
- oversee preventative and corrective actions taken to assure the tax qualified status of retirement plans;
- oversee tax-law compliance activities related to benefits plans.
- report all actions taken and recommendations to the board of directors, for approval and/or ratification.

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