



CODE OF BUSINESS ETHICS AND CONFLICTS OF INTEREST POLICY

This Code of Business Ethics and Conflict of Interest Policy (the “Policy”) is an attempt to set out in broad terms the general principles that shall guide each of our directors, executive officers and employees. It is not practical or warranted that detailed rules covering every conceivable situation be set forth. However, throughout this Policy a few illustrations of types of activity, which violate this policy, may be helpful as a guide.

A. CONFLICTS OF INTEREST

It is the policy of the Penn Millers Holding Corporation, its subsidiaries, affiliates, successors and/or assigns, hereafter referred to as the “Company” that no director, executive officer or employee shall use his/her position or the knowledge gained from it in such a way that a conflict of interest or the appearance of a conflict arises between personal interests and legal or moral responsibilities to the Company. It is considered that a conflict of interest exists when the activities of such person for the Company result in or permit that person to obtain an improper personal advantage or material gain, adversely affects the Company’s interests, or permits or results in a third party obtaining an improper advantage. Whenever any such person finds that he/she has a conflict of interest, and even when in doubt as to the existence of such a conflict, it is his/her duty to make a full disclosure of the matter to the appropriate Company official(s).

1. OUTSIDE INTEREST OR EMPLOYMENT

No executive officer or employee shall hold a position or engage in any outside employment which interferes with the performance of their company duties or which involves obligations, which may conflict with the interest of the Company.

No director shall hold a position or engage in any outside employment which interferes with the performance of the Company duties or which involves obligations, which may conflict with the interest of the Company, except as otherwise disclosed to and consented to by the other members of the Board of Directors of the Company (the “Board”).

This statement should not be construed as a prohibition against participation in activities in the insurance industry and in civic affairs as long as the time devoted to those activities does not unreasonably interfere with the ability of such person to perform company duties.

2. ACCEPTANCE OF ENTERTAINMENT OR GIFTS

It is the duty of each director, executive officer and employee to avoid the receipt of gifts, gratuities, discounts, entertainment, or other benefits to themselves and close family members which are given for the purpose of, or



which might have the effect of influencing his/her judgment in the performance of his/her Company duties.

This policy is not intended to exclude gifts or other benefits which are within the range of accepted business courtesies, tokens of friendship, or normal hospitality, or entertainment, which is within acceptable normal business practice. Gifts valued over \$100 may not be accepted.

3. BUSINESS DEALINGS

Each director, executive officer and employee should avoid having any financial interest in any transaction between the Company and a third party, which might adversely affect the exercise of his/her official judgment. If the Company is engaged in a business transaction with a third party with whom a director, officer or an employee, or a member of his/her immediate family, is affiliated or in which he/she has interest, he/she should make his/her position known to both organizations and should refrain from participation in material negotiations or decisions with respect to that transaction. In the case of a director who may have diversified business interests, the director should disqualify himself/herself in any voting by Board of Directors with respect to such a transaction.

This policy is intended to prohibit rebates, kickbacks, profit-sharing arrangements and compensation in any form from a third party dealing with the Company.

4. INVESTMENT AND FINANCIAL INTERESTS

Directors, executive officers and employees should avoid investments in businesses, which might compete with any of the Company's interests.

5. PROPRIETARY INFORMATION

Proprietary business, technical and personal information of the Company, its employees, customers, applicants, claimants, shareholders and suppliers is considered confidential and must be protected. Any information that affords the Company a competitive advantage is considered a trade secret of the Company and is considered confidential. Intellectual property developed by you or others for the Company, or for which the Company has secured rights from others, is the property of the Company and should be used only for the benefit of the Company. You may not disclose proprietary information or other confidential information of the Company, current and former employees, current and former customers, applicants, claimants, shareholders or suppliers. Further, you may not use any such information for the benefit of anyone other than the Company unless you are specifically authorized to do so. These prohibitions continue even if you cease being a director, executive officer or employee of the Company for any reason.



B. ETHICAL CONDUCT

Ethics are accepted principles of right and wrong that govern your conduct. Below we have outlined certain guidelines regarding conduct that is acceptable and not acceptable at the Company.

1. FRAUD

No director, executive officer or employee may engage in fraudulent conduct. Fraud is the deliberate practice of deception in order to receive unfair or unlawful gain. You must immediately report any suspicion or discovery of fraud.

2. PUBLIC COMMUNICATIONS

Honest and ethical conduct requires that our directors, executive officers, and employees perform their duties in a matter that ensures and promotes the full, fair, accurate, timely, and understandable disclosure in reports, documents, and other communications with the U.S. Securities & Exchange Commission, the Pennsylvania Insurance Department, and all other communications with the public or other government or regulatory organizations.

Misstatements or omissions in our public communications and disclosures may result in liability to the Company as well personal liability to you. Violations of this Policy in regard to public communications do not need to involve intentional misconduct or deceit, but may result from a person's negligence or failure to follow internal controls designed to ensure accurate and full disclosures in our public communications.

You must immediately report any suspicion or discovery of any conduct or event that may result in a misstatement or inaccuracy in our public communications.

3. COMPLIANCE WITH THE LAW

As a director, executive officer or employee of the Company, you are expected that your conduct at the Company will comply with applicable governmental laws, rules and regulations and will not result in a violation by the Company of applicable law. You must immediately report any suspicion or discovery of any violation of the law.

4. PERSONAL CONDUCT

As a director, executive officer or employee of the Company, you are expected to exercise the highest degree of honesty and integrity and exhibit loyalty in all matters pertaining to the Company. You must immediately



report any suspicion or discovery of any breach of trust or dishonesty that may harm the Company.

C. REPORTING VIOLATIONS

If you suspect non-compliance with this Policy, or have a question about the proper course of action in a particular situation, ask your immediate supervisor for advice. If for any reason you do not feel comfortable discussing your concerns or questions with your immediate supervisor, or if you are dissatisfied with his/her response, seek advice from the next level of supervision within your area or the Company's Human Resources Department. If the response is still unsatisfactory, or if the situation warrants, you may directly contact the President of the Company, or any member of the Bylaws and Governance Committee of the Board.

A General Hotline Service is always available for reporting any suspected or actual violation of this Policy; if special circumstances exist, if issues are not being properly addressed or if you feel more comfortable using this means of reporting. This is a confidential service that allows for the anonymity of the caller if desired. The hotline is accessible 7 days a week, 24 hours a day. The hotline number is 1-800-826-6762.

In order to affirmatively apply this Policy, it is necessary that each director, executive officer and employee complete the attached questionnaire, which will be submitted to such persons with this Policy. Disclosures to be made by means of the questionnaire will be called for annually. The information disclosed by the answers to the questions will be kept confidential, subject to the necessity for analysis and for discussion with affected officers and availability for review by regulatory authorities.

D. ACCOUNTABILITY FOR VIOLATIONS

Our directors, executive officers and employees will be held accountable for violations of this Policy. Any violation of this Policy shall be grounds for discipline and/or the suspension (with or without pay) or termination of such employee's or executive officer's employment with the Company, based upon the intentional nature and severity of such violation. Depending on the intentional nature and severity of a violation of this Policy by a director, the remaining Board members may vote to remove the director for cause, and at a minimum the Board shall consider such violation when evaluating whether to re-nominate such director to the Board for an additional term.