



CHARTER OF THE RISK COMMITTEE

Effective February 16, 2011

A. Establishment

The Board of Directors of each of Harleysville Group Inc. and Harleysville Mutual Insurance Company (collectively, the “Companies”) have established a Risk Committee. This Charter governs the membership, function, responsibilities, authority and compensation of the Risk Committee.

B. Purpose

As an insurer, the Companies are in the business of risk management for profit. As a result, enterprise risk management cannot be separated from the day-to-day management of the Company, and risk management must permeate the organization. Accordingly, the Risk Committee oversees the Companies’ establishment and implementation of standards, operational processes, controls, limits, guidelines and policies relating to the assessment and management of risks that could have a material impact on the Companies, and advises the Boards of Directors as to the Companies’ enterprise risk management. In doing so, the Risk Committee focuses on the assessment and management of certain risks, as described in Section D of this Charter.

C. Membership

The Risk Committee shall consist of three or more directors, at least one of whom will also be a member of the Audit Committee of each of the Companies. A member shall not individually own or control 10% or more of Harleysville Group’s voting securities.

D. Function

The function of the Risk Committee is to review the enterprise risk management policies of the Companies, including, but not limited to: (i) the Companies’ risk tolerance; (ii) the risk governance structure; and (iii) the effectiveness of the risk management procedures and how they support the business strategy of the Companies. In carrying out this function, the Risk Committee, in combination with the other Board Committees, has the authority to oversee management’s enterprise risk management initiatives and review management’s plans with respect to capital adequacy, earnings, competition and compliance with the Companies’ risk policies covering: (i) financial risk; (ii) regulatory risk; (iii) strategic risk; (iv) operational risk; (v) competition risk; (vi) management risk; (vii) investment and counterparty risk; and (viii) underwriting risk. The Committee will focus its time and attention on particular areas of risk based on management recommendations and the Committee’s sense of the size and importance of the Companies’ various risks. The policies and procedures of the Risk Committee shall remain flexible in order to react to changing conditions. The Risk Committee shall take appropriate actions to monitor the overall corporate culture for risk management and the Companies’ exposure to risks.

To carry out its functions, the Risk Committee shall, among other things:

1. Review the Companies’ risk management controls of its underwriting activities, including significant changes in general underwriting policies.

2. Review the risks associated with the introduction of new product lines outside the scope of the Companies' current businesses.
3. Make recommendations to the Boards of Directors concerning the Companies' risk management controls.
4. Review the Companies' policies that govern the process for assessing and managing risk, and assign responsibility for more specific reviews to itself or other Committees for elements of financial risk, regulatory risk, strategic risk, operational risk, competition risk, management risk, investment and counterparty risk and underwriting risk and other risks that may arise in the future.
5. Review the Companies' processes for monitoring and controlling its risk exposure.
6. Monitor risk-based capital adequacy measures and trends over time in concert with the Finance and Investments and Executive/Strategy Committees.
7. Receive reports and recommendations from the Companies' management relating to significant risk management matters, and make recommendations to the Boards of Directors with regard to such matters.
8. Request that management of the Companies perform analyses of certain risks as it may require and request that management impose limits, controls and procedures as approved by the Risk Committee or the Boards of Directors.
9. Review, on an annual basis, the potential risk to the Companies posed by the compensation policies and practices of the Companies in concert with the Compensation and Audit Committees.
10. Review legal and regulatory matters with the Companies' counsel in concert with the Audit Committees.
11. Perform such other duties as may be delegated to the Risk Committee or requested to be performed by the Boards of Directors.
12. Review and reassess the adequacy of the Risk Committee Charter and recommend changes to it as necessary.
13. Conduct an annual review of the Committee's performance.

The Risk Committee shall communicate, as necessary, with the other Committees of the Boards of Directors with respect to any risk assessment or risk oversight functions performed by such other committees to avoid duplication of efforts or misunderstanding of responsibilities with respect to risk assessment and oversight functions. Assessments by the Risk Committee of the potential risks posed by compensation policies and practices will be submitted to the Compensation and Personnel Development Committee and/or the Boards of Directors for ratification.

E. Authority

The Risk Committee may retain at the Companies' expense such independent consultants, attorneys, accountants, and actuaries, as appropriate and necessary, to support its oversight role. The Risk Committee will receive such funding as it deems appropriate for payment of (i) compensation to any

advisers employed by the Risk Committee under this paragraph; and (ii) ordinary administrative expenses of the Risk Committee that are necessary and appropriate in carrying out its duties.

Each member of the Risk Committee shall be entitled to rely on the integrity of those persons and organizations within and outside the Companies that provide information to the Risk Committee and on the accuracy and completeness of the information provided to the Committee by such persons or organizations, absent actual knowledge to the contrary.