



Business Ethics Policy

Purpose

We are committed to the highest level of legal, ethical and moral standards in the conduct of our business based on a fundamental belief in law, honesty, fair dealing and open competition. We expect all employees to maintain and foster these standards and everyone has an obligation to disclose any action that is believed to be inconsistent with them. We place heavy reliance on individual good judgment and character. This commitment applies without exception to all activities in which employees are engaged on behalf of Penn National Insurance. We will not tolerate dishonesty, misrepresentation and illegal activities. These standards apply without exception to all of our activities as we:

1. Communicate with one another and the public.
2. Sell and deliver our products and services to our agents and customers.
3. Fulfill our contractual obligations and other promises.
4. Authorize and account for the use of company assets.

Effective Date

January 1, 2005

Scope Policy

All employees of Penn National Insurance and it's subsidiaries.

Gifts and Entertainment

No employees or members of their families shall accept gifts, payments, loans, fees, services, discounts, valuable privileges or other favors from any person or concern doing business with the organization, if such acceptance would, or might appear to, improperly influence an employee in the objective performance of duties, and could be construed as affecting an employees' judgment or decision-making process. The acceptance of gifts might give rise to compromising appearances, as well as a sense of obligation to the donor, which could impair the employee's ability to act freely in the best interest of the organization. The same applies to the giving of gifts.

This statement is not intended to preclude the acceptance or the giving of common courtesies usually associated with accepted business practices including accepting or giving gifts of such a nature as to indicate they are merely tokens of respect

of friendship and are in a form that will not be construed as a bribe, pay-off or secret compensation. Lavish gifts should not be accepted or given under any circumstances as it can place you and the organization in an embarrassing situation.

Normal business related entertainment in the form of an occasional business lunch, dinner or sporting event may be accepted or given provided it is reasonable under all of the circumstances in which it takes place. Whenever there is a question regarding entertainment, you are expected to consult your supervisor in advance.

Unusual Payments

Bribes, kickbacks, extraordinary commissions and other "unusual payments" are unethical, damaging to the organization and the consumer and create a clear conflict of interest. We will not tolerate such action and employees found to be giving, receiving or condoning such payments will be terminated and may also face prosecution.

Outside Financial or Business Interests

You should not engage in a profit-making occupation outside of your regular assignment, if this outside employment:

1. Competes with the organization or provides services and assistance to a competitor. By way of example, this means that no employee, outside of their duties with the organization, shall practice law and engage in the sale of insurance, accident investigation, the appraisal or repair of automobiles and property damage, if such employment conflicts with company business.
2. Interferes with your assigned duties in the organization, such as requiring the organization's time, facilities or property to perform these duties. This also includes, but is not limited to, making or receiving phone calls, handling correspondence or receiving visits from customers while performing your job with Penn National Insurance.
3. Diminishes your ability to give full time and competence to your duties, that is, takes so much time during non-working hours that you frequently are mentally or physically tired when doing your job within the

organization.

Employees subject to the annual conflict of interest compliance process must have written approval of management should it be necessary that they hold a second position elsewhere. If you have any questions regarding a possible conflict based on outside business interests, you should consult with your supervisor and the Legal and Human Resources Departments.

Confidential Information

Employees shall not disclose or provide access to confidential information obtained or developed in the course of our business. This includes information concerning employees, policyholders, claimants, agents, computer system passwords, proposed corporate investments or other activities to anyone other than those who have a legitimate need for such information in the normal conduct of our business or as may otherwise be required by law.

Company Property

All employees are responsible for the safety and security of our property in their care. Office supplies and furnishings obviously are subject to normal use and wear, but carelessness must be avoided. Dishonesty will not be tolerated. Our telephones, computers and supplies should not be misused. Employees are expected to ensure that expenditures of our funds and uses of our assets are business related and in the best interest of the organization. Personal use of Penn National Insurance property or facilities is prohibited, unless ancillary to a business use. This does not impact existing rules for reimbursement for and personal use of company automobiles assigned to individuals.

Expense Accounts

The organization recognizes its responsibility to reimburse you for legitimate business expenses. You are expected to fully, clearly and timely document such expenses in accordance with our policies on expense accounting. Whenever there is a question regarding an expense item, you are expected to consult your supervisor in advance. This can be especially important with regard to business entertainment and gifts, as covered earlier.

Proper Accounting and Reporting

Adherence to and consistent application of proper and generally accepted accounting principles, policies, rules and controls is expected at all times. Complete and accurate data must be provided and maintained so that accounts reflect the true substance of transactions and financial reports present fairly the financial position of the organization and the results of its operations.

Complete, accurate and timely communication with fellow employees, the board of directors and independent auditors on all matters relevant to them is essential to the continued success of our organization. Of particular importance are matters that might be considered sensitive, those that affect our reputation or the appraisal and reporting of its performance.

Employee Accounts

No employees shall take part in the underwriting, processing or entry of policies, the adjustment of claims, and the billing or collection of premiums involving themselves, relatives and close personal acquaintances. You are to refer these transactions to your supervisor or manager for processing.

Claims Salvage Disposal

The organization strictly prohibits the disposal of any loss recovery salvage, either directly or indirectly, by sale or gift to employees or members of their families. This includes automobiles, personal property or salvage emanating from liability claims. Company policy is that all loss recovery salvage will be disposed through approved salvage vendors.

Political, Civic and Charitable Activities

Participation in the national, state and local political processes is essential to both good corporate citizenship and good individual citizenship. Penn National Insurance recognizes its right and responsibility to communicate to employees, policyholders, political leaders, elected and appointed officials and others, as appropriate, its position on public issues which relate, directly or indirectly, to its business. The organization encourages political, civic and charitable activities by its employees as long as such participation does not impair the employee's ability to fulfill their duties and responsibilities to the organization.

No employee shall make, authorize or permit any unlawful contribution, expenditure or use of our funds or property for political purposes. Corporate contributions or activities in connection with any political or ballot issue affecting the business of Penn National Insurance may be made or engaged in by employees upon prior review of the Vice President - Legal and approval of the CEO.

Employee Complaint Procedures for Accounting and Auditing Matters

Any employee of the Company may submit a good faith complaint regarding accounting or auditing matters to the management of the Company without fear of dismissal or retaliation of any kind. Penn National Insurance is committed to achieving compliance with all applicable securities laws and regulations, accounting standards, accounting controls and practices. The Company's Audit Committee will oversee treatment of employee concerns in this area.

In order to facilitate the reporting of employee complaints, the Company's Audit Committee has established the following procedures for (1) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters (Accounting Matters) and (2) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Receipt of Employee Complaints

Employees with concerns regarding Accounting Matters may report their concerns to the Compliance Officer (presently the VP-Legal) or Director-Internal Audit. Employees may forward complaints on a confidential or anonymous basis through regular mail to the Compliance Officer or Director-Internal Audit; or through a hotline or web reporting service monitored by Lighthouse Services, Inc.

- The hotline number is 1-888-718-1893.
- The web address is <http://www.lighthouse-services.com>
 - Username: PNI
 - Password: concern
- Regular mail should be addressed to Compliance Officer or Director-Internal Audit.

Treatment of Complaints

- Upon receipt of a complaint, the Compliance

Officer/Director-Internal Audit will (i) determine whether the complaint actually pertains to Accounting Matters and (ii) when possible, acknowledge receipt of the complaint to the sender.

- Complaints relating to Accounting Matters will be reviewed under Audit Committee direction and oversight by the Compliance Officer/Director-Internal Audit or such other persons as the Audit Committee determines to be appropriate. Confidentiality will be maintained to the fullest extent possible, consistent with the need to conduct an adequate review.
- Prompt and appropriate corrective action will be taken when and as warranted in the judgment of the Audit Committee.
- Penn National Insurance will not discharge, demote, suspend, threaten, harass or in any manner discriminate against any employee in the terms and conditions of employment based upon any lawful actions of such employee with respect to good faith reporting of complaints regarding Accounting Matters or otherwise specified in section 806 of Sarbanes-Oxley Act of 2002.
- Retaliation in any form against an individual who reports a violation of this policy or of Law, even if the report is mistaken, or who assists in the investigation of a reported violation, is itself a serious violation of this policy. Acts of retaliation should be reported immediately and will be disciplined appropriately.

Reporting and Retention of Complaints and Investigations

- The Compliance Officer/Director-Internal Audit will maintain a log of all complaints, tracking their receipt, investigation and resolution and shall prepare a periodic summary report thereof for the Audit Committee. Copies of complaints and such log will be maintained in accordance with the Company's document retention policy.

Noncompliance and Enforcement

Noncompliance by any employee with this policy will be dealt with specifically and vigorously, including unpaid leave and/or termination of employment. Alleged violations of this policy on the part of employees are to be reported promptly in all instances to the Vice President - Legal and Internal Audit Director, who will investigate and take appropriate corrective action after consultation with the CEO.

Compliance by all employees is the responsibility of management. The internal audit department will periodically check on compliance and review this policy and its related procedures.

Conflicts of Interest Disclosure Policy

The Annual Statement required by state Insurance Commissioners to be filed by each licensed insurer asks several questions on possible conflicts of interests.

Good governance practices dictate that a company shall ask all officers, directors, managers, and other selected employees to disclose situations that involve possible conflicts of interest.

Questions

Questions regarding this policy should be addressed to your **immediate supervisor or Human Resources manager**.