

**PMA CAPITAL CORPORATION**  
**COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**  
**CHARTER**

(As approved on *February 19, 2009*)

**I. PURPOSE**

The Compensation Committee (the “Committee”) aids the Board of Directors (the Board”) of PMA Capital Corporation (the “Company”) in meeting its responsibilities to oversee and determine executive and Board compensation. Among other things, the Committee reviews, recommends and approves performance objectives, salaries and other compensation of the Company’s Executive Officers and administers the Company’s equity incentive plans.

**II. COMPOSITION**

Each member of the Committee shall (a) be a member of the Board; (b) be independent and qualified under the rules and regulations of the Nasdaq Stock Market, Inc. and other applicable law; (c) qualify as an “outside director” under Section 162(m) of the Internal Revenue Code, as amended; and (d) meet the requirements of a “non-employee director” for purposes of Section 16 of the Securities Exchange Act of 1934, as amended. Appointment to the Committee shall be made on an annual basis by the full Board upon recommendation of the Corporate Governance and Nominating Committee of the Board. Unless the Chair of the Committee is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

**III. MEETINGS**

Meetings of the Committee shall be held at such times and places as the Committee shall determine, including by unanimous written consent and conference telephone call. When necessary, the Committee shall meet in executive session outside of the presence of any senior executive officer of the company. The Chair of the Committee shall report on activities of the Committee to the full Board. In fulfilling its responsibilities, as set forth below, the Committee shall have authority to delegate its authority to subcommittees or a committee consisting solely of one or more Company employees, in each case to the extent permitted by applicable law.

**IV. AUTHORITY**

The Committee shall have the authority, and shall be afforded resources sufficient, to engage independent compensation consultants and/or legal advisors when determined by the Committee to be necessary or appropriate. The Committee shall have sole authority to retain and terminate any such consultant or legal adviser, including sole authority to approve the fees and other retention terms.

## V. RESPONSIBILITIES AND DUTIES

The Committee shall:

- Review and make recommendations to the Board regarding executive employment contracts, executive compensation and benefit plans and programs based on market evaluations and factoring in the executive's individual leadership, strategic management and contribution to the Company's performance.
- Meet in executive session to determine the compensation of the President and Chief Executive Officer ("CEO") of the Company. In determining the amount, form, and terms of such compensation, the Committee shall consider the annual performance evaluation of the CEO conducted by the Board of Directors or its designee in light of Company goals and objectives relevant to CEO compensation, competitive market data pertaining to CEO compensation at comparable companies, and such other factors as it shall deem relevant, and shall be guided by, and seek to promote, the best interests of the company and its shareholders.
- Approve salaries, bonuses, and other matters relating to compensation of the Executive Management team. In approving the amount, form, and terms of such compensation, the Committee shall consider the recommendation of the CEO. The CEO will evaluate the Executive Officer's performance in light of company goals and objectives, competitive market data pertaining to executive compensation at comparable companies, and other relevant factors. All decisions shall be guided by, and seek to promote, the best interests of the Company and its shareholders.
- Evaluate the post-service arrangements and benefits of the CEO and other Executive Officers and their reasonableness in light of practices at comparable companies and any benefits received by the company in connection with such arrangements.
- Administer the Company's equity incentive plans, including the review and grant of stock options and other equity incentives.
- Review and confirm on a timely basis the achievement of applicable performance levels under the Company's incentive compensation plans.
- Review and discuss with the CEO the executive management structure of the company, and the performance, development and succession for the positions within that structure.

- Review the succession plan for the CEO position and make recommendations to the full Board of person(s) to fill the position in the event of vacancy.
- Prepare the report of the Compensation Committee required by the Securities and Exchange Commission to be included in the company's annual proxy statement.
- Review and discuss with management the Compensation Discussion and Analysis to be included in the Company's annual proxy statement.
- Review and make recommendations with respect to shareholder proposals related to compensation matters.
- Annually review the fee structure of the Board and Committees thereof and make recommendations to the full Board regarding such fee structure.
- Annually review and reassess the adequacy of its charter and recommend any changes to the full Board.
- Carry out such other duties that may be delegated to it by the full Board from time to time.