

POLICY STATEMENT

It is the Policy and practice of PMA Capital¹ to comply strictly with laws governing the use of Material Non-Public Information, sometimes more commonly referred to as "inside information." As the unlawful use or communication of Material Non-Public Information by employees could have dire consequences for PMA Capital, its officers, and employees, all PMA Capital personnel are required to be familiar with these policies and comply with the procedures described below. Employees with questions as to the application of this Policy should contact PMA Capital Corporation's General Counsel or his or her designee.

BACKGROUND

This statement of policies sets forth policies and procedures that all directors, officers and employees of PMA Capital are required to follow. The purpose of this statement of policies is not only to address your obligations, but also to avoid any situation that could damage PMA Capital's reputation for integrity and ethical conduct.

Federal law prohibits directors, officers and other employees from trading in securities of PMA Capital while in possession of Material Non-Public Information about PMA Capital that has not been publicly disseminated, commonly referred to as, inside information.

These laws prohibit: (i) the purchase or sale of securities while in possession of Material Non-Public Information regarding PMA Capital; (ii) communication of Material Non-Public Information to another person who trades on the information or who passes the information on to another who trades, which is known as "tipping"; and (iii) the misappropriation of Material Non-Public Information from PMA Capital about a non-PMA Capital security.

The Insider Trading and Securities Fraud Enforcement Act of 1988 (the "Act") authorizes the imposition of substantial penalties for violation of the insider trading laws. A person who has violated the insider trading laws, including a tipper who does not personally profit from insider transactions, may be subject to a criminal penalty of up to \$1,000,000 and ten years in prison, and a civil penalty of up to the greater of \$1,000,000 or three times the profit gained or loss avoided as a result of such unlawful purchase, sale or communication.

¹ "PMA Capital" is used herein to mean PMA Capital Corporation and/or its subsidiaries.

PROHIBITION AGAINST TRADING ON MATERIAL NON-PUBLIC INFORMATION AND OTHER PROHIBITED ACTIVITIES**Policy on PMA Capital Securities**

If you become aware of Material Non-Public Information relating to PMA Capital that has not been disclosed to the public for a reasonable period of time to allow the securities markets the opportunity to digest the information, you cannot trade in a PMA Capital security.

The period of time may vary based upon the facts of each situation, but generally at least two (2) business days should elapse between the first public disclosure of Material Non-Public Information and any trading. Neither sales pursuant to a written plan, as described below, nor the exercise of employee stock options by tendering cash to PMA Capital fall within this restriction. However, the sale of stock acquired upon the exercise of options does fall within this restriction. Further, initiating an election or change that will increase or decrease your employee contributions to, or balance in, the PMA Capital Corporation 401(k) Plan's PMA Capital Stock Fund falls within this restriction.

Further, you cannot directly or indirectly disclose Material Non-Public Information to any other person who could use the information to trade in a PMA Capital security prior to its public disclosure. No director, officer or employee may:

- communicate such information to anyone for other than legitimate corporate purposes;
- recommend the purchase or sale of a PMA Capital security without disclosing such information in compliance with this Policy; or
- knowingly assist another who is engaged in any of the above activities.

No director or employee may engage in speculation in any PMA Capital security at anytime. Writing or trading any option, put or call on, or selling "short" PMA Capital securities is deemed speculative.

No person in the categories described below, or spouse or other persons sharing the home of such person, may commit to any transaction restricted by this Policy involving a PMA Capital security, except during Window Periods, unless such transaction is otherwise pursuant to a written plan, as described below, or approved by PMA Capital Corporation's General Counsel or his or her designee:

1. Members of the Board of Directors of PMA Capital Corporation;

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2. PMA Capital Corporation's Chief Executive Officer and the CEO's direct reports;
3. PMA Capital Corporation's Senior Vice Presidents and Vice Presidents;
4. Chief Operating Officers and Chief Financial Officers of each PMA Capital Corporation business segment;
5. Direct reports of PMA Capital Corporation's Chief Financial Officer and General Counsel;
6. Employees assigned to PMA Capital's Financial Department; and
7. Other persons notified by PMA Capital Corporation's General Counsel.

Also, because of the complexity of Section 16 of the Securities Exchange Act of 1934, members of the Board of Directors and Section 16 Officers must consult with the General Counsel or his or her designee prior to engaging in any transaction in PMA Capital securities.

All other employees must use their own judgment in determining whether it is appropriate under this Policy to enter into a particular transaction. However, all employees are encouraged to restrict their trading in PMA Capital securities to Window Periods. Such employees may consult with PMA Capital Corporation's General Counsel or his or her designee if they have any questions about this Policy.

Prohibition on Hedging Activities

Hedging of PMA Capital securities can create a potential conflict of interest and a negative perception among and impact on trading markets of PMA Capital securities. Accordingly, it is PMA Capital's policy that no officer, director or employee of PMA Capital shall enter into short sales or purchase, sell or exercise any puts, calls or similar instruments pertaining to PMA Capital securities (other than options exercised in accordance with the terms of a PMA Capital sponsored option plan).

Trading in PMA Capital Securities under Written Plans

The section of this Policy restricting trading in PMA Capital securities to certain window periods does not apply to trades made pursuant to a written plan meeting the requirements of this Policy and Rule 10b5-1 of the Securities Exchange Act of 1934 (the "Exchange Act"). Thus, any employee or director may trade in PMA Capital securities pursuant to a

written plan complying with this Policy and Rule 10b5-1 of the Exchange Act without regard to window periods.

However, trading pursuant to a written plan only provides an affirmative defense against claims of insider trading under Rule 10b-5 of the Exchange Act. Trading under written plans **does not exempt** officers and directors subject to Section 16 of the Exchange Act from the short-swing profit liability provisions of Section 16. Therefore, all written plans for such officers and directors should be drafted to ensure that the Section 16 rules will not be violated.

To comply with this Policy and Rule 10b5-1, the employee or director **must not** be in possession of Material Non-Public Information at the time he or she enters into the written plan. The written plan should be executed by the employee or director and the person who will direct the trading before any transactions occur. Further, the written plan must

- (1) specify the amount of PMA Capital securities to be purchased or sold, the price or prices at which the securities are to be traded and the date or dates on which the securities are to be purchased or sold; or
- (2) include a written formula or algorithm, or computer program for determining the amount, price and date; and/or
- (3) give discretion over trading decisions to a third party who is not and does not come into possession of Material Non-Public Information and over whom the employee or director does not exercise any subsequent influence over the trading decisions.

The actual purchases or sales must be pursuant to the written plan without altering or deviating from it or entering into or attaining a corresponding or hedging transaction or position. The written plan must have been entered into in good faith and not as part of a plan or scheme to evade the purposes of this Policy or the insider trading rules and the securities laws. Finally, every written plan must be submitted to and approved in advance by the General Counsel of his or her designee.

Policy on Non-PMA Capital Securities

PMA Capital's reputation and ability to work with its customers and other business partners depend not only upon the quality of its products and services but also upon the trust and confidence established with customers and others. Maintaining the confidentiality of its customer's actions and contemplated actions, and preserving the

confidentiality of information PMA Capital receives from its customers and others, is fundamental to that trust and confidence.

In order to achieve these objectives, all employees must avoid trading in non-PMA Capital securities of customers and others using Material Non-Public Information received from such customers and others.

Material Non-Public Information obtained by employees about a customer or other business entities with which PMA Capital works, whether or not in the course of their work for PMA Capital, should not be communicated to anyone in violation of any law, regulation or other applicable requirement.

All employees are strictly prohibited from using for non-PMA Capital business purposes any Material Non-Public Information obtained at or through their employment with PMA Capital. No employee may, under any circumstances, use confidential information obtained at or through PMA Capital, or Material Non-Public Information obtained from any sources, in deciding whether to buy, sell or hold non-PMA Capital securities, or in assisting others in making such a decision.

DEFINITIONS

PMA Capital Security

Includes any security issued by PMA Capital Corporation, its subsidiaries or affiliates, including Common Stock, Class A Common Stock, preferred stock, debentures, warrants and stock purchase rights as well as option positions on any of these (including puts, calls and straddles), whether publicly or privately traded. "PMA Capital security" also includes securities issued by any person that derive their value from the value of a security issued by PMA Capital Corporation, its subsidiaries or affiliates.

Material Non-Public Information

Material Non-Public Information is any information (whether fact, development or intended action) that has not been disclosed to the public and that a reasonable investor would consider significant in determining whether to buy, sell or hold a company's securities, such as information that could reasonably be expected to affect the market price of such securities. It is impossible to give an exhaustive list of all types of material events, but the following illustrated items are often considered to be material:

- information originating within PMA Capital with respect to its earnings;
- acquisition or divestiture plans;

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- significant increases or decreases in dividend payments;
- changes in key management;
- legal reorganizations;
- plans to issue new securities; and
- unusual and other major business developments.

It may also include information originating outside PMA Capital such as planned sales or purchases of PMA Capital securities by third parties.

Non-PMA Capital Security

Includes all of the types of securities listed above under “PMA Capital security,” but issued by an entity other than PMA Capital Corporation, its subsidiaries or affiliates.

Window Periods

Generally, Window Periods begin on the third (3) business day after the quarterly earnings release to the public and end on the thirtieth (30th) day following such date, unless PMA Capital determines otherwise.

COMPLIANCE

We recognize that even innocent actions can potentially create an appearance of impropriety, and that this appearance alone could damage the reputation of the company. The policies and the other procedures set forth herein were designed with this “appearance” issue in mind. It goes without saying that the actual misuse of Material Non-Public Information, whether or not the information is obtained through PMA Capital and whether or not involving the purchase or sale of a PMA Capital security or non-PMA Capital security—is, of course, prohibited.

PMA Capital expects the strictest compliance with these policies and procedures by all directors, officers and employees. Failure to observe them may result in serious legal difficulties for the person involved as well as for PMA Capital. Failure to follow the letter and spirit of these policies and procedures would be considered a matter of extreme seriousness and a basis for termination of employment, and may expose the violator to serious civil and criminal penalties.

This policy also applies to spouses and other persons sharing the home of Directors, officers and employees. Directors, officers and employees are responsible for informing their spouse and members of their personal household about this Policy and their compliance obligations.

If you have any doubt or uncertainty as to your responsibilities under this statement of policies, you should seek clarification and guidance from PMA Capital Corporation's General Counsel or his or her designee. You should not try to resolve any uncertainties on your own.

DISSEMINATION OF THIS POLICY

This Policy is distributed to all new employees, annually to current and former employees as determined by PMA Capital Corporation's General Counsel or his or her designee, and to service providers when appropriate. Current and former employees who receive the Policy are required to affirm that they have read and understood it and have disclosed any known or suspected violations.

RELATED POLICY

Policy on Business Ethics and Practices