

**BY-LAWS
OF
FOUNDERS INSURANCE COMPANY**

ARTICLE I

Section 1. Purpose. The purpose of this Company shall be to write multi-line property and casualty insurance coverages in accordance with the provisions of its Certificate of Incorporation, and to exercise all the rights and powers conferred on such insurance companies by the laws of the State of New Jersey.

ARTICLE II

Section 1. Principal Office. The principal office of the Company shall be located in the State of New Jersey. The principal executive office shall be located in Harrisburg, Pennsylvania.

Section 2. Other Offices. The Company may also have offices at such other places as the Board of Directors may from time to time designate or the business of the Company may require.

ARTICLE III

Section 1. Corporate Seal. The Corporate Seal shall have inscribed thereon the name of the Company, the year of its incorporation and the words "Corporate Seal" and "State of New Jersey." Such seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

Section 2. Corporate Records. The Company shall keep at its principal executive office an accurate record of the proceedings of the Shareholders and of the Directors;

the original or a copy of its By-Laws, including all amendments, certified by the Secretary; a stock book or register; and complete and accurate books or records of account.

ARTICLE IV

SHAREHOLDERS MEETINGS

Section 1. Place of Meetings. All meetings of the Shareholders shall be held at such place either within or without the State of New Jersey as shall be designated in the notice, or waiver of notice, calling a particular meeting.

Section 2. Annual Meeting. The annual meeting of the Shareholders shall be held on such date as may be fixed by the President, the Chairman of the Board, or a majority of the Directors, at such time and place as the notice calling the meeting shall indicate, and at which meeting the Shareholder shall elect the Directors, as provided in these By-Laws, and transact such other business as may be properly considered by the Shareholders.

Section 3. Special Meetings. Special meetings of the Shareholders for any purpose or purposes, other than those regulated by statute, may be called at any time by the President, the Chairman of the Board, or a majority of the Directors upon request to the Secretary of the Company. Business transacted at all special meetings shall be confined to the purpose or purposes stated in the call and matters germane thereto.

Section 4. Notice of Meetings. Written notices of every meeting of the Shareholders shall be given by the Secretary to each shareholder of record entitled to vote at the meeting at least ten (10) days prior to the date specified for the meeting, unless a greater period of notice is required by law. The written notice may be given to a shareholder personally, or by sending a copy thereof through the mail, by facsimile or by telegram, charges prepaid, to his

address appearing on the books of the Company, or supplied by he or she to the Company for the purpose of notice. Such notice shall specify the place, date and hour of the meeting, and, in the case of a special meeting, shall also state the general nature of the business to be transacted at the meeting; provided, that notice of an annual meeting shall state also the general nature of the business to be transacted thereat to the extent required by law. Advertisement of notice of Shareholders meeting shall not be necessary except in those cases where it is expressly required by law.

Section 5. Waiver of Notice. Any notice required to be given to the shareholder by statute, or by these By-Laws, may be waived in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein. Except in the case of a special meeting, neither the business to be transacted at, nor the purpose of, the meeting need be specified in the waiver of notice of such meeting. Attendance of any shareholder entitled to notice, either in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where such person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

Section 6. Quorum. The presence, in person or by proxy, of the holder or holders of a majority of issued and outstanding shares of stock entitled to vote shall be requisite to and constitute a quorum at all meetings of the Shareholders for the election of Directors and for the transaction of such other business as may be properly considered by the Shareholders. A majority vote of those Shareholders present in person or by proxy at any meeting at which a quorum is present shall decide the issue on any matter brought before the meeting for

consideration, except as may be otherwise provided by statute. If, however, any meeting of Shareholders cannot be organized because a quorum has not attended, the Shareholders entitled to vote thereat, present in person or by proxy, shall have the power to adjourn the meeting to such time and place as they may determine. At any adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting originally called.

Section 7. Shareholders Entitled to Vote. Subject to the provisions of this section, every shareholder shall have the right at every Shareholders meeting to one vote for every share of stock having voting power standing in his name on the books of the Company. The Board of Directors may, as permitted by these By-Laws, fix a time prior to the date of any meeting of Shareholders, as a record date for the determination of the Shareholders entitled to notice of, and to vote at any such meeting. Only Shareholders as shall be Shareholders of record on the date so affixed shall be entitled to notice of, and to vote at, such meeting notwithstanding any transfer of shares of stock after such record date.

Section 8. Shareholders May Vote in Person or By Proxy. Every Shareholder entitled to vote may vote either in person or by proxy. Every proxy shall be executed in writing by the shareholder, or by his duly authorized attorney-in-fact, and filed with the Secretary of the Company. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until notice thereof has been given to the Secretary of the Company. No proxy shall be valid for more than sixty (60) days from the date of its execution. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the

authority is exercised, written notice of such death or incapacity is given to the Secretary of the Company. Proxy forms may be obtained upon written request to the Home Office of the Company. All proxies to be valid in any meeting of the Company shall be filed with the Secretary at least five (5) days previous to the date of the meeting at which they are to be voted.

Section 9. Adjournment. Adjournment or adjournments of any regular or special meeting may be taken, and it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted thereat, other than by announcement at the meeting at which such adjournment is taken. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting originally called.

Section 10. Elections of Directors: Cumulative Voting. In all elections of Directors, every shareholder entitled to vote shall have the right in person or by proxy to multiply the number of votes to which he or she may be entitled by the number of Directors to be elected, and he or she may cast the whole number of such votes for one candidate or he or she may distribute them among any two or more candidates. The candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected.

Section 11. Action Without Meeting. Unless otherwise provided in the articles of incorporation or by statute, any action required to be taken at any annual or special meeting of Shareholders of the corporation, or any action which may be taken at any annual or special meeting of such Shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by all holders of outstanding stock entitled to vote thereon.

ARTICLE V

BOARD OF DIRECTORS

Section 1. Number, Qualification and Term. The business and affairs of the Company shall be managed by a Board of Directors consisting of not less than three (3) nor more than fifteen (15) Directors, one of whom shall be elected as Chairman of the Board. The Directors shall be classified with respect to the time for which they shall severally hold office by dividing them into three classes each consisting of not less than one (1) nor more than five (5) Directors, and all Directors of the Corporation shall hold office until their successors are elected and qualified. At each Annual Shareholders Meeting, not less than one (1) nor more than five (5) Directors shall be elected for a three year term to serve until their successors are elected and qualified.

Section 2. Nominations of Directors.. In order to be nominated as a candidate for membership on the Board of Directors, the nomination of such member in writing must be delivered to the Secretary of the Company at least forty-five (45) days prior to the annual meeting for election at said annual Shareholders meeting. No person not so nominated shall be eligible for election as a member of the Board of Directors at said annual meeting or any adjournment thereof.

Section 3. Acceptance of Trust by Directors. The Directors, before they are qualified to act, shall file with the Secretary of the Company a written acceptance of the trust.

Section 4. Powers. The Directors or a majority of them shall have the right to exercise all the powers vested in them by law in conducting the business of the Company.

Section 5. Vacancies. Any vacancies in the Board of Directors may be filled by a majority vote of the remaining members of the Board of Directors for the unexpired term of such vacancy.

Section 6. Place of Meetings. The Meetings of the Board of Directors shall be held at such place, either within or without the State of New Jersey as shall be designated in the notice, or waiver of notice, calling a particular meeting.

Section 7. Regular Meetings. The Board of Directors shall hold regular stated meetings at a designated place, on the days, and at the hours to be fixed by the Board, for the purpose of organization, for the election of Officers and the transaction of other business.

Section 8. Special Meetings. Special meetings of the Board of Directors may be called at any time by the President, the Chairman of the Board, or a majority of the Directors upon request to the Secretary of the Company. Written notice of a special meeting shall be given to each director at least five (5) days before the meeting. Such written notice shall state the time, place and object of such meeting.

Section 9. Meeting by Conference Telephone. One or more Directors or Shareholders may participate in a meeting of the Board, of a committee of the Board or of the Shareholders, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

Section 10. Waiver of Notice. Whenever any notice is required by law or these By-Laws to be given to the Directors or any committee of the Board of Directors a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except in the

case of a special meeting, neither the business to be transacted at, nor the purpose of, the meeting need be specified in the waiver of notice of such meeting. Attendance of any person entitled to notice, at any meeting, shall constitute a waiver of notice of such meeting, except where such person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

Section 11. Quorum. The presence of a majority of the Board of Directors shall be requisite to, and constitute a quorum at, all meetings of the Board for the transaction of business. Any action taken by a majority of the Directors present at a meeting at which a quorum is present shall constitute the action of the Board of Directors, except as may be otherwise provided by statute.

Section 12. Adjournment. Adjournment or adjournments of any regular or special meeting may be taken, and it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted thereat, other than by announcement at the meeting at which such adjournment is taken. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting originally called.

Section 13. Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if, prior or subsequent to the action, all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 14. Compensation of Directors. Directors, other than those who are also Officers of the Company, shall be entitled to the compensation for their services as Directors and as members of committees as shall be determined from time to time by the Board.

Section 15. General Powers. The Board of Directors may exercise all such powers of the Company and do all such lawful acts and things, including the appointment of committees, as are not by statute or by these By-Laws directed or required to be exercised and done by the Shareholders. Any committees appointed by the Board shall have such designations and powers and consist of such persons, who need not be members of the Board unless otherwise required by law, as the Board shall specify in its authorizing resolution. In the event of the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member.

ARTICLE VI

OFFICERS - ELECTED AND APPOINTED

Section 1. Executive Officers. The Directors shall annually choose by ballot a President, a Secretary and a Treasurer. Except in the case of the President, any person may hold more than one of the foregoing offices. The Board may also elect one of its members as Chairman. Such Officers are to serve for the term of one year and until their successors are duly elected and qualified. The Directors may also elect one or more Vice Presidents as they deem necessary and appropriate.

Section 2. Powers and Duties. Each Officer shall have the authority customarily attributed to his office, and the authority permitted or required by the laws of the State of New Jersey, to the end that he or she may fully and efficiently perform his office according to the law and under the direction of the Board and of the President.

Section 3. Compensation. The compensation of the above Executive Officers shall be fixed by the Board.

Section 4. Other Officers. As authorized by the Board, the President may appoint and employ such other Officers as may, from time to time, be deemed necessary for the proper conduct of the business and affairs of the Company and fix and prescribe their salary and their duties. They shall serve at the pleasure of the Board.

Section 5. Vacancies. In case of a vacancy in any of the offices hereinbefore provided for in Section 1 of the Article, the Board of Directors, by an affirmative vote of a majority thereof, shall elect a successor to hold office for the unexpired portion of the term, and until the election his successor.

Section 6. Execution of Obligations. The policies, contracts, documents, instruments, and other writings which the Company is authorized to make and which require such execution shall be executed, with or without seal, by such Officers or employees as may be designated by the Board, and in accordance with the law applicable thereto.

ARTICLE VII

EXECUTIVE COMMITTEE

Section 1. Executive Committee. The Executive Committee shall be a standing committee of the Board of Directors and shall be comprised of the Executive Officers

of the Company in addition to such other Directors as may be appointed by the President and approved by the Board. The Executive Committee shall hold regular stated meetings on the days and at the hours fixed by the President or by the Board of Directors. The Executive Committee shall have the same powers as the Board of Directors and shall act on their behalf between regular meetings of the Board. All actions of the Executive Committee shall be reported to the Board of Directors.

ARTICLE VIII

INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHER PERSONS

Section 1. The Company shall indemnify any director and any officer, and may in the sole discretion of the Board of Directors indemnify any other person, who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that he or she is or was a director, officer, employee or agent of the Company or any of its subsidiaries or is or was serving at the request of the Company or any of its subsidiaries as a director, officer, employee or agent of another Company, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by he or she in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its

equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interest of the Company, and, with respect to any criminal action or proceeding, or that the person had reasonable cause to believe that his conduct was unlawful.

Section 2. The Company shall indemnify any director and any officer, and may in the sole discretion of the Board of Directors indemnify any other person, who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Company or any of its subsidiaries, or is or was serving at the request of the Company or any of its subsidiaries as a director, officer, employee or agent of another Company, partnership, joint venture, trust or other enterprise against expenses (including attorney's fees) actually and reasonably incurred by he or she in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of the Company and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Company unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Section 3. To the extent that a director, officer, employee or agent of a Company has been successful on the merits or otherwise in defense of any action, suit or

proceeding referred to in Sections 1 and 2, or in defense of any claim, issue or matter therein, he or she shall be indemnified by the Company against expenses (including attorneys' fees) actually and reasonably incurred by he or she in connection therewith.

Section 4. Any indemnification under Sections 1 and 2 (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Sections 1 and 2. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, or (2) if such a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (3) if a quorum of disinterested Directors so directs, by the Shareholders.

Section 5. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Company in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in Section 4 upon receipt of any undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified by the Company as authorized in this section.

Section 6. The indemnification provided in these By-Laws shall not be deemed exclusive or a waiver of any other rights to which those seeking indemnification may be entitled under any law, agreement, vote of Shareholders or members or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and such indemnification shall be applicable to all actions, suits or

proceedings commenced after the adoption of these provisions, whether such arises out of acts or omissions which occurred prior or subsequent to such adoption and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors, administrators of such a person.

Section 7. The Company may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Company or any of its subsidiaries or is or was serving at the request of the Company as a director, officer, employee or agent of another Company, partnership, joint venture, trust or other enterprise against any liability asserted against he or she and incurred by he or she in any such capacity, or arising out of his status as such, whether or not the Company would have the power to indemnify he or she against such liability under the laws of the State of New Jersey.

ARTICLE IX

DIVIDENDS

Section 1. Dividends. Subject to the limitations prescribed by law, the Board of Directors, at any regular or special meeting, may declare dividends upon the outstanding shares of stock of the Company out of its surplus or net profits available for such dividends to such extent as the Board may deem advisable. Dividends may be paid in cash, in property, or in shares of stock of the Company.

ARTICLE X

BY-LAWS AMENDMENTS

Section 1. These By-Laws may be altered, amended, supplemented or repealed, or new By-Laws may be adopted, by vote of the holder of the shares entitled to vote in

the election of Directors, or by the Board of Directors, provided that any such action by the Board may be altered, amended, supplemented or repealed by the Shareholders entitled to vote thereon.

ARTICLE XI

PERSONAL LIABILITY OF DIRECTORS

Section 1. A Director of the corporation shall not be personally liable for monetary damages for any action taken or any failure to take any action unless:

- (1) The director has breached or failed to perform the duties of his office pursuant to his fiduciary relationship to the corporation; and
- (2) The breach of failure to perform constitutes self-dealing, willful misconduct or recklessness.

The provisions of this section shall not apply to (1) the responsibility or liability of a director pursuant to any criminal statute or (2) the liability of any director for the payment of any taxes pursuant to local, state or federal law.

The immunity and other rights and privileges set forth herein shall be construed to grant the maximum protection allowed by the laws of the State of New Jersey and shall in no way be construed to be a restriction or a limitation of any other right, privilege or immunity granted by the laws of the State of New Jersey.