

# COMPENSATION COMMITTEE CHARTER

## I. PURPOSE

The function of the Compensation Committee (“Committee”) shall be to discharge the responsibilities of the Board of Directors (“Board”) regarding compensation of Baldwin & Lyons’ executive officers. The Committee shall also be responsible for overseeing all of the Company’s compensation policies, plans and benefit programs and evaluating and approving all executive officer compensation plans, policies, and programs.

## II. COMPOSITION

The membership of the Committee shall consist of at least two directors. All members of the Committee shall be independent as defined in both the NASDAQ listing standards and the Securities and Exchange Commission standards applicable to compensation committee members. No interlocking relationships may exist between any member of the Committee and any member of the compensation committee of any other company. The members of the Committee and the Chair of the Committee shall be appointed by the Board on the recommendation of the Nominating and Governance Committee. Committee members may be replaced by the Board.

## III. MEETINGS

The Committee shall meet at least twice a year. Additional meetings may occur as frequently as the Committee deems advisable. The Committee will cause to be kept adequate minutes of all its proceedings, or, alternatively, will report its actions in the next meeting of the full Board and record of such actions will be included in the minutes of that full Board meeting. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Committee is governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the full Board. The Committee may form and delegate authority to subcommittees and/or executive officers when appropriate. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Bylaws of the Corporation, (c) any provision of the Articles of Incorporation for the Company, or (d) the laws of the state of Indiana.

## IV. AUTHORITY

The Committee shall have the resources and authority necessary to discharge its duties and responsibilities. The Committee shall have the authority, in its sole discretion, to retain or obtain the advice of any consultant, independent legal counsel or other advisor engaged to assist the Committee in the performance of its duties, shall be directly responsible for the appointment, compensation and oversight of the work of any such advisors they retain and shall receive “appropriate funding” as determined by the Committee from the Company for payment of reasonable compensation to such advisors. Approval of the Committee shall also be required in order for any such advisor to provide any services to the Company not related to executive or director compensation services provided to the Committee. The Committee may select a consultant or other advisor only after evaluating all factors relevant to assessing such consultant’s or advisor’s independence, including the factors required to be considered under applicable Nasdaq and Securities and Exchange Commission rules. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company and the Committee will take all necessary steps to preserve the privileged nature of those communications.

## **V. RESPONSIBILITIES**

The principal responsibilities and functions of the Committee are as follows:

- To review and make recommendations to the Board with respect to incentive-compensation plans and equity-based plans. The Committee shall administer the Company’s incentive stock plans, including making awards under such plans, and shall review all proposed new or amended employee benefit plans.
- To review and approve executive management compensation programs and the goals and objectives relevant to compensation. The Committee shall also consider the extent, if any, to which incentive compensation programs encourage unnecessary or excessive risk taking or illegal or improper behavior by employees.
- To evaluate the performance of the CEO and executive management with regards to specific goals and objectives from which compensation is based.
- To annually review and approve all compensation for the CEO and the other executive officers of the Company, including (a) the annual base salary level, (b) the annual incentive opportunity level, (c) the long-term incentive opportunity level, and (d) any special or supplemental benefits. In determining the long-term incentive component of executive officer compensation, the Committee will consider the Company’s performance, the value of similar incentive awards to CEOs and other executive officers at comparable companies, and the awards given to the CEO and other executive officers in past years. In making its decisions affecting executive compensation policies and practices, the Committee shall

consider the results of voting on advisory proposals submitted to shareholders relating to executive compensation. The CEO may not be present during voting or deliberations on his or her compensation.

- To periodically review the Company's policies on perquisites and the value of perquisites for executive officers and directors. No changes in perquisites for executive officers and directors shall be made without prior Committee approval.
- To oversee the process for identifying and addressing any material risks relating to the Company's compensation policies and practices for all employees. The Committee shall consider the extent, if any, to which risks arising from the Company's compensation policies and practices are reasonably likely to have any material adverse effects.
- To approve and periodically assess the effectiveness of any policies, plans or agreements concerning the recoupment of incentive compensation, or "clawback policies."
- To review and discuss with management the Compensation Discussion and Analysis (CD&A) to be included in the Company's Annual Report on Form 10-K, to recommend the inclusion of the CD&A in the Company's Form 10-K and the proxy statement, and to approve the Compensation Committee Report to be included in the Company's proxy statement.
- To approve and authorize the Company to enter into any employment agreements, severance arrangements, change in control agreements or provisions, or other compensation-related agreements, in each case as, when and if appropriate, with executive officers of the Company.
- To approve the amount of any discretionary contribution to be made by the Company under any retirement or savings plan.
- To review the median of the annual total compensation of all of the Company's employees (other than the CEO), the annual total compensation of the CEO and the ratio of those two amounts, following the availability of such information calculated in accordance with the rules of the Securities and Exchange Commission.
- To annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.