

American Physicians Capital, Inc.
COMPENSATION COMMITTEE CHARTER
Adopted February 7, 2001
Amended and Restated January 26, 2005

I. Purpose

The American Physicians Capital, Inc. (“APCapital”) Compensation Committee (the “Committee”) has been delegated the responsibility for overseeing, reviewing, assessing, and approving all compensation and benefits for executive officers and making recommendations to the full Board of Directors (“Board”) with regard to director compensation. The Committee administers the stock compensation program and reports to the Board on compensation and personnel policies, programs and plans. In addition, the Committee approves employee compensation and benefit programs. The Committee also has primary responsibility to produce a report on executive compensation as required by the Securities and Exchange Commission (“SEC”) to be included in APCapital’s annual proxy statement and to submit a compensation report to the Board annually.

II. Goals

The goals of the Committee are to:

- Align executive compensation with shareholder interests and business performance;
- Enable APCapital to be competitive in securing and motivating superior caliber executive talent;
- Provide a significant portion of officer compensation in the form of “at risk” elements such as performance-based cash incentives and equity participation; and
- Regularly assure that executive compensation packages for key officers are competitively established relative to peer group companies of comparable size, complexity and business nature through the use of independently published compensation survey data.

III. Committee Membership

The Committee shall consist of at least three members, each of whom shall satisfy the independence and experience requirements of applicable law and the Nasdaq Stock Market (“Nasdaq”). Additionally, no director may serve on the Committee unless he or she is a “non-employee director” as set forth in Rule 16b-3 of the Securities Exchange Act of 1934 and meets the definition of an “outside director” for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. Initial determinations regarding the preceding qualifications shall be made by the Board in its business judgment. The Governance Committee will review the composition of the Committee annually and make recommendations to the Board with regard to any necessary changes.

IV. Committee Organization

The Committee shall meet as often as it determines is appropriate to carry out its responsibilities under this Charter. Committee members shall be recommended by the Governance Committee and approved by the full Board. Committee members serve at the pleasure of the Board. The chairperson of the Committee shall, by consultation with management and other Committee members, set the agenda for and preside at Committee meetings. The Committee will meet from time to time in executive session without management participation. A majority of the members of the Committee shall constitute a quorum for the transaction of business.

The Committee has the authority to retain and terminate, and shall have sole authority over any independent legal, financial or other advisors as it may consider necessary to carry out its responsibilities under this Charter, without conferring with or obtaining the approval of management or the full Board. This authority shall include the sole authority to retain and terminate any compensation consultant used to assist in the evaluation of director, CEO or executive officer compensation. APCapital will provide the Committee with sufficient funding to exercise its authority to retain any consultant or advisor.

Except to the extent prohibited by Nasdaq rules and state law, the Committee may delegate its authority to subcommittees when it deems appropriate and in the best interests of APCapital.

V. Duties and Responsibilities

In addition to any other responsibilities which may be assigned from time to time by the Board, the Committee is responsible for the following matters:

Compensation Strategy. The Committee is responsible for, in conjunction with the full Board, overseeing and making recommendations with regard to overall compensation strategy. Such strategies shall seek to accomplish the goals described in Section II of this Charter.

Compensation Policies and Programs. The Committee shall oversee the development and implementation of APCapital's compensation policies and programs. This includes making recommendations with respect to and approving APCapital's compensation and employee benefit plans, discharging any responsibilities imposed on the Committee by such plans and approving plan documents for stock bonus plans, stock option plans, non-employee director stock plans and other executive and director compensation arrangements.

CEO Evaluation. The Committee shall, through consultation with the CEO and the full Board, annually review and approve corporate goals and objectives of the CEO. At the end of each year and with input from the full Board, the Committee shall meet in an executive session to evaluate the performance of the CEO in meeting such goals and objectives and shall communicate its evaluation to the CEO.

Compensation of Executive Officers and Senior Management. The Committee shall review and approve all executive officer and senior management compensation. Approvals and/or recommendations may be made with regard to base salary, bonus, incentive and equity-

based compensation, deferred compensation; employment agreements, severance arrangements, change-in-control agreements, long-term incentive opportunity level and other forms of compensation. The CEO shall not be present during voting or deliberations with respect to the review and approval of CEO compensation.

Director Compensation. The Committee is responsible for making recommendations to the Board with respect to director compensation. In making such recommendations, the Committee should consider the following goals:

- Board members should be fairly compensated for the work involved in overseeing the management of a company the size and scope of APCapital;
- Board member compensation should be competitive with director compensation at other U.S. companies the size and scope of APCapital; and
- Board compensation should align Board members' interests with the long-term interests of APCapital's shareholders. To this end, a meaningful portion of APCapital director compensation should be in APCapital common stock in order to further the direct correlation of directors' and shareholders' economic interests.

Management Succession. The Committee shall review and make recommendations to the Board regarding management succession at least annually.

VI. Reporting

The Committee shall produce a compensation committee report on executive compensation as required by the SEC to be included in APCapital's annual proxy statement. In addition, the Committee shall keep minutes of each meeting held, submit to the Board a written report of each meeting and submit a written compensation report to the Board annually. This report shall include a review of any recommendations or issues that arise with respect to executive compensation and any other matters that the Committee deems appropriate or that the Board requests be included. The chairperson may also report at Board meetings on Committee matters as requested.

VII. Committee Self-Evaluation

At least annually, the Committee shall evaluate its own performance and report to the Board on such evaluation. The format of the self-evaluation shall be determined by the Committee. In connection with such evaluation, the Committee shall recommend to the Board any necessary modifications to this Charter.