



Corporate Governance Principles

Adopted June 13, 2001

Amended and Restated May 5, 2009

The Board of Directors of American Physicians Capital, Inc. ("APCapital") annually reviews and revises its corporate governance principles to incorporate the "best practices" in corporate governance. These best practices will ensure the high qualifications and independence of its Directors, ensure that Directors, shareholders and the Securities and Exchange Commission are provided with full and transparent disclosures of information, and establish processes and practices that promote integrity and accountability at the senior management level and throughout APCapital. Principles applicable to subsidiaries of APCapital are set forth in a separate document. References to the "Board" refer to the APCapital Board of Directors.

The Board, together with management, is also responsible for establishing APCapital's operating values and Code of Ethics. The governance principles will be applied in conjunction with APCapital's Code of Ethics to provide the foundation upon which APCapital's governance practices are built. In the event of any conflict between these principles and the Code of Ethics, the provisions of the Code shall prevail, unless a determination to do otherwise is made by the Board after due consideration and consultation with counsel.

I. Role of the Board of Directors

The Board is elected by the shareholders. Its primary responsibility is to provide effective governance over APCapital's affairs for the benefit of its shareholders and to balance the interests of its diverse constituencies, including customers, employees, and communities. The Board selects the senior management team, which is responsible for the everyday business operations of APCapital, and provides oversight with respect to strategic direction and key policies of APCapital, exercising its business judgment to act in what it reasonably believes to be the best interests of APCapital and its shareholders.

Through its Audit Committee, the Board oversees the integrity of APCapital's financial statements, the independent accountants' qualifications, independence and performance, the performance of APCapital's internal audit function and APCapital's compliance with legal and regulatory requirements.

The Board is responsible for selecting and evaluating the performance of the Chief Executive Officer of APCapital. The Compensation Committee, in collaboration with the Chief Executive Officer, selects and evaluates senior management and determines the compensation of the executive officers; oversees compensation and benefit plans, policies and programs and administers equity-based incentive compensation plans. The Governance Committee makes recommendations to the Board with respect to the development of succession plans for senior management.

II. Number and Selection of Board Members

The Board has the authority under APCapital's bylaws to determine the number of Directors on the Board. The bylaws provide that the Board shall be comprised of not less than three or more than fifteen Directors. As of May 5, 2009 the Board has 8 members. Candidates for nomination to the Board will be selected by the Governance Committee and recommended to the Board for approval, in accordance with the guidelines recommended by the Committee, taking into consideration the overall composition and diversity of the Board and the expertise and characteristics that new Board members may be able to offer. Nominations for Director may also be made by the shareholders in accordance with the procedures set forth in the bylaws. Between shareholder meetings, the Board may appoint Directors to fill vacancies and new directorships to the extent permitted in the bylaws.

III. Qualification of Directors

A. Independence

The Board's philosophy is that to perform its role in providing effective governance over APCapital's affairs, a substantial majority of the members of the Board should meet the criteria for independence as established by applicable Nasdaq marketplace rules and any other applicable laws and regulations in effect from time to time, unless the Governance Committee or the Board determine that the imposition of stricter requirements is necessary or appropriate. The definition of independence

and compliance with this policy will be reviewed periodically by the Governance Committee.

B. Personal Qualifications

Candidates nominated for election or reelection to the Board should ideally possess the following qualifications:

- Personal characteristics:
 - highest personal and professional ethics, integrity and morals;
 - an inquiring and independent mind; and
 - practical wisdom and mature judgment
- Expertise that is useful to APCapital and complementary to the background and experience of other Board members, so that an optimum balance of members on the Board can be achieved and maintained.
- Willingness to devote the required amount of time to carrying out the duties and responsibilities of Board membership.
- Commitment to serve on the Board over a period of several years to develop knowledge about APCapital's principal operations.
- Willingness to represent the best interests of all shareholders as a whole and objectively appraise management performance.
- Involvement only in activities or interests that do not create a conflict with the Director's responsibilities to APCapital and its shareholders.
- Willingness and ability to conduct themselves with the utmost professionalism and integrity, demonstrating the operating values outlined in APCapital's Code of Ethics and Conduct.

C. Age Limits

The Board has adopted an age limit, whereas no person shall be elected or re-elected as a director after he or she reaches the age of 72 years, unless the Board determines, in its sole discretion, that it is in the best interests of the corporation to allow a specified person to be nominated to serve for one or more terms after the person's 72nd birthday.

D. Retirement or Change in Duties

Directors who retire from or change the principal position they held when they were initially elected to the Board are expected to volunteer to resign from the Board as of the date of retirement or change in position. The Board does not believe that a Director in this circumstance should necessarily be required to leave the Board. Rather, the Board believes the Directors and Governance Committee should assess each situation based on the individual circumstances at the time and make a recommendation to the Board.

The Board's policy with regard to service by former officers and employees of APCapital and its subsidiaries is to decide whether such service is appropriate on a case by case basis. It is assumed that when the Chief Executive Officer no longer holds that position, the Chief Executive Officer will offer his resignation from the Board at that time. Similarly, any other employee Directors shall offer their resignation from the Board at the time their employment with APCapital and its subsidiaries ceases for any reason. Whether the former employee continues to serve on the Board is a matter for discussion at that time with the Chief Executive Officer and the Board.

E. Service on Other Boards

Directors are expected to advise the Chairman of the Board and the Chair of the Governance Committee promptly of an intention to serve on any other public company board of directors or any assignment to the audit committee or compensation committee of any public company of which such Director is a member. Directors may not serve on the board of any company that directly competes with APCapital or its subsidiaries. In other cases, the Governance Committee will review the possibility of conflicts of interest or time constraints and may determine that sitting on a particular board or committee is in conflict with the best interests of APCapital. Unless the Board affirmatively determines that the carrying out of a Director's responsibilities to APCapital will not be adversely affected by the other directorships, Directors should not serve on more than three public company Boards in addition to the APCapital Board.

IV. Board Responsibilities and Operations

A. Board Meetings and Attendance

The APCapital Board has four regularly scheduled meetings per year. An annual calendar of standard agenda items requiring recurring and focused attention by the Board and each standing committee will be prepared and distributed at the beginning of each calendar year to ensure that all required actions are taken in a timely manner and are given adequate consideration. Special meetings of the Board are called as necessary in accordance with the requirements set forth in the bylaws. The Chairman of the Board and all board members should be given at least 3 days' advance notice of special meetings, unless extraordinary circumstances requires shorter notice. Long-term strategic and business plans will be reviewed at least annually at one of the Board's regularly scheduled meetings.

Directors are expected to attend Board meetings and meetings of committees and subcommittees on which they serve, and to spend the time necessary to properly discharge their responsibilities. Any extraordinary circumstance that would cause a member to attend fewer than 75% of such meetings should be discussed with the Chairman of the Board as far in advance as possible. Although the bylaws authorize Directors to participate in and act at a meeting through the use of a conference telephone or other comparable equipment, it is anticipated that participation by such means will be the exception, rather than the rule; the personal attendance of Directors at meetings is expected.

In order to permit meaningful review and discussion and to facilitate informed decision-making, Directors will receive materials in advance of Board meetings and are expected to review them prior to the meeting. In addition, management will periodically distribute to the Board information and data important to the Board's ongoing understanding of APCapital's business. The Board acknowledges that certain items to be discussed at Board meetings are of an extremely sensitive nature and that the distribution of materials on these matters prior to Board meetings may not be appropriate.

Insofar as is practicable, substantive resolutions to be submitted to the Board of Directors for approval will be distributed in writing in advance of the meeting at which they are to be considered. When practicable, proposed resolutions from any source should be discussed with the corporate secretary at least two weeks before the meeting at which they are to be submitted for approval.

B. Chairman of the Board

The Chairman of the Board will be appointed by vote of a majority of the independent Directors present at a duly convened meeting. The Chairman of the Board shall interact regularly with the Chief Executive Officer on all matters pertinent to Board operations, corporate development and strategy. The Chairman of the Board shall act to assure full Board awareness of such matters in keeping with the Board's oversight and governance responsibilities and these guidelines. It is the current practice of APCapital to have the offices of its Chairman of the Board and CEO held by different persons.

C. Board Agendas

The Chairman of the Board and Chief Executive Officer, in consultation with other Board members and the corporate secretary, establish the agenda for each Board meeting. Each Director is free to raise subjects that are not on the agenda for a particular Board meeting; but it is requested that the Director notify the Chairman of the Board of any additional discussion items at the inception of the meeting.

D. Executive Sessions

The Board will meet in executive session without senior management on a regular basis at its discretion. The independent Directors will meet privately on a periodic basis (at least twice a year) without the presence of the Chief Executive Officer or other members of senior management. These are normally held upon request of any independent director in conjunction with a regular or special board meeting. The meeting Chair or a designated Director will discuss with the Chief Executive Officer, to the extent appropriate, matters emanating from the private meeting(s).

E. Non-Directors' Attendance at Board Meetings

Senior officers of APCapital regularly attend Board meetings by invitation of the Chief Executive Officer. In addition, the Chairman of the Board or Chief Executive Officer may, as particular circumstances warrant, invite other executives, staff and outside advisors to the Board to attend all or portions of Board or committee meetings. The Board encourages the continuation of the long-standing practice of bringing managers into Board and committee meetings from time to time who can provide additional insight into the items being discussed or whom senior management believes have potential as future leaders. Except as provided above, persons who are not Directors are not permitted to attend Board or committee meetings whether in person or by electronic means.

F. Board Access to Management and Advisors

Board members have complete access to members of APCapital management and APCapital's outside counsel and auditors. It is assumed that Board members will use judgment to be sure that such contact is not distracting to business operations and is not unduly costly. No individual Director (other than the Chief Executive Officer) should give direction to employees or advisors; such direction should be provided only by the full Board to APCapital's Chief Executive Officer.

G. Conflict of Interest

Directors are expected to avoid any action, position or interest that conflicts with an interest of APCapital, or gives the appearance of a conflict. A Board member shall recuse himself from any decision affecting his personal, business or professional interests. In some cases, it will also be appropriate for the conflicted Board member to recuse himself from discussion. If it appears that an issue will impact the personal, business or professional interests of one or more members, and those members fail to recuse themselves in accordance with the preceding sentence, a majority of the other members present at a duly constituted meeting may determine that the affected members should not participate in the discussion or voting with respect to that issue.

H. Independent Advisors

The Board will hire such independent advisors, including attorneys, accountants, investment bankers and other consultants, as it deems necessary or appropriate to carry out its duties.

Individual Board members may, without restriction, seek independent advice beyond that supplied by APCapital on any topic. Any such advisors will be compensated by the individual Board member seeking the advice unless the retention of the advisor is approved by the Board to render independent advice to the Board.

I. Interaction with Institutional Investors and Other Shareholders

The Board believes that it is senior management's responsibility to speak for APCapital. Individual Board members may not communicate with outside constituencies on behalf of APCapital or disclose material non-public information regarding APCapital except in accordance with APCapital's Statement of Corporate Policy Regarding Disclosure of Information or at the specific direction of the Board. Inquiries from institutional investors, the press and others should be referred to the CEO or other appropriate officers as directed in the Statement of Corporate Policy Regarding Disclosure of Information.

J. Director Compensation

The Compensation Committee is responsible for making recommendations to the Board with respect to compensation of Directors. In making recommendations to the Board, the Compensation Committee should consider the following goal:

- Board members should be fairly compensated for the work involved in overseeing the management of a company the size and scope of APCapital.

Changes in Director compensation, if any, shall be made only by the full Board, upon the recommendation of the Compensation Committee.

APCapital will reimburse Directors for reasonable travel within the United States, and for hotel or other out-of-pocket expenses incurred in connection with the attendance of Board meetings or meetings of committees on which they serve. Directors should submit a request for reimbursement, accompanied by appropriate documentation. Directors are expected to make every effort to avoid unnecessary or excessive travel expenses. Questions concerning reimbursement policies should be directed to the controller.

K. Equity Ownership

To help align Board and shareholder interests, Directors are encouraged to own consequential equity ownership positions on APCapital. At a minimum, Directors should own APCapital stock or stock units equal to two times their annual retainer within three years of joining the Board.

L. Annual Evaluation of Board Performance

The Governance Committee, using such resources or methods as it determines appropriate, is responsible to report annually to the Board an assessment of the performance of the Board. Its report will be discussed with the full Board at the time it makes recommendations of nominees for inclusion in the proxy statement for the next annual meeting.

M. Director Orientation and Continuing Education

APCapital provides an orientation process for all new Directors that will familiarize them with company business and operations, as well as their responsibilities and duties as Directors, within the first few months of their service as a Director. The orientation program is the responsibility of the Chairman of the Board and is administered by the corporate secretary and executive staff. Continuing education for Directors is conducted through a number of methods, including presentations by company officers on APCapital strategies, initiatives and business plans, and presentations by outside experts on industry issues and general business and regulatory matters.

N. CEO Evaluation

The ongoing evaluation of the Chief Executive Officer is accomplished through the following process: The Chief Executive Officer meets with the Compensation Committee to develop his or her appropriate goals and objectives for the next year, which are then discussed with the entire Board. At year end, the Compensation Committee in executive session, with input from the Board, evaluates the performance of the Chief Executive Officer in meeting those goals and objectives. This evaluation is communicated to the Chief Executive Officer. In addition to these procedures, the Board will regularly discuss the CEO's performance with the CEO.

O. Succession Planning

The independent Directors, in consultation with the Chief Executive Officer, are responsible for developing and maintaining a process for planning for potential successor Chief Executive Officers, as well as for other key senior leadership positions in APCapital. The Governance Committee is responsible for overseeing the succession and management development program for senior leadership in APCapital. The Chief Executive Officer reviews this plan with the Governance Committee and the other independent Directors at least annually.

Q. Stock Option Practices

APCapital will not engage in the repricing of stock options. In March, 2005 the APCapital Compensation Committee elected not to recommend that the Stock Compensation Plan be amended to make additional shares available for future grants after the 95,748 shares are granted from the original allocation.

R. Loans to Directors and Executive Officers

To the extent prohibited by applicable law, APCapital does not make personal loans to its Directors, executive officers or members of senior management, or to any of their immediate family members.

V. Committees of the Board

A. Organization

Committees support the role of the Board on issues that benefit from consideration by a smaller, more focused subset of Directors. The standing committees of APCapital's Board are the Executive Committee, the Audit Committee, the Compensation Committee, the Governance Committee and the Investment Committee. The Board will establish for each standing committee its own written charter which will comply with any applicable NASDAQ listing standards, the SEC and other applicable regulations. The charters will set forth the mission and responsibilities of the committees as well as qualifications for committee membership, committee structure and operations and reporting to the Board. The Board may, from time to time, establish and maintain additional committees as necessary or appropriate.

All members of the Compensation, Audit and Governance Committees will be independent Directors, as determined by the Board in accordance with the standards established in the Nasdaq Marketplace Rules, SEC and IRS rules and regulations, and any other applicable laws, rules or regulations regarding independence. The composition of the Compensation, Audit and Governance Committees will be reviewed annually by the Governance Committee to ensure that each of its members meet the criteria set forth in applicable SEC and IRS rules and regulations, and Nasdaq Marketplace Rules. The Governance Committee will make recommendations to the Board additions or changes to the composition of any committee.

B. Meetings

The Chair of each committee, in consultation with the committee members, shall determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The schedule for regular committee meetings for each year is submitted and approved by the Board in advance. In addition, the Chair of a committee may call a special meeting at any time if deemed advisable. Once scheduled, committee meetings are adjourned or cancelled only for

good cause as determined by the committee Chair.

Committee agendas are set by the respective committee Chairs in consultation with management and other committee members, although all Board members are free to suggest items for inclusion on the agenda for any meeting. Each Director is free to raise at any committee meeting subjects that are not on the agenda for that meeting that are appropriate subjects for discussion by the committee in relation to its charter or the Board resolutions establishing the committee, but it is requested that the Director notify the committee Chair of any additional discussion items at the inception of the meeting.

Written reports of each committee meeting are provided to the Board to assure that the Board remains fully apprised of topics discussed and actions taken. The Chair of each committee may also regularly report at Board meetings on committee matters as requested.

Any Board member may attend any meeting of a committee of which they are not a member, but such member shall not be compensated for their attendance or related expenses.

VI. Subsidiary Governance

The board of directors of any subsidiary of APCapital shall observe governance activities which are not inconsistent with these principles, unless otherwise required by their respective articles and bylaws.

VII. APCapital Policies on Business Ethics and Conduct

All our employees, including our Chief Executive Officer, Chief Financial Officer and all other officers, and our Directors are required to abide by APCapital's Code of Ethics to insure that our business is conducted in a consistently legal and ethical manner. These standards incorporate a foundation of corporate policies and procedures and reflect an abiding belief in the integrity of our employees and Directors. Our policies cover all areas of professional conduct, including employment policies, conflicts of interest, intellectual property, protection of confidential information and adherence to all laws and regulations applicable to the conduct of our business.

Employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Ethics. Any person who has a concern about APCapital's conduct, or about its accounting, internal accounting controls or auditing matters, may report that concern directly to the Audit Committee. Such communications are handled confidentially and may be anonymous, and may be reported via a special toll-free telephone number established just for this purpose. This telephone number is published internally and on APCapital's public website. The status of all reports made to the Audit Committee will be reported to the Board on a quarterly basis. The Audit Committee may decide to address any such concern outside of normal company practices and procedures, including the retention of outside advisers at APCapital's expense. No employee will retaliate or take any adverse action against anyone for raising or helping to resolve integrity or other corporate concerns.