



April 17, 2013

J. Victor Peterson, Esquire  
Lathrop & Gage LLP  
100 North Riverside Plaza, Suite 2100  
Chicago, Illinois 60606-1501

VIA E-MAIL: [vpeterson@lathropgage.com](mailto:vpeterson@lathropgage.com)

RE: Form A Dated March 20, 2013, Submitted by Gregory M. Shepard

Dear Mr. Peterson,

The Pennsylvania Insurance Department ("Department") has completed its initial review of the referenced filing, which was filed effective April 2, 2013. Please provide the following additional materials in support of the filing.

1. The estimated purchase price is reported in Item 4 of the Form A to be approximately \$29 million dollars to be paid from Mr. Shepard's personal funds. Please provide a specific description of the source of such funds (cash, investments, etc.) which will be used for the purchase. If Mr. Shepard intends to liquidate investments, please specifically indicate which investments and the current fair market value of the same. -
2. The filing does not contain a business plan for Atlantic States post acquisition. Please provide a discussion on the projected business plan for the domestic insurer.
3. Item 5 of the Form A states that Mr. Shepard has no immediate plans to, among other things, cause the merger of Atlantic States (although he reserves the right to "develop plans or proposals in the future to seek to control DGI or any of DGI's subsidiaries that could potentially attempt to cause DGI or any of DGI's subsidiaries to declare an extraordinary dividend, to liquidate it, to sell its assets or to merge or consolidate it with any person, or to make any other material change its investment policy...). However; Mr. Shepard's press release on the Tender Offer appears to indicate that Mr. Shepard is attempting to acquire these shares specifically to cause a merger or other corporate transaction to increase shareholder value. Please provide a discussion on this apparent conflict.
4. Mr. Shepard has requested board seats on both the Donegal Mutual Insurance Company and Donegal Group Inc. Board of Directors. Please provide a discussion on compliance with the

requirements of 40 P.S. Sections 991.1405(c)(3) and (4).

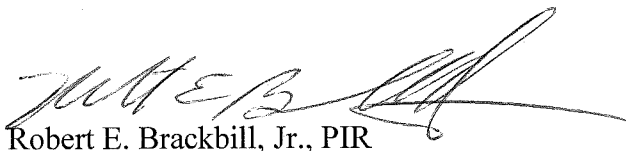
5. Mr. Shepard has requested three seats on the Donegal Mutual Insurance Company Board of Directors. Control of mutual insurance companies is obtained by obtaining 10% or greater of the seats of the Board of Directors. Does Mr. Shepard intend to file a Form A for his acquisition of 25% of the Board of Directors of Donegal Mutual Insurance Company?
6. The Department requires an instrument in compliance with 40 P.S. Sections 991.1402(b)11.1 and 11.2.
7. Provide a market share analysis as described by 40 P.S. Section 991.1402(f)(1)(ii).
8. Provide a listing of Mr. Shepard's non-insurance affiliates.
9. Provide a copy of Mr. Shepard's response to the Iowa Insurance Department's letter of March 27, 2013.
10. Please respond to the assertions made by Donegal in its April 3, 2013, Schedule 14D-9 regarding the failure to meet the conditions of the Offer.
11. The March 19, 2013, cover letter to the Form A filing requests confidential treatment of Exhibits H-M because they are "personal financial statements." Please identify the specific information, document, report or other material within the personal financial statements that is asserted to be confidential. Additionally, for each genre of items identified, state the basis upon which the assertion of confidentiality, propriety or privilege is premised.

Please be advised that Donegal Group Inc. has properly requested a hearing on the filing, pursuant to 40 P.S. Section 991.1402(f)(2). We will be in contact with you to make the arrangements for the hearing.

Notice of receipt of the filing by the Department has been published in the April 13, 2013, edition of the *Pennsylvania Bulletin*. This notice has established a 60 public comment period. Our review of the filing will continue throughout the public comment period, but no final determination can be issued until after the expiration of the public comment period.

Please feel free to contact me directly with any questions you may have concerning this correspondence, or the filing review process, at (717) 783-2143 or [rbrackbill@pa.gov](mailto:rbrackbill@pa.gov).

Sincerely yours;



Robert E. Brackbill, Jr., PIR  
Chief  
Company Licensing Division