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May 20, 2013

VIA E-MAIL AND FIRST CLASS MAIL

Robert E. Brackbill, Jr.
Chief, Company Licensing Division
Commonwealth of Pennsylvania
Department of Insurance
1345 Strawberry Square
Harrisburg, PA 17120

Re: Form A Statement Dated March 20, 2013 Regarding the Acquisition of Control of Atlantic States Insurance Company, a Pennsylvania insurance company and wholly owned subsidiary of Donegal Group Inc., by Gregory Mark Shepard (the "Form A")

Dear Mr. Brackbill:

We are replying to the letters addressed to you dated May 6, 2013 and May 7, 2013 from J. Victor Peterson, Esquire, counsel to Mr. Shepard. We first saw these letters on the afternoon of May 17, 2013 when I reviewed the Department's public website in this matter.

As counsel to Donegal Group Inc. ("DGI"), we had previously notified Mr. Peterson by letter dated May 14, 2013 that DGI was unwilling to enter into a confidentiality agreement with respect to Exhibits H-M to the Form A because, in our view, DGI has a legal and constitutional right to receive true, correct and complete copies of those exhibits. We sent a copy of our May 14, 2013 letter to Jodi Frantz, Esquire, counsel to the Department, and are enclosing a copy of that letter for your convenience.

Mr. Peterson's letter of May 6, 2013 states that Mr. Shepard is willing to provide redacted versions of Exhibits H-M to DGI without a confidentiality and non-disclosure agreement. In a spirit of cooperation and without prejudice to its rights to continue to demand copies of true, correct, complete and unredacted copies of Exhibits H-M, DGI will review the documents Mr. Peterson has offered on the understanding that, if such documents are not

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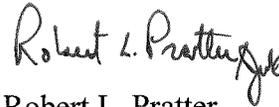
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satisfactory to DGI, it will then respond in writing to the remainder of Mr. Peterson's letter and continue to seek the unredacted copies of the Exhibits H-M.

In reply to Mr. Peterson's May 7, 2013 letter, we believe that the scheduling of a hearing date is premature given that the public comment period is continuing to June 12, 2013, the issue of Exhibits H-M remains outstanding, and as expressed in our letter of May 9, 2013, Mr. Shepard has not fully responded to the Department's April 25, 2013 letter request for further information.

Moreover, although Mr. Peterson's May 7, 2013 letter notes that 360,000 DGI Class B shares have been tendered in response to Mr. Shepard's tender offer, he omits the relevant fact that Mr. Shepard's tender offer contains a 925,000 Class B shares minimum tender condition. In other words, unless 925,000 DGI Class B shares are tendered to Mr. Shepard, he has no obligation to purchase the 360,000 DGI Class B shares or any other amount below 925,000 Class B shares.

Sincerely,



Robert L. Pratter

RLP

Enclosure

cc: J. Victor Peterson, Esq.
Stephen J. Johnson, Deputy Insurance Commissioner
Jodi Frantz, Esq.

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