
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 29, 2011

Donegal Group Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

0-15341

(Commission
file number)

23-02424711

(I.R.S. employer
identification no.)

1195 River Road, Marietta, Pennsylvania

(Address of principal executive offices)

17547

(Zip code)

Registrant's telephone number, including area code: 717-426-1931

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

Background

In early 2011, we engaged the compensation and employee benefits consulting firm of Towers Watson & Co. (“Towers Watson”) to conduct a comparison of our employment and compensation practices to a peer group of property and casualty insurers Towers Watson selected and then to provide us with recommendations.

Although we and Donegal Mutual Insurance Company (“Donegal Mutual”) maintain our separate legal existence, our insurance subsidiaries and Donegal Mutual conduct business together as the “Donegal Insurance Group.” Among other things, all of the employees who provide services to Donegal Mutual, our insurance subsidiaries and us are employees of Donegal Mutual. Our insurance subsidiaries reimburse Donegal Mutual monthly for their appropriate share of these compensation expenses. For further information about the operation of the Donegal Insurance Group, we refer you to our Form 10-K Annual Report for the year ended December 31, 2010 as filed with the Securities and Exchange Commission.

After careful review of the Towers Watson analysis and recommendations, we and Donegal Mutual, or the Companies, determined to enter into employment agreements with the senior executive officers of the Donegal Insurance Group that provide for multiple-year terms of employment and specific provisions relating to severance compensation for those senior executive officers were they to be terminated for other than cause or resign for good reason, as those terms are defined in the employment agreements, including following the unlikely occurrence of a change of control of us. Towers Watson noted that these types of employment agreements provide the certainty necessary to attract and retain executive talent, deliver assurances to the executive regarding position and pay level and outline severance terms. In addition, in connection with the last five or six acquisitions by the Donegal Insurance Group, it has utilized employment agreements for senior management of the acquired companies and has found the employment agreements to be useful retention devices.

Entry into Employment Agreements

On July 29, 2011, the Companies entered into employment agreements with Donald H. Nikolaus, President and Chief Executive Officer, Kevin G. Burke, Senior Vice President, Human Resources, Cyril J. Greenya, Senior Vice President and Chief Underwriting Officer, Jeffrey D. Miller, Senior Vice President and Chief Financial Officer, Robert G. Shenk, Senior Vice President, Claims, and Daniel J. Wagner, Senior Vice President and Treasurer. The Companies also entered into a consulting agreement with Mr. Nikolaus that will become

effective automatically upon the expiration or termination of his employment agreement under certain conditions, as described in this Form 8-K.

Employment Agreement and Consulting Agreement with Donald H. Nikolaus

The employment agreement among the Companies and Mr. Nikolaus becomes effective August 1, 2011, or the effective date, and ends on the fifth anniversary of the effective date, provided that on the first anniversary of the effective date and each subsequent anniversary of the effective date, the term of his employment agreement will automatically extend for one additional year, so that on each extension date the employment agreement will have a remaining term of five years unless either Mr. Nikolaus or our board of directors and Donegal Mutual's board of directors provides not less than six months advance notice that the automatic extension will terminate on the next succeeding extension date.

Upon Mr. Nikolaus' retirement or termination of his employment under the employment agreement for other than cause, the death or permanent disability of Mr. Nikolaus or his termination of the employment agreement for good reason, as the employment agreement defines those terms, the term of his consulting agreement will commence and continue for a period of five years thereafter.

A summary of the principal terms of the employment agreement among the Companies and Mr. Nikolaus is as follows:

- The Companies will pay Mr. Nikolaus (a) an initial annual base salary equal to the amount of his current annual base salary of \$575,000 or (b) such greater amount, if any, as the compensation committees of the Companies recommend and the boards of directors of the Companies approve after review of the final compensation recommendations the Companies expect to receive from Towers Watson later this year, plus such other compensation as the Companies may, from time to time, determine.
- Mr. Nikolaus has the right to participate in the Companies' annual incentive programs, including those relating to the standards and objectives set forth in the Companies' executive incentive plans and benefit plans.
- Subject to any required stockholder approval, Mr. Nikolaus has the right to receive an annual grant of non-qualified stock options to purchase not less than 150,000 shares of our Class A common stock at a price per share equal to the closing price of our Class A common stock on the day before the date of the annual stock grant. Each option will vest in equal annual

installments of one-third of the number of shares subject to the option grant each on the nine-month, the second and the third anniversaries after the grant date and remain exercisable for a term of ten years after the grant date.

- The employment agreement among Mr. Nikolaus and the Companies includes customary provisions relating to indemnification, confidentiality and non-competition.
- The employment agreement among Mr. Nikolaus and the Companies includes certain rights to terminate the agreement, and upon the occurrence of certain events such as a change of control, the right to receive severance payments, as provided in the employment agreement we attach as an exhibit to this Form 8-K Report.

A summary of the principal terms of the consulting agreement among the Companies and Mr. Nikolaus is as follows:

- The consulting agreement becomes effective on the date of the retirement of Mr. Nikolaus as the president and chief executive officer of the Companies or the earlier date on which the Companies terminate the employment of Mr. Nikolaus under the employment agreement for other than cause, death or permanent disability or the date Mr. Nikolaus terminates his employment under the employment agreement for good reason, as defined in the employment agreement. The Companies will retain Mr. Nikolaus to provide consulting services to the Companies and their boards of directors in connection with general operations and merger and acquisition activities, participation in meetings and other activities of the Insurance Federation of Pennsylvania and other projects and assignments as Mr. Nikolaus and the Companies mutually agree from time to time.
- The term of the consulting agreement will end on the fifth anniversary of the effective date of the consulting agreement, unless earlier terminated for cause, or the death or permanent disability of Mr. Nikolaus, as defined in the consulting agreement. His status under the consulting agreement will be that of an employee of the Companies.
- The consulting agreement provides that Mr. Nikolaus will receive all benefits the Companies provide to executive officers of the Companies named in our annual proxy statement and such benefits as became fully vested while Mr. Nikolaus served as president and chief executive officer of the Companies under his employment agreement.

- Under the consulting agreement, the Companies will pay Mr. Nikolaus an amount equal to 50% of his base salary, as defined in the employment agreement, for the last completed fiscal year of the Companies before the effective date of the consulting agreement, but in no event less than \$600,000 plus such discretionary incentive payments as the Companies may from time to time determine.
- The consulting agreement includes customary provisions relating to indemnification, confidentiality and non-competition.
- The consulting agreement among Mr. Nikolaus and the Companies includes certain rights to terminate the agreement and for Mr. Nikolaus to receive certain payments upon termination, as provided in the consulting agreement we attach as an exhibit to this Form 8-K Report.

Employment Agreements of the Other Senior Executive Officers

The respective employment agreements among the Companies and Messrs. Burke, Greenya, Miller, Shenk and Wagner contain provisions similar to those included in the employment agreement among Mr. Nikolaus and the Companies, except as follows:

- Each employment agreement among the Companies and the executive becomes effective August 1, 2011 and ends on the third anniversary of the effective date, provided that on the first anniversary of the effective date and each subsequent anniversary of the effective date, the term of his employment agreement will automatically extend for one additional year, so that on each extension date the employment agreement will have a remaining term of three years unless either our board of directors or Donegal Mutual's board of directors provides not less than 90 days advance notice that the automatic extension will terminate on the next succeeding extension date.
- The Companies will pay a base salary to the executive (a) an initial annual base salary equal to the amount of his current annual base salary which for each executive is as follows:
 - Mr. Burke, \$195,000;
 - Mr. Greenya, \$195,000;
 - Mr. Miller, \$217,000;
 - Mr. Shenk, \$241,000; and

- Mr. Wagner, \$195,000
- or (b) such greater amount, if any, as the compensation committees of the Companies recommend and the boards of directors of the Companies approve after review of the final compensation recommendations the Companies expect to receive from Towers Watson later this year.
- The employment agreements among the executives and the Companies include customary provisions relating to indemnification and confidentiality.
- The employment agreements among the executives and the Companies include certain rights to terminate the agreement, and upon the occurrence of certain events such as a change of control, the right to receive severance payments, as provided in the respective employment agreements we attach as an exhibits to this Form 8-K Report.

We have included a copy of the employment agreement and consulting agreement among Mr. Nikolaus and the Companies and each of the senior executive's employment agreements as exhibits to this Form 8-K Report, and we incorporate by reference each such agreement herein. The foregoing description of the agreements is subject to, and qualified in its entirety by reference to, the respective agreements.

Stock Option Grants

On July 27, 2011, our board of directors granted stock options to our executive officers and directors, with each stock option vesting in three equal installments during each of the first three years and having a term of ten years:

- We granted Mr. Nikolaus a stock option to purchase 200,000 shares of our Class A common stock at an exercise price of \$12.50.
- We granted each executive officer other than Mr. Nikolaus a stock option to purchase 75,000 shares of our Class A common stock at an exercise price of \$12.50 per share.
- We granted each director other than Mr. Nikolaus a stock option to purchase 12,000 shares of our Class A common stock at an exercise price of \$12.50 per share.

Item 9.01. Financial Statements and Exhibits

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.1	Employment Agreement dated as of July 28, 2011 among Donegal Mutual Insurance Company, Donegal Group Inc. and Donald H. Nikolaus.
10.2	Consulting Agreement dated as of July 28, 2011 among Donegal Mutual Insurance Company, Donegal Group Inc. and Donald H. Nikolaus.
10.3	Employment Agreement dated as of July 28, 2011 among Donegal Mutual Insurance Company, Donegal Group Inc. and Kevin G. Burke.
10.4	Employment Agreement dated as of July 28, 2011 among Donegal Mutual Insurance Company, Donegal Group Inc. and Cyril J. Greenya.
10.5	Employment Agreement dated as of July 28, 2011 among Donegal Mutual Insurance Company, Donegal Group Inc. and Jeffrey D. Miller.
10.6	Employment Agreement dated as of July 28, 2011 among Donegal Mutual Insurance Company, Donegal Group Inc. and Robert G. Shenk.
10.7	Employment Agreement dated as of July 28, 2011 among Donegal Mutual Insurance Company, Donegal Group Inc. and Daniel J. Wagner.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DONEGAL GROUP INC.

By: /s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice
President and Chief Financial Officer

Date: August 3, 2011

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") dated as of July 29, 2011 among Donegal Mutual Insurance Company, a Pennsylvania mutual insurance company having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("Donegal Mutual"), Donegal Group Inc., a Delaware corporation having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("DGI," and, together with Donegal Mutual, the "Employers"), and Donald H. Nikolaus, an individual whose principal office address is 1195 River Road, Marietta, Pennsylvania 17547 (the "Executive").

WITNESSETH:

WHEREAS, the Employers desire, by this Agreement, to provide for the continued employment of the Executive by the Employers, and the Executive desires to provide for the continued employment of the Executive by the Employers, all in accordance with the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the parties are entering into this Agreement to set forth and confirm their respective rights and obligations with respect to the Executive's continued employment by the Employers;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement, the Employers and the Executive, intending to be legally bound hereby, mutually agree as follows:

1. Employment and Term.

(a) (i) Effective August 1, 2011 (the "Effective Date"), (i) Donegal Mutual agrees to continue to employ the Executive, and the Executive agrees to continue the Executive's employment, as the President and Chief Executive Officer of Donegal Mutual and (ii) DGI agrees to employ the Executive, and the Executive agrees to continue the Executive's employment, as the President and Chief Executive Officer of DGI, with the positions described in clauses (i) and (ii) collectively referred to in this Agreement as the "Position", in accordance with the terms and subject to the conditions this Agreement sets forth. Donegal Mutual and DGI shall be jointly and severally liable to the Executive with respect to (i) all liabilities of Donegal Mutual to the Executive under this Agreement and (ii) all liabilities of DGI to the Executive under this Agreement; provided, however, that Donegal Mutual shall not be responsible for any liability of DGI to the Executive to the extent that DGI has discharged such liability, and DGI shall not be responsible for any liability of Donegal Mutual to the Executive to the extent that Donegal Mutual has discharged such liability.

(ii) The term of this Agreement, as the same may be extended from time to time pursuant to the provisions of this clause (ii) or otherwise, shall commence on the Effective Date and end on the fifth anniversary of the Effective Date, provided, however, that on the first anniversary of the Effective Date and on each subsequent anniversary of the Effective Date (each, an "Extension Date"), the Term shall automatically extend for one additional year so that on each such succeeding Extension Date, this Agreement shall have a remaining Term of five years, unless either the Executive or the respective board of directors of Donegal Mutual and DGI (together, the "Boards") give notice to the other, not less than six months in advance of the next succeeding Extension Date, that such automatic extensions shall terminate as of such next succeeding Extension Date, unless the Employers earlier terminate the employment of the Executive for Cause, as defined in this Agreement, or because of the death or the Permanent Disability, as defined in this Agreement, of the Executive.

(b) Unless this Agreement otherwise provides or pursuant to the mutual agreement of the Employers and the Executive, all of the terms and conditions of this Agreement shall continue in full force and effect throughout the Term and, with respect to those terms and conditions that apply after the Term, after the Term. Upon the retirement of the Executive as President and Chief Executive Officer of Donegal Mutual and DGI or such earlier date on which the Employers terminate the employment of the Executive under this Agreement for other than Cause or the Death or the Permanent Disability of the Executive or the Executive's termination of the Executive's employment under this Agreement for Good Reason, as defined in this Agreement, on such date, the term of the Consulting Agreement dated as of July 29, 2011 (the "Consulting Agreement") among the Employers and the Executive, in substantially the form of Appendix A to this Agreement, shall commence and shall continue for a period of five years thereafter.

(c) Notwithstanding paragraph 1(a) of this Agreement, the Employers, by action of the Boards and effective as specified in a written notice thereof to the Executive in accordance with the terms of this Agreement, shall have the right to terminate the Executive's employment under this Agreement at any time during the Term, for Cause or other than for Cause or on account of the Executive's death or Permanent Disability, subject to the provisions of this paragraph 1.

(i) As used in this Agreement, "Cause" shall mean (A) the Executive's willful and continued failure substantially to perform the Executive's material duties with the Employers as set forth in this Agreement, or the commission by the Executive of any activities constituting a willful violation or breach under any material federal, state or local law or regulation applicable to the activities of Donegal Mutual or DGI or their respective subsidiaries and affiliates, in each case, after notice of such failure, breach or violation from the Employers to the Executive and a reasonable opportunity for the Executive to cure such failure, breach or violation in all material respects, (B) fraud, breach of fiduciary duty,

dishonesty, misappropriation or other actions by the Executive that cause intentional material damage to the property or business of Donegal Mutual or DGI or their respective subsidiaries and affiliates, (C) the Executive's repeated absences from work such that the Executive is substantially unable to perform the Executive's duties under this Agreement in all material respects other than for physical or mental impairment or illness or (D) the Executive's non-compliance with the provisions of paragraph 2(b) of this Agreement after notice of such non-compliance from the Employers to the Executive and a reasonable opportunity for the Executive to cure such non-compliance. Notwithstanding the foregoing, the Employers may not terminate the Executive's employment under this Agreement for Cause unless the Employers provide the Executive with (A) written notice of special meetings of the Boards of the Employers given in accordance with the By-laws of the Employers to consider the termination of the Executive's employment under this Agreement for Cause and (B) the Boards provide the Executive with the opportunity to address such special meetings.

(ii) As used in this Agreement, "Permanent Disability" shall mean a physical or mental disability of the Executive such that the Executive is substantially unable to perform those duties that the Executive would otherwise reasonably be expected to continue to perform and the Executive's nonperformance of such duties has continued for a period of 240 consecutive days, provided, however, that in order to terminate the Executive's employment under this Agreement on account of Permanent Disability, the Employers must provide the Executive with written notice of the Boards' good faith determinations to terminate the Executive's employment under this Agreement for reason of Permanent Disability not less than 30 days prior to such termination, and such notice shall specify the date of termination. Until the specified effective date of termination by reason of Permanent Disability, the Executive shall continue to receive compensation at the rates set forth in paragraph 3 of this Agreement. No termination of the Executive's employment under this Agreement because of Permanent Disability shall impair any rights of the Executive under any disability insurance policy the Employers maintained at the commencement of the aforesaid 240-day period.

(d) The Executive shall have the right to terminate the Executive's employment under this Agreement at any time during the Term for Good Reason or without Good Reason or in the event a Change of Control occurs.

(i) As used in this Agreement, "Good Reason" shall mean (A) a material diminishment of the Executive's Position or the scope of the Executive's authority, duties or responsibilities as this Agreement describes without the Executive's written consent, excluding for this purpose any action the Employers do not take in bad faith and that the Employers remedy promptly following written notice thereof from the Executive to the Employers, or (B) a material breach by either Employer of its respective obligations to the Executive under this Agreement, provided, that with respect to any termination by the

Executive for Good Reason, the Executive shall have provided the Employers with written notice within 90 days of the date on which the Employers first had actual knowledge of the existence of the Good Reason and which Good Reason shall not have been cured or otherwise rectified by the Employers in all material respects to the reasonable satisfaction of the Executive within 30 days after the Employers receive such written notice or (C) any termination of the Executive's employment under this Agreement without Cause.

(ii) "Change of Control" shall mean (A) the acquisition of shares of DGI by any "person" or "group," as Rule 13d-3 under the Securities Exchange Act of 1934, as now or hereafter amended, uses such terms in a transaction or series of transactions that result in such person or group directly or indirectly first owning after the Effective Date more than 25% of the aggregate voting power of DGI's Class A common stock and Class B common stock taken as a single class, (B) the consummation of a merger or other business combination transaction after which the holders of the outstanding voting capital stock of DGI taken as a single class do not collectively own 60% or more of the aggregate voting power of the entity surviving such merger or other business combination transaction, (C) the sale, lease, exchange or other transfer in a transaction or series of transactions of all or substantially all of the assets of DGI, but excluding therefrom the sale and re-investment of the consolidated investment portfolio of DGI and its subsidiaries, (D) as the result of or in connection with any cash tender offer or exchange offer, merger or other business combination transaction, sale of assets or contested-election of directors or any combination of the foregoing transactions or (E) the acquisition of "control" of Donegal Mutual as such term is defined in the Pennsylvania Insurance Holding Companies Act (each, a "Transaction"), the persons who constituted a majority of the members of the Boards on the Effective Date and persons whose election as members of the Boards received the approval of such members then still in office or whose subsequent election had been so approved prior to the date of a Transaction, but before the occurrence of an event that constitutes a Change of Control, no longer constitute such a majority of the Boards then in office. A Transaction constituting a Change of Control shall be deemed to have occurred only upon the closing of the Transaction.

(c) (i) If (A) the Employers terminate the Executive's employment under this Agreement for any reason other than for Cause and such termination occurs as of a date that is within 270 days preceding or within 180 days after the consummation of a Change of Control (with such 270-day period and such 180-day period collectively referred to in this Agreement as a "Change of Control Period", (B) the Employers terminate this Agreement as a result of the death or Permanent Disability of the Executive, effective as of a date within a Change of Control Period, (C) the Executive terminates the Executive's employment under this Agreement within 180 days after the consummation of a Change of Control or (D) the Executive terminates the Executive's employment under this Agreement for Good Reason, the Employers shall pay to the Executive or the Executive's estate promptly after the event giving rise to such payment occurs, an amount equal to the sum of (x) (1) the Executive's Base Salary, as defined in this Agreement, accrued through the date the termination of the

Executive's employment under this Agreement is effective, (2) any incentive the Employers have the obligation to pay to the Executive pursuant to paragraph 3(b) of this Agreement, (3) any amounts payable under any of the Employers' benefit plans in accordance with the terms of such plans, except as Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") may otherwise require and (4) any amount in respect of excise taxes the Employers have the obligation to pay to the Executive pursuant to paragraph 1(e) of this Agreement, with such payments, rights and benefits described in clauses (x)(1), (x)(2) and (x)(3) of this Agreement being collectively referred to in this Agreement as the "Accrued Obligations," (y) an amount equal to the aggregate premiums that the Executive would have to pay to maintain in effect throughout the period (the "Subsequent Period") from the date of termination of the Executive's employment under this Agreement through the remainder of the Term had the Executive remained employed, assuming no increase in insurance premium rates, the same medical, health, disability and life insurance coverage the Employers provided to the Executive immediately prior to the date of such termination (the "Benefit Obligations") and (z) the Employers shall pay to the Executive or the Executive's estate, as a severance payment, for three years from the date of such termination, the Executive's annual Base Salary as of the effective date of termination of the Executive's employment under this Agreement and the incentive paid to the Executive during the last completed fiscal year of the Employers before such termination. The Employers shall pay such amounts to the Executive in 36 equal monthly installments.

(ii) If the Employers terminate the Executive's employment under this Agreement for any reason other than for Cause effective as of a date that is not within a Change of Control Period or (B) the Executive terminates the Executive's employment under this Agreement for Good Reason effective as of a date that is not within a Change of Control Period, the Employers shall pay the Executive, provided the Executive concurrently signs and delivers a general release in a commercially reasonable form that is mutually acceptable to the Employers and the Executive in favor of the Employers and their respective subsidiaries, an amount equal to the sum of (w) the Accrued Obligations, (x) the Benefit Obligations and (y) the Executive's Base Salary as of the effective date of termination of the Executive's employment under this Agreement the Executive would have received had the Executive remained employed under this Agreement for the Subsequent Period.

(iii) If (A) the Employers terminate the Executive's employment under this Agreement for Cause or because of the death or Permanent Disability of the Executive or (B) the Executive terminates the Executive's employment under this Agreement for any reason other than Good Reason, the Executive's death or Permanent Disability or (C) the Employers terminate this Agreement as a result of the death or Permanent Disability of the Executive effective as of a date that is not within a Change of Control Period, the sole obligation of the Employers to the Executive under this Agreement shall be to pay the Accrued Obligations to the Executive or the Executive's estate, provided, however, that in the event the Employers terminate the employment of the Executive under this Agreement

because of the death of the Executive, the Employers shall pay to the personal representatives of the Executive an amount equal to the Executive's Base Salary and incentive for the remainder of the Term. The Employers shall pay such amounts to the Executive at the same time and in the same installments had the Executive remained employed under this Agreement for the remainder of the Term.

(iv) No provision of this Agreement shall adversely affect any vested rights of the Executive under the Employers' existing employee benefit plans or other plans the Employers may establish in the future; provided, however, upon the termination of the employment of the Executive as provided in this Agreement, all future vesting of the Executive's rights under the existing and any future employee benefit plans shall terminate without further action by the Employers.

(v) The Employers and the Executive intend that this Agreement be drafted and administered in compliance with section 409A of the Code, including, but not limited to, any future amendments to Section 409A, and any other Internal Revenue Service ("IRS") or other governmental rulings or interpretations (together, "Section 409A") issued pursuant to Section 409A so as not to subject the Executive to payment of interest or any additional tax under Code section 409A. The Employers and the Executive intend for any payments under paragraphs 1(e)(i), (ii) or (iii) to satisfy either the requirements of Section 409A or to be exempt from the application of Section 409A, and the Employers and the Executive shall construe and interpret this Agreement accordingly. In furtherance of such intent, if payment or provision of any amount or benefit under this Agreement that is subject to Section 409A at the time specified in this Agreement would subject such amount or benefit to any additional tax under Section 409A, the Employers shall postpone payment or provision of such amount or benefit to the earliest commencement date on which the Employers can make such payment or provision of such amount or benefit without incurring such additional tax, but not in excess of six months. In addition, to the extent that any IRS guidance issued under Section 409A would result in the Executive being subject to the payment of interest or any additional tax under Section 409A, the Employers and the Executive agree, to the extent reasonably possible, to amend this Agreement in order to avoid the imposition of any such interest or additional tax under Section 409A. Any such amendment shall have the minimum economic effect necessary and be determined reasonably and in good faith by the Employers and the Executive.

(vi) If a payment under paragraph 1(e)(i), (ii) or (iii) of this Agreement does not qualify as a short-term deferral under Section 409A or any similar or successor provisions, and the Executive is a Specified Employee, as defined in this Agreement, as of the Executive's Termination Date, the Employers may not make such distributions to the Executive before a date that is six months after the date of the Executive's Termination Date or, if earlier, the date of the Executive's death (the "Six-Month Delay"). The Employers shall accumulate payments to which the Executive would otherwise be entitled during the first six

months following the Termination Date (the "Six-Month Delay Period") and make such payments on the first day of the seventh month following the Executive's Termination Date. Notwithstanding the Six-Month Delay set forth in this paragraph 1(e)(vi):

(A) To the maximum extent Section 409A or any similar or successor provisions permit, during each month of the Six-Month Delay Period, the Employers will pay the Executive an amount equal to the lesser of (I) the total monthly severance for which paragraph 1(e)(ii) and (iii) provide or (II) one-sixth of the lesser of (1) the maximum amount that Section 401(a)(17) permits to be taken into account under a qualified plan for the year in which the Executive's Date of Termination occurs and (2) the sum of the Executive's annualized compensation based upon the annual rate of pay for services provided to the Employers for the taxable year of the Executive preceding the taxable year of the Executive in which the Executive's Termination Date occurs, adjusted for any increase during that year that the parties expected to continue indefinitely if the Executive's Termination Date has not occurred ; provided that amounts paid under this sentence will count toward, and will not be in addition to, the total payment amount the Employers have the obligation to pay to the Executive under paragraphs 1(e)(i) and (ii) of this Agreement; and

(B) To the maximum extent Section 409A, or any similar or successor provisions, permits within ten days following the Executive's Termination Date, the Employers shall pay the Executive an amount equal to the applicable dollar amount under Section 402(g)(1)(B) for the year in which the Executive's Termination Date occurred; provided that the amount the Employers pay under this sentence may include, and need not be in addition to, the total payment amount this Agreement requires the Employers to pay to the Executive under paragraph 1(b).

(C) For purposes of this Agreement, "Specified Employee" has the meaning given that term in Section 409A or any similar or successor provisions. The Employers' "specified employee identification date" as described in Section 409A will be December 31 of each year, and the Employers' "specified employee effective date" as described in Section 409A or any similar or successor provisions) will be February 1 of each succeeding year.

(f) In the event that the independent registered public accounting firm of either of the Employers or the IRS determines that any payment, coverage or benefit provided to the Executive pursuant to this Agreement is subject to the excise tax imposed by Sections 280G or 4999 or any successor provisions of Sections 280G and 4999 or any interest

or penalties the Executive incurs with respect to such excise tax, the Employers, within 30 days thereafter, shall pay to the Executive, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Executive's net after tax position, after taking into account any interest, penalties or taxes imposed on the amounts payable under this paragraph 1(f), upon the receipt of the payments for which this Agreement provides be no less advantageous to the Executive than the net after tax position to the Executive that would have been obtained had Sections 280G and 4999 not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Executive and the Employers and whose fees and costs shall be paid for by the Employers, shall make all determinations under this paragraph 1(f) requires.

(g) In the event that the independent registered public accounting firm of either of the Employers or the IRS determines that any payment, coverage or benefit due or owing to the Executive pursuant to this Agreement is subject to the excise tax Section 409A imposes or any successor provision of Section 409A or any interest or penalties, including interest imposed under Section 409(A)(1)(B)(i)(I) of the Code, the Executive incurs as a result of the application of such provision, the Employers, within 30 days of the date of such impositions, shall pay to the Executive, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Executive's net after tax position, after taking into account any interest, penalties or taxes imposed on the amounts paid under this paragraph 1(g), being no less advantageous to the Executive than the net after tax position the Executive would have obtained had Section 409A not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Executive and the Employers and whose fees and costs the Employers shall pay, shall make all determinations this paragraph 1(g) requires.

(h) The Employers and the Executive shall give any notice of termination of this Agreement to the Executive or the Employers, as the case may be, in accordance with the provisions of paragraph 12.

(i) The Employers agree to reimburse the Executive for the reasonable fees and expenses of the Executive's attorneys and for court and related costs in any proceeding to enforce the provisions of this Agreement in which the Executive is successful on the merits.

2. Duties of the Executive.

(a) Subject to the ultimate control and discretion of the Boards, the Executive shall serve in the Position and perform all duties and services commensurate with the Position. Throughout the Term of this Agreement as the same may be extended from time to time, the Executive shall perform all duties reasonably assigned or delegated to the Executive under the By-laws of the Employers or from time to time by the Boards consistent with the

Position. Except for travel normally incidental and reasonably necessary to the business of the Employers and the duties of the Executive under this Agreement, the duties of the Executive shall be performed from an office location not greater than 35 miles from Marietta, Pennsylvania.

(b) The Executive shall devote substantially all of the Executive's business time and attention to the performance of the Executive's duties under this Agreement and, during the term of the Executive's employment under this Agreement, the Executive shall not engage in any other business enterprise that requires any significant amount of the Executive's personal time or attention, unless granted the prior permission of the respective Boards, provided, however, that this requirement for prior permission from the respective Boards shall not apply to any business or profession in which the Executive is engaged on the Effective Date, provided, however, that the Executive shall require the prior permission of the respective Boards to the extent the Executive proposes to increase substantially the amount of time he devotes to such other businesses. The foregoing provision shall not prevent the Executive's purchase, ownership or sale of any interest in, or the Executive's engaging in, any business that does not compete with the business of the Employers or the Executive's involvement in charitable or community activities, provided, that the time and attention that the Executive devotes to such business and charitable or community activities does not materially interfere with the performance of the Executive's duties under this Agreement and that a material portion of the time the Executive devotes to charitable or community activities are devoted to charitable or community activities within the Employers' market area and further provided that such conduct complies in all material respects with applicable policies of the Employers.

(c) The Executive shall receive 30 days of vacation leave during each calendar year with full compensation, and which the Executive may take at such time or times, as the Executive and the Employers shall mutually determine. The Employers shall accrue earned but unused vacation in accordance with the Employers' vacation policy.

3. Compensation. For all services the Executive renders under this Agreement:

(a) The Employers shall pay the Executive a base salary (the "Base Salary") at the annual rate that the Executive is currently receiving from the Employers, plus such other compensation as the Employers may, from time to time, determine. The Employers shall pay such Base Salary and other compensation in accordance with the Employers' normal payroll practices as in effect from time to time.

(b) The Employers agree that the Executive shall be entitled to participate in the Employer's annual incentive programs, in accordance in all material respects with applicable policies of the Employers relating to incentive compensation for executive officers, including the objectives set forth in the Employers' Executive Incentive Plan.

(c) From and after the Effective Date and throughout the Term:

(i) Subject to any required stockholder approval, DGI shall annually grant the Executive options, which shall be non-qualified stock options, to purchase not less than 150,000 shares of Class A common stock of DGI (the "Options") at a price per share equal to the closing price of DGI's Class A common stock on the NASDAQ National Market System ("NASDAQ") on the day before the date of the annual stock option grant (the "Exercise Price"). The Options shall have the following other additional terms:

(A) Each Option shall become exercisable and be vested, and remain exercisable and vested for a term of ten years after the date of grant of its grant, in three cumulative installments as follows:

(1) the first installment of each option, consisting of 50,000 shares of DGI Class A common stock, shall become exercisable from and after the nine months following the date of such grant;

(2) the second installment of each option, consisting of 50,000 shares of DGI Class A common stock, shall become exercisable from and after the second anniversary of the date of such grant; and

(3) the third installment of each option, consisting of 50,000 shares of DGI Class A common stock, shall become exercisable from, and after the third anniversary of the date of such grant.

(ii) The Options shall become immediately vested and exercisable and shall remain exercisable for the remainder of the original term of such options in the event of (A) a Change of Control, (B) the Employers terminate this Agreement without Cause or (C) the Executive terminates this Agreement for Good Reason;

(iii) Any unvested Options shall terminate immediately in the event of (A) the Employers terminate the employment of the Executive under this Agreement for Cause or (B) the Executive terminates the Executive's employment under this Agreement without Good Reason;

(iv) The Options shall remain exercisable until the earlier of the expiration of their respective terms or three years after the Employers terminate this Agreement because of the Executive's death, Permanent Disability or retirement, and the Options shall become immediately vested and exercisable if such termination occurs during the 270 days the preceding consummation of a Change of Control;

(v) The Executive may transfer some or all of the Options by gift to members of the Executive's immediate family or to entities that such family members control or by will or by the laws of descent and distribution;

(vi) In the event that, after the Effective Date, the outstanding shares of DGI's Class A common stock subject to the Options increase or decrease or are changed into or exchanged for a different kind or number of shares of DGI or other securities of DGI or of another corporation by reason of a reorganization, merger, consolidation, reclassification, stock split, reverse stock split, stock dividend or combination of shares of DGI's Class A common stock, the Board of Directors of DGI shall make an appropriate and equitable adjustment in the number and kind of shares as to which the Options or the remaining portion of the Options then unexercised shall be exercisable and in the Exercise Price. DGI shall make such adjustment in the Options without any change in the total price applicable to the unexercised portion of the Options, except for any change in aggregate exercise price that results from the rounding-off of share amounts or prices and with any necessary corresponding adjustment in the Exercise Price. In the event DGI from time to time after the Effective Date DGI issues shares of its Class A common stock at a price less than the then prevailing market price on NASDAQ on the date of any such issuance (the "Prevailing Market Price"), the Board of Directors of DGI shall reduce the Exercise Price of that portion of the Options not then exercised to the price determined by multiplying the Exercise Price as then in effect by a fraction, the numerator of which shall be that price per share at which DGI issued its Class A Common Stock at a price less than the Prevailing Market Price and the denominator of which shall be such Prevailing Market Price. Any such adjustment that the Board of Directors of DGI makes shall be final and binding upon the Executive, DGI and their respective successors in interest;

(vii) if DGI adopts an option plan for its employees and such option plan contains terms more favorable to the optionees under such plan than the terms of the Options granted to the Executive as set forth in this Agreement, then, in such event, the terms of the Options shall adjust so that the terms of the Options incorporate the more favorable provision of such option plan; and

(viii) Subject to any required stockholder approval, DGI shall promptly file a Form S-8 registration statement with the Securities and Exchange Commission and shall use its commercially reasonable efforts to cause such registration statement to remain effective for as long as any of the Options remain outstanding.

(d) The compensation that the Employers agree to pay to the Executive in this paragraph 3 shall be in addition to such rights as the Executive may have, during the Executive's employment under this Agreement or after such employment, to participate in and receive benefits from or under any benefit plans the Employers may in their discretion establish for their employees or executives, including, but not limited to, employment benefit plans either of the Employers maintain now or in the future, and specifically including the Stock Option Plan and group health insurance, life insurance and disability insurance plans. To the extent the Executive incurs a tax liability as a result of any of such benefits, the Executive shall be solely responsible for such taxes.

(c) The parties acknowledge that Towers Watson is in the process of evaluating the compensation and employee benefit plans the Employers make available to their senior executive officers. To the extent the respective boards of directors of the Employers, based upon the recommendations of Towers Watson, to approve the enhancement the compensation and other benefits the Employers make available to their senior executive officers, the Employers and the Executive agree to negotiate in good faith and to execute an amendment to this Agreement that would appropriately reflect any such enhancements.

4. Expenses. The Employers shall promptly reimburse the Executive for all reasonable expenses the Executive pays or incurs in connection with the performance of the Executive's duties and responsibilities under this Agreement, upon presentation of expense vouchers or other appropriate documentation therefor.

5. Consulting Services. Unless the Employers have terminated the employment of the Executive under this Agreement for Cause, the Death or the Permanent Disability of the Executive, the Executive has terminated the Executive's employment under this Agreement for Good Reason, or the date on which the Executive no longer serves as President and Chief Executive Officer of the Employers, and in the absence of the death or Permanent Disability of the Executive, the Employers expressly contemplate that upon the earlier of the expiration of the Term of this Agreement or the date on which the Executive terminates his employment under this Agreement for Good Reason, the Executive shall serve as a consultant to the Employers under the terms and conditions of the Consulting Agreement.

6. Indemnification. Notwithstanding anything in the Employers' respective certificates or articles of incorporation or their By-laws to the contrary, the Employers shall at all times indemnify the Executive during the Executive's employment by the Employers or while the Executive is providing consulting services to the Employers, and thereafter, to the fullest extent applicable law permits for any matter in any way relating to the Executive's employment by, consultation with or other affiliation with the Employers or its subsidiaries; provided, however, that if the Employers shall have terminated the Executive's employment under this Agreement for Cause, then, except to the extent otherwise required by law, the Employers shall have no obligation whatsoever to indemnify the Executive for any claim arising out of the matter for which the Employer shall have terminated Executive's employment under this Agreement for Cause or for any conduct of the Executive not within the scope of the Executive's duties under this Agreement.

7. Confidential Information. The Executive understands that, in the course of the Executive's employment by the Employers, the Executive will receive confidential information concerning the business of the Employers and that the Employers desire to protect. The Executive agrees that the Executive will not at any time during or after the period of the Executive's employment by the Employers reveal to anyone outside the Employers, or use for the Executive's own benefit, any such information that the Employers

have designated as confidential or that the Executive understood to be confidential without specific designation by the Employers. Upon termination of the employment of the Executive under this Agreement, and upon the request of the Employers, the Executive shall promptly deliver to the Employers any and all written materials, records and documents, including all copies of such written materials, documents and records, the Executive made or that come into the Executive's possession during the Term and that the Executive retained contain or concern confidential information of the Employers and all other written materials the Employers furnished to the Executive for the Executive's use during the Term, including all copies of such written materials, documents and records, whether of a confidential nature or otherwise.

8. Non-Competition.

(a) For the purposes of this Agreement, the term "Competitive Enterprise" shall mean any insurance company, insurance holding company, federal or state-chartered bank, savings and loan association, savings bank, credit union, consumer finance company, bank holding company, savings and loan holding company, unitary holding company, financial holding company or any of the foregoing types of entities in the process of organization or application for federal or state regulatory approval and shall also include other providers of financial services and entities that offer financial services or products with which the Employers or their respective subsidiaries or affiliates currently offer or may in the future offer.

(b) For a period of two years (the "Restricted Period") immediately following the Employers' termination of the Executive's employment under this Agreement for Cause or the Executive's termination of his employment under this Agreement for other than Good Reason, the Executive shall not, provided that the Employers remain in compliance with their respective obligations under this Agreement:

(i) serve as a director, officer, employee or agent of, or act as a consultant or advisor to, any Competitive Enterprise in any city or county in which the Employers or their respective subsidiaries or affiliates are then conducting business or maintain an office or have publicly announced their intention to conduct business or maintain an office;

(ii) in any way, directly or indirectly, solicit, divert or contact any existing or potential customer or business of the Employers or any of their respective subsidiaries or affiliates that the Executive solicited, became aware of or transacted business with during the Employers' employment of the Executive for the purpose of selling any financial services or products that compete with the financial services or products the Employers or their respective subsidiaries and affiliates currently offer or in the future, may offer or solicit or assist in the employment of any employee of the Employers or their

respective subsidiaries or affiliates for the purpose of becoming an employee of or otherwise provide services for any Competitive Enterprise.

9. Representation and Warranty of the Executive. The Executive represents and warrants that the Executive is not under any obligation, contractual or otherwise, to any other firm or corporation, which would prevent the Executive's performance of the terms of this Agreement.

10. Entire Agreement; Amendment. This Agreement and the Consulting Agreement contain the entire agreement between the Employers and the Executive with respect to the subject matter of this Agreement, and may not be amended, waived, changed, modified or discharged except by an instrument in writing executed by the Employers and the Executive.

11. Assignability. The services of the Executive under this Agreement are personal in nature, and the Employers may not assign the rights or obligations of the Executive under this Agreement, whether by operation of law or otherwise, without the Executive's prior written consent. This Agreement shall be binding upon, and inure to the benefit of, the Employers and their permitted successors and assigns under this Agreement. This Agreement shall not be assignable by the Executive, but shall inure to the benefit of the Executive's heirs, executors, administrators and personal representatives.

12. Notice. Any notice that a party to this Agreement may give under this Agreement shall be in writing and be deemed given when hand delivered and acknowledged or, if mailed, one day after mailing by registered or certified mail, return receipt requested, or if delivered by an overnight delivery service, one day after the notice is delivered to such service, to the Employers or the Executive at their respective addresses stated in the preamble to this Agreement, or at such other address as either party may by similar notice designate.

13. Specific Performance. The Employers and the Executive agree that irreparable damage would occur in the event that any of the provisions of paragraphs 7 or 8 of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Employers and the Executive shall have the right to an injunction or injunctions to prevent breaches of such paragraphs 7 or 8 and to enforce specifically the terms and provisions of such paragraphs 7 or 8, this being in addition to any other remedy to which the Employers or the Executive are entitled at law or in equity.

14. No Third Party Beneficiaries. Nothing in this Agreement, express or implied, shall confer upon any person or entity other than the Employers and the Executive (and the Executive's heirs, executors, administrators and personal representatives) any rights or remedies of any nature under or by reason of this Agreement.

15. Successor Liability. The Employers shall require any successor, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all of the business or assets of the Employers to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Employers would be required to perform it if no such succession had taken place.

16. Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation the Executive earns as the result of employment by another employer or by retirement benefits payable after the termination of this Agreement, except that the Employers shall not be required to provide the Executive and the Executive's eligible dependents with medical insurance coverage as long as the Executive and the Executive's eligible dependents are receiving comparable medical insurance coverage from another employer.

17. Waiver of Breach. The failure at any time to enforce or exercise any right under any of the provisions of this Agreement or to require at any time performance by the other parties of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement or any part of this Agreement, or the right of any party hereafter to enforce or exercise its rights under each and every provision in accordance with the terms of this Agreement.

18. No Attachment. Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; provided, however, that nothing in this paragraph 18 shall preclude the assumption of such rights by executors, administrators or other legal representatives of the Executive or the Executive's estate and their assigning any rights hereunder to the person or persons entitled to such rights.

19. Severability. The invalidity or unenforceability of any term, phrase, clause, paragraph, restriction, covenant, agreement or other provision of this Agreement shall in no way affect the validity or enforceability of any other provision, or any part of this Agreement, but this Agreement shall be construed as if such invalid or unenforceable term, phrase, clause, paragraph, restriction, covenant, agreement or other provision had never been contained in this Agreement unless the deletion of such term, phrase, clause, paragraph, restriction, covenant, agreement or other provision would result in such a material change as to cause the covenants and agreements contained in this Agreement to be unreasonable or would materially and adversely frustrate the objectives of the Employers and the Executive as expressed in this Agreement.

20. Construction. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Pennsylvania, without giving effect to principles of conflict of laws. All headings in this Agreement have been inserted solely for convenience of reference only, are not to be considered a part of this Agreement and shall not affect the interpretation of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

DONEGAL MUTUAL INSURANCE COMPANY

By: /s/ Kevin G. Burke
Kevin G. Burke, Senior Vice President,
Human Resources

DONEGAL GROUP INC.

By: /s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President and
Chief Financial Officer

/s/ Donald H. Nikolaus
Donald H. Nikolaus

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this "Agreement") dated as of July 29, 2011 among Donegal Mutual Insurance Company, a Pennsylvania mutual insurance company having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("Donegal Mutual"), Donegal Group Inc., a Delaware corporation having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("DGI," and, together with Donegal Mutual, the "Companies"), and Donald H. Nikolaus, an individual whose principal office address is 1195 River Road, Marietta, Pennsylvania 17547 (the "Consultant").

WITNESSETH:

WHEREAS, the Consultant has served for many years as the President and Chief Executive Officer of Donegal Mutual and DGI; and

WHEREAS, upon the earlier of the retirement of the Consultant or the date on which the Companies shall have terminated the employment of the Consultant under the Employment Agreement dated as of July 29, 2011 among Donegal Mutual, DGI and the Consultant (the "Employment Agreement") for other than Cause, as defined in the Employment Agreement, the Death or the Permanent Disability of the Consultant, as defined in this Agreement, or the Consultant shall have terminated the Consultant's employment as President and Chief Executive Officer of the Companies under the Employment Agreement for Good Reason, as defined in the Employment Agreement, the Companies agree to retain the Consultant to provide consulting services to the Companies and their respective boards of directors (together, the "Boards"), and the Consultant agrees to render consulting services to the Companies and the Boards, in each case in accordance with the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement, the Companies and the Consultant, intending to be legally bound hereby, mutually agree as follows:

1. Consulting Services.

(a) (i) Effective on the date of the retirement of the Consultant as the President and Chief Executive Officer of Donegal Mutual and DGI or such earlier date on which the Companies shall have terminated the employment of the Consultant as President and Chief Executive Officer of the Companies under the Employment Agreement for other than Cause or the Death or Permanent Disability of the Consultant or the date on which the Consultant shall have terminated the employment of the Consultant as President and Chief

Executive Officer of the Companies under the Employment Agreement for Good Reason (the "Effective Date") and except as otherwise provided in this Agreement, this Agreement shall supersede and replace the Employment Agreement and the Companies shall thereupon retain the Consultant to provide consulting services to the Companies and the Boards in accordance with the terms and conditions set forth in this Agreement and the Consultant agrees to provide consulting services to the Companies and the Boards in accordance with the terms and conditions set forth in this Agreement. Donegal Mutual and DGI shall be jointly and severally liable to the Consultant with respect to (i) all liabilities of Donegal Mutual to the Consultant under this Agreement and (ii) all liabilities of DGI to the Consultant under this Agreement; provided, however, that Donegal Mutual shall not be responsible for any liability of DGI to the Consultant to the extent that DGI has discharged such liability, and DGI shall not be responsible for any liability of Donegal Mutual to the Consultant to the extent that Donegal Mutual has discharged such liability.

(ii) The term of this Agreement shall commence upon the Effective Date and end on the fifth anniversary of the Effective Date, unless the Companies earlier terminate the retention of the Consultant for Cause, as defined in this Agreement, the death of the Consultant or the Permanent Disability of the Consultant.

(b) Unless this Agreement otherwise provides or pursuant to the mutual agreement of the Companies and the Consultant, all of the terms and conditions of this Agreement shall continue in full force and effect throughout the Term and, with respect to those terms and conditions that apply after the Term, after the Term.

(c) Notwithstanding paragraph 1(a) of this Agreement, the Companies, by action of the Boards and effective as specified in a written notice thereof to the Consultant in accordance with the terms of this Agreement, shall have the right to terminate the Consultant's retention under this Agreement at any time during the Term, for Cause or for other than for Cause or on account of the Consultant's Death or Permanent Disability, subject to the provisions of this paragraph 1.

(i) As used in this Agreement, "Cause" shall mean (A) the Consultant's willful and continued failure substantially to provide consulting services to with the Companies as set forth in this Agreement, or the commission by the Consultant of any activities constituting a willful violation or breach under any material federal, state or local law or regulation applicable to the activities of Donegal Mutual, DGI or their respective subsidiaries and affiliates, in each case, after notice of such failure, breach or violation from the Companies to the Consultant and a reasonable opportunity for the Consultant to cure such failure, breach or violation in all material respects, (B) fraud, breach of fiduciary duty, dishonesty, misappropriation or other actions by the Consultant that cause intentional material damage to the property or business of Donegal Mutual, DGI or their respective subsidiaries and affiliates, or (C) the Consultant's inability to render consulting services such

that the Consultant is substantially unable to perform the Consultant's duties under this Agreement in all material respects other than for physical or mental impairment or illness.

(ii) As used in this Agreement, "Permanent Disability" shall mean a physical or mental disability of the Consultant such that the Consultant is substantially unable to perform those consulting services that the Consultant would otherwise reasonably have been expected to continue to perform and the nonperformance of such consulting services continues for a period of 240 consecutive days, provided, however, that in order to terminate the Consultant's retention under this Agreement on account of Permanent Disability, the Companies must provide the Consultant with written notice of the respective Boards' good faith determinations to terminate the Consultant's retention under this Agreement for reason of Permanent Disability not less than 30 days prior to such termination, which notice shall specify the date of termination. Until the specified effective date of termination by reason of Permanent Disability, the Consultant shall continue to receive the consulting fees at the rates set forth in paragraph 3 of this Agreement. No termination of the Consultant's retention under this Agreement because of Permanent Disability shall impair any rights of the Consultant under any disability insurance policy the Companies maintained at the commencement of the aforesaid 240-day period.

(d) The Consultant shall have the right to terminate the Consultant's retention under this Agreement at any time during the Term for Good Reason or without Good Reason. As used in this Agreement, "Good Reason" shall mean a material breach by either of the Companies of its respective obligations to the Consultant under this Agreement, and the Companies do not cure such breach in all material respects to the reasonable satisfaction of the Consultant, within 30 days, in each case following written notice of such breach from the Consultant to the Companies, which notice the Companies shall provide within 90 days of the date on which the Companies first have actual knowledge of the existence of the breach.

(e) Termination Obligations.

(i) If (A) the Companies terminate the retention of the Consultant under this Agreement for any reason other than Cause or the death or Permanent Disability of the Consultant or (B) the Consultant terminates the retention of the Consultant under this Agreement for Good Reason, the Companies shall pay the Consultant's annual fee for the remainder of the Term at the same times and in the same installments as the Companies paid the consulting fee to the Consultant until the Companies shall have discharged such obligations.

(ii) If (A) the Companies terminate the retention of the Consultant under this Agreement for Cause or (B) the Consultant terminates the Consultant's retention under this Agreement for any reason other than Good Reason, the sole obligation of the Companies to the Consultant shall be to pay to the Consultant any accrued obligation of the

Companies to the Consultant pursuant to this Agreement within 30 days after the date of such termination.

(iii) No provision of this Agreement shall adversely affect any vested rights of the Consultant under the Companies' employee benefit plans or other plans the Companies have established prior to the Effective Date of this Agreement.

(f) The Companies and the Consultant intend that this Agreement be drafted and administered in compliance with Section 409A of the Code, including, but not limited to, any future amendments to Section 409A, and any other Internal Revenue Service ("IRS") or other governmental rulings or interpretations (together, "Section 409A") issued pursuant to Section 409A so as not to subject the Consultant to payment of interest or any additional tax under Section 409A. The Companies and the Consultant intend for any payments under paragraphs 1(e)(i) or (ii) to satisfy either the requirements of Section 409A or to be exempt from the application of Section 409A, and the Companies and the Consultant shall construe and interpret this Agreement accordingly. In furtherance of such intent, if payment or provision of any amount or benefit under this Agreement that is subject to Section 409A at the time specified in this Agreement would subject such amount or benefit to any additional tax under Section 409A, the Companies shall postpone payment or provision of such amount or benefit to the earliest commencement date on which the Companies can make such payment or provision of such amount or benefit can be made without incurring such additional tax. In addition, to the extent that any IRS guidance issued under Section 409A would result in the Consultant being subject to the payment of interest or any additional tax under Section 409A, the Companies and the Consultant agree, to the extent reasonably possible, to amend this Agreement in order to avoid the imposition of any such interest or additional tax under Section 409A. Any such amendment shall have the minimum economic effect necessary and be determined reasonably and in good faith by the Companies and the Consultant.

(g) If a payment under paragraphs 1(e)(i) or (ii) of this Agreement does not qualify as a short-term deferral under Section 409A or any similar or successor provisions, as of the Consultant's Termination Date, the Companies may not make such distributions to the Consultant before the date that is six months after the date of the Consultant's Termination Date or, if earlier, the date of the Consultant's death (the "Six-Month Delay"). The Companies shall accumulate payments to which the Consultant would otherwise be entitled during the first six months following the Termination Date (the "Six-Month Delay Period") and make such payments on the first day of the seventh month following the Consultant's Termination Date. Notwithstanding the Six-Month Delay set forth in this paragraph 1(g):

(i) To the maximum extent Section 409A or any similar or successor provisions permit, during each month of the Six-Month Delay Period, the Companies will pay the Consultant an amount equal to one-sixth of the lesser of (1) the maximum amount that Code Section 401(a)(17) permits to be taken into account under a qualified plan for the

year in which the Consultant's Termination Date occurs and (2) the sum of the Consultant's annualized fees based upon the annual rate of pay for the consulting services provided to the Companies for the taxable year of the Consultant preceding the taxable year of the Consultant in which the Consultant's Termination Date occurs, adjusted for any increase during that year that was expected to continue indefinitely if the Consultant's Termination Date has not occurred ; provided that amounts paid under this sentence will count toward, and will not be in addition to, the total payment amount the Companies have the obligation to pay to the Consultant under paragraphs 1(e)(i) and (ii) of this Agreement; and

(ii) To the maximum extent Section 409A, or any similar or successor provisions, permits within ten days following the Consultant's Termination Date, the Companies shall pay the Consultant an amount equal to the applicable dollar amount under Code Section 402(g)(1)(B) for the year in which the Consultant's Termination Date occurred; provided that the amount the Companies pay under this sentence may include, and need not be in addition to, the total payment amount this Agreement requires the Companies to pay to the Consultant under paragraph 1(e).

(h) In the event that the independent registered public accounting firm of either of the Companies or the IRS determines that any payment, coverage or benefit provided to the Consultant pursuant to this Agreement is subject to the excise tax imposed by Sections 280G or 4999 of the Code or any successor provisions of Sections 280G and 4999 or any interest or penalties the Consultant incurs with respect to such excise tax, the Companies, within 30 days thereafter, shall pay to the Consultant, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Consultant's net after tax position, after taking into account any interest, penalties or taxes imposed on the amounts payable under this paragraph 1(h), upon the receipt of the payments for which this Agreement provides be no less advantageous to the Consultant than the net after tax position to the Consultant that would have been obtained had Sections 280G and 4999 of the Code not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Consultant and the Companies and whose fees and costs shall be paid for by the Companies, shall make all determinations this paragraph 1(h) requires.

(i) In the event that the independent registered public accounting firm of either of the Companies or the IRS determines that any payment, coverage or benefit due or owing to the Consultant pursuant to this Agreement is subject to the excise tax Section 409A of the Code imposes or any successor provision of Section 409A or any interest or penalties, including interest imposed under Section 409(A)(1)(B)(i)(I) of the Code, the Consultant incurs as a result of the application of such provision, the Companies, within 30 days of the date of such impositions, shall pay to the Consultant, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Consultant's net after-tax position, after taking into account any interest, penalties or taxes

imposed on the amounts paid under this paragraph 1(i), being no less advantageous to the Consultant than the net after-tax position the Consultant would have obtained had Section 409A of the Code not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Consultant and the Companies, and whose fees and costs the Companies shall pay, shall make all determinations this paragraph 1(i) require.

(j) The Companies and the Consultant shall give any notice of termination of this Agreement to the Consultant or the Companies, as the case may be, in accordance with the provisions of paragraph 9.

(k) The Companies agree to reimburse the Consultant for the reasonable fees and expenses of the Consultant's attorneys and for court and related costs in any proceeding to enforce the provisions of this Agreement in which the Consultant is successful on the merits.

2. Services of the Consultant

(a) The Consultant agrees to provide services to the Companies in connection with the general operations of the Companies and merger and acquisition activities, participating in meetings and other activities of the Insurance Federation of Pennsylvania and such other projects and assignments upon which the Companies and the Consultant shall from time to time mutually agree. The Consultant shall report to the Boards of Directors of the Companies. The Consultant agrees to perform such services faithfully, diligently and in accordance with the commercially reasonable efforts of the Consultant. The Consultant shall provide, on an average weekly basis during the course of any fiscal year of the Companies, up to 20 hours of consulting services per week. Except for travel normally incidental and reasonably necessary to the business of the Companies and the duties of the Consultant under this Agreement, the duties of the Consultant may be performed from his residence in Silver Spring, Pennsylvania or from an office location the Companies provide that is not more than 35 miles distance from Silver Spring, Pennsylvania.

(b) The Companies and the Consultant intend that the Consultant shall render services under this Agreement as an employee of the Companies, and no one shall construe this Agreement to be inconsistent with that status. The Consultant shall be entitled to receive all benefits the Companies provide to the executive officers of the Companies named in the annual proxy statement of DGI, including health insurance and such benefits of the Consultant as became fully vested while serving as President and Chief Executive Officer of the Companies under the Employment Agreement. The fees, benefits and other compensation the Consultant receives under this Agreement shall be subject to and net of any federal, state or local taxes or contributions imposed under any employment insurance, social security, income tax or other tax law or regulation with respect to the Consultant's performance of consulting services under this Agreement.

3. Fees. For all services the Consultant renders under this Agreement:

(a) As compensation for the Consultant's services under this Agreement, the Companies shall pay the Consultant annual compensation in an amount equal to the sum of 50% of the Base Salary, as defined in the Employment Agreement, for the completed last fiscal year of the Companies before the date the Consultant commences the provision of consulting services pursuant to this Agreement, but in no event less than \$600,000 plus such discretionary incentive payments as the Companies may from time to time determine.

(b) From and after the Effective Date and throughout the Term, the Companies shall provide the Consultant with office facilities and secretarial services consistent with the Consultant's stature as the long-term former Chief Executive Officer of the Companies.

4. Expenses. The Companies shall promptly reimburse the Consultant for all reasonable expenses the Consultant pays or incurs in connection with the performance of the Consultant's duties and responsibilities under this Agreement, upon presentation of expense vouchers or other appropriate documentation therefor.

5. Indemnification. Notwithstanding anything in the Companies' respective certificates or articles of incorporation or their By-laws to the contrary, the Companies shall at all times indemnify the Consultant during the Consultant's retention by the Companies or while the Consultant is providing consulting services to the Companies, and thereafter, to the fullest extent applicable law permits for any matter in any way relating to the Consultant's affiliation with the Companies or its subsidiaries; provided, however, that if the Companies shall have terminated the Consultant's retention under this Agreement for Cause, then, except to the extent otherwise required by law, the Companies shall have no obligation whatsoever to indemnify the Consultant for any claim arising out of the matter for which the Companies have terminated the Consultant's retention for Cause.

6. Confidential Information. The Consultant understands that in the course of the Consultant's retention by the Companies the Consultant will receive confidential information concerning the business of the Companies and that the Companies desire to protect such confidential information. The Consultant agrees that the Consultant will not at any time during or after the period of the Consultant's retention by the Companies reveal to anyone outside the Companies, or use for the Consultant's own benefit, any such information that the Companies have designated as confidential or that the Consultant understood to be confidential without specific written designation by the Companies. Upon termination of the retention of the Consultant under this Agreement, and upon the request of the Companies, the Consultant shall promptly deliver to the Companies any and all written materials, records and documents, including all copies of such written materials, documents and records, the Consultant made or that come into the Consultant's possession during the Term and that the Consultant retained contain or concern confidential information of the

Companies and all other written materials the Companies furnished to the Consultant for the Consultant's use during the Term, including all copies of such written materials, documents and records, whether of a confidential nature or otherwise.

7. Non-Competition.

(a) For the purposes of this Agreement, the term "Competitive Enterprise" shall mean any insurance company, insurance holding company, federal or state-chartered bank, savings and loan association, savings bank, credit union, consumer finance company, bank holding company, savings and loan holding company, unitary holding company, financial holding company or any of the foregoing types of entities in the process of organization or application for federal or state regulatory approval and shall also include other providers of financial services and entities that offer financial services or products with which the Companies or their respective subsidiaries or affiliates currently offer or may in the future offer.

(b) For a period of two years (the "Restricted Period") immediately following the Companies' termination of the Consultant's retention under this Agreement for Cause or the Consultant's termination of his consulting services under this Agreement for other than Good Reason, the Consultant shall not, provided that the Companies remain in compliance with their respective obligations under this Agreement:

(i) serve as a director, officer, employee or agent of, or act as a consultant or advisor to, any Competitive Enterprise in any city or county in which the Companies or their respective subsidiaries or affiliates are then conducting business or maintain an office or have publicly announced their intention to conduct business or maintain an office;

(ii) in any way, directly or indirectly, solicit, divert or contact any existing or potential customer or business of the Companies or any of their respective subsidiaries or affiliates that the Consultant solicited, became aware of or transacted business with during the Companies' retention the Consultant for the purpose of selling any financial services or products that compete with the financial services or products the Companies or their respective subsidiaries and affiliates currently offer or in the future, may offer or solicit or assist in the employment of any employee of the Companies or their respective subsidiaries or affiliates for the purpose of becoming an employee of or otherwise provide services for any Competitive Enterprise.

8. Entire Agreement; Amendment. This Agreement and the Employment Agreement contain the entire agreement between the Companies and the Consultant with respect to the subject matter of this Agreement, and may not be amended, waived, changed, modified or discharged except by an instrument in writing executed by the Companies and the Consultant.

9. Notice. Any notice that a party to this Agreement may give under this Agreement shall be in writing and be deemed given when hand delivered and acknowledged or, if mailed, one day after mailing by registered or certified mail, return receipt requested, or if delivered by an overnight delivery service, one day after the notice is delivered to such service, to the Companies or the Consultant at their respective addresses stated in the preamble to this Agreement, or at such other address as either party may by similar notice designate.

10. Specific Performance. The Companies and the Consultant agree that irreparable damage would occur in the event that any of the provisions of paragraphs 6 or 7 of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Companies and the Consultant shall have the right to an injunction or injunctions to prevent breaches of such paragraphs 6 or 7 and to enforce specifically the terms and provisions of such paragraphs 6 or 7, this being in addition to any other remedy to which the Companies or the Consultant are entitled at law or in equity.

11. No Third Party Beneficiaries. Nothing in this Agreement, express or implied, shall confer upon any person or entity other than the Companies and the Consultant, and the Consultant's heirs, executors, administrators and personal representatives, any rights or remedies of any nature under or by reason of this Agreement.

12. Successor Liability. The Companies shall require any successor, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all of the business or assets of the Companies to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Companies would be required to perform it if no such succession had taken place.

13. No Attachment. Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; provided, however, that nothing in this paragraph 13 shall preclude the assumption of such rights by executors, administrators or other legal representatives of the Consultant or the Consultant's estate and their assigning any rights under this Agreement to the person or persons entitled to such rights.

14. Severability. The invalidity or unenforceability of any term, phrase, clause, paragraph, restriction, covenant, agreement or other provision of this Agreement shall in no way affect the validity or enforceability of any other provision, or any part of this Agreement, but this Agreement shall be construed as if such invalid or unenforceable term, phrase, clause, paragraph, restriction, covenant, agreement or other provision had never been contained in this Agreement unless the deletion of such term, phrase, clause, paragraph,

restriction, covenant, agreement or other provision would result in such a material change as to cause the covenants and agreements contained in this Agreement to be unreasonable or would materially and adversely frustrate the objectives of the Companies and the Consultant as expressed in this Agreement.

15. Construction. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Pennsylvania, without giving effect to principles of conflict of laws. All headings in this Agreement have been inserted solely for convenience of reference only, are not to be considered a part of this Agreement and shall not affect the interpretation of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

DONEGAL MUTUAL INSURANCE COMPANY

By: /s/ Kevin G. Burke
Kevin G. Burke, Senior Vice President,
Human Resources

DONEGAL GROUP INC.

By: /s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President and
Chief Financial Officer

/s/ Donald H. Nikolaus
Donald H. Nikolaus

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") dated as of July 29, 2011 among Donegal Mutual Insurance Company, a Pennsylvania mutual insurance company having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("Donegal Mutual"), Donegal Group Inc., a Delaware corporation having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("DGI," and, together with Donegal Mutual, the "Employers"), and Kevin G. Burke, an individual whose principal office address is 1195 River Road, Marietta, Pennsylvania 17547 (the "Executive").

WITNESSETH:

WHEREAS, the Employers desire, by this Agreement, to provide for the continued employment of the Executive by the Employers, and the Executive agrees to the continued employment of the Executive by the Employers, all in accordance with the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the parties are entering into this Agreement to set forth and confirm their respective rights and obligations with respect to the Executive's continued employment by the Employers;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement, the Employers and the Executive, intending to be legally bound hereby, mutually agree as follows:

1. Employment and Term.

(a) (i) Effective August 1, 2011 (the "Effective Date"), (i) Donegal Mutual agrees to continue to employ the Executive, and the Executive agrees to continue the Executive's employment as, the Senior Vice President of Human Resources of Donegal Mutual and (ii) DGI agrees to employ the Executive, and the Executive agrees to continue the Executive's employment as, the Senior Vice President of DGI, with positions described in clauses (i) and (ii) collectively referred to in this Agreement as the "Position", in accordance with the terms and subject to the conditions this Agreement sets forth. Donegal Mutual and DGI shall be jointly and severally liable to the Executive with respect to (i) all liabilities of Donegal Mutual to the Executive under this Agreement and (ii) all liabilities of DGI to the Executive under this Agreement; provided, however, that Donegal Mutual shall not be responsible for any liability of DGI to the Executive to the extent that DGI has discharged such liability, and DGI shall not be responsible for any liability of Donegal Mutual to the Executive to the extent that Donegal Mutual has discharged such liability.

(ii) The term of this Agreement, as the same may be extended from time to time pursuant to the provisions of this clause (ii) or otherwise, shall commence on the Effective Date and end on the third anniversary of the Effective Date, provided, however, that on the first anniversary of the Effective Date and on each subsequent anniversary of the Effective Date (each, an "Extension Date"), the Term shall automatically extend for one additional year so that on each such succeeding Extension Date, this Agreement shall have a remaining Term of three years, unless either the Executive or the respective board of directors of Donegal Mutual and DGI (together, the "Boards") give notice to the other, not less than 90 days in advance of the next succeeding Extension Date, that such automatic extensions shall terminate as of such next succeeding Extension Date, unless the Employers earlier terminate the employment of the Executive for Cause, as defined in this Agreement, or because of the death or the Permanent Disability, as defined in this Agreement, of the Executive.

(b) Notwithstanding paragraph 1(a) of this Agreement, the Employers, by action of the Boards and effective as specified in a written notice thereof to the Executive in accordance with the terms of this Agreement, shall have the right to terminate the Executive's employment under this Agreement at any time during the Term, for Cause or other than for Cause or on account of the Executive's death or Permanent Disability subject to the provisions of this paragraph 1.

(i) As used in this Agreement, "Cause" shall mean (A) the Executive's willful and continued failure substantially to perform the Executive's material duties with the Employers as set forth in this Agreement, or the commission by the Executive of any activities constituting a willful violation or breach under any material federal, state or local law or regulation applicable to the activities of Donegal Mutual or DGI or their respective subsidiaries and affiliates, in each case, after notice of such failure, breach or violation from the Employers to the Executive and a reasonable opportunity for the Executive to cure such failure, breach or violation in all material respects, (B) fraud, breach of fiduciary duty, dishonesty, misappropriation or other actions by the Executive that cause intentional material damage to the property or business of Donegal Mutual or DGI or their respective subsidiaries and affiliates, (C) the Executive's repeated absences from work such that the Executive is substantially unable to perform the Executive's duties under this Agreement in all material respects other than for physical or mental impairment or illness or (D) the Executive's non-compliance with the provisions of paragraph 2(b) of this Agreement after notice of such non-compliance from the Employers to the Executive and a reasonable opportunity for the Executive to cure such non-compliance.

(ii) As used in this Agreement, "Permanent Disability" shall mean a physical or mental disability of the Executive such that the Executive is substantially unable to perform those duties that the Executive would otherwise reasonably be expected to continue to perform and the Executive's nonperformance of such duties has continued for a

period of 180 consecutive days, provided, however, that in order to terminate the Executive's employment under this Agreement on account of Permanent Disability, the Employers must provide the Executive with written notice of the Boards' good faith determinations to terminate the Executive's employment under this Agreement for reason of Permanent Disability not less than 30 days prior to such termination, and such notice shall specify the date of termination. Until the specified effective date of termination by reason of Permanent Disability, the Executive shall continue to receive compensation at the rates set forth in paragraph 3 of this Agreement. No termination of the Executive's employment under this Agreement because of Permanent Disability shall impair any rights of the Executive under any disability insurance policy the Employers maintained at the commencement of the aforesaid 180-day period.

(c) The Executive shall have the right to terminate the Executive's employment under this Agreement at any time during the Term for Good Reason or without Good Reason or in the event a Change of Control occurs. As used in this Agreement, "Good Reason" shall mean (A) a material diminishment of the Executive's Position or the scope of the Executive's authority, duties or responsibilities as this Agreement describes without the Executive's written consent, excluding for this purpose any action the Employers do not take in bad faith and that the Employers remedy promptly following written notice thereof from the Executive to the Employers, or (B) a material breach by either Employer of its respective obligations to the Executive under this Agreement, provided, that with respect to any termination by the Executive for Good Reason, the Executive shall have provided the Employers with written notice within 90 days of the date on which the Employers first had actual knowledge of the existence of the Good Reason and which Good Reason shall not have been cured or otherwise rectified by the Employers in all material respects to the reasonable satisfaction of the Executive within 30 days after the Employers receive such written notice or (C) any termination of the Executive's employment under this Agreement without Cause.

(d) "Change of Control" shall mean (A) the acquisition of shares of DGI by any "person" or "group," as Rule 13d-3 uses such terms under the Securities Exchange Act of 1934, as now or hereafter amended, in a transaction or series of transactions that result in such person or group directly or indirectly first owning after the Effective Date more than 25% of the aggregate voting power of DGI's Class A common stock and Class B common stock taken as a single class, (B) the consummation of a merger or other business combination transaction after which the holders of the outstanding voting capital stock of DGI taken as a single class do not collectively own 60% or more of the aggregate voting power of the entity surviving such merger or other business combination transaction, (C) the sale, lease, exchange or other transfer in a transaction or series of transactions of all or substantially all of the assets of DGI, but excluding therefrom the sale and re-investment of the consolidated investment portfolio of DGI and its subsidiaries, (D) as the result of or in connection with any cash tender offer or exchange offer, merger or other business combination transaction, sale of assets or contested-election of directors or any combination of the foregoing transactions or

(E) a change of "control" of Donegal Mutual as such term is defined in the Pennsylvania Insurance Holding Companies Act (each, a "Transaction"), the persons who constituted a majority of the members of the respective Boards on the Effective Date and persons whose election as members of the respective Boards received the approval of such members then still in office or whose subsequent election had been so approved prior to the date of a Transaction, but before the occurrence of an event that constitutes a Change of Control, no longer constitute such a majority of the Boards then in office. A Transaction constituting a Change of Control shall only be deemed to have occurred upon the closing of the Transaction.

(e) (i) If (A) the Employers terminate the Executive's employment under this Agreement for any reason other than for Cause and such termination occurs as of a date that is within 180 days preceding or within 180 days after the consummation of a Change of Control (such 180-day period preceding the Change of Control and such 180-day period after the Change of Control collectively referred to in this Agreement as a "Change of Control Period", (B) the Employers terminate this Agreement as a result of the death or Permanent Disability of the Executive, effective as of a date within a Change of Control Period, (C) the Executive terminates the Executive's employment under this Agreement for Good Reason or (D) the acquisition of "control" of Donegal Mutual as defined in the Pennsylvania Insurance Holding Companies Act, the Employers shall pay to the Executive or the Executive's estate promptly after the event giving rise to such payment occurs, an amount equal to the sum of (x) (1) the Executive's Base Salary, as defined in this Agreement, accrued through the date the termination of the Executive's employment under this Agreement is effective, (2) any incentive, as defined in this Agreement, the Employers have the obligation to pay to the Executive pursuant to paragraph 3(b) of this Agreement, (3) any amounts payable under any of the Employers' benefit plans in accordance with the terms of such plans, except as Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") may otherwise require and (4) any amount in respect of excise taxes the Employers have the obligation to pay to the Executive pursuant to paragraph 1(f) of this Agreement, with such payments, rights and benefits described in clauses (x)(1), (x)(2) and (x)(3) of this Agreement being collectively referred to in this Agreement as the "Accrued Obligations," (y) an amount equal to the aggregate premiums that the Executive would have to pay to maintain in effect throughout the period (the "Subsequent Period") from the date of termination of the Executive's employment under this Agreement through the remainder of the Term had the Executive remained employed, assuming no increase in insurance premium rates, the same medical, health, disability and life insurance coverage the Employers provided to the Executive immediately prior to the date of such termination (the "Benefit Obligations") and (z) the Employers shall pay to the Executive or the Executive's estate, as a severance payment, for three years from the date of such termination, the Executive's annual Base Salary as of the effective date of termination of the Executive's employment under this Agreement and any incentive paid to the Executive during the last completed fiscal year of the Employers before

such termination. The Employers shall pay such amounts for the Executive in 36 equal monthly installments.

(ii) If (A) the Employers terminate the Executive's employment under this Agreement for any reason other than for Cause effective as of a date that is not within a Change of Control Period or (B) the Executive terminates the Executive's employment under this Agreement for Good Reason effective as of a date that is not within a Change of Control Period, the Employers shall pay the Executive, provided the Executive concurrently signs and delivers a general release in a commercially reasonable form that is mutually acceptable to the Employers and the Executive in favor of the Employers and their respective subsidiaries, an amount equal to the sum of (w) the Accrued Obligations, (x) the Benefit Obligations and (y) the Executive's Base Salary as of the effective date of termination of the Executive's employment under this Agreement the Executive would have received had the Executive remained employed under this Agreement for the Subsequent Period. The Employers shall pay such amounts to the Executive at the same time and in the same installments had the Executive remained employed under this Agreement for the Subsequent Period.

(iii) If (A) the Employers terminate the Executive's employment under this Agreement for Cause or because of the death or Permanent Disability of the Executive or (B) the Executive terminates the Executive's employment under this Agreement for any reason other than Good Reason, the Executive's death or Permanent Disability, or (C) the Employers terminate this Agreement as a result of the death or Permanent Disability of the Executive effective as of a date that is not within a Change of Control Period, the sole obligation of the Employers to the Executive under this Agreement shall be to pay the Accrued Obligations to the Executive or the Executive's estate, provided, however, that in the event the Employers terminate the employment of the Executive under this Agreement because of the death of the Executive, the Employers shall pay to the personal representatives of the Executive an amount equal to the Executive's Base Salary and incentive for the remainder of the Term.

(iv) No provision of this Agreement shall adversely affect any vested rights of the Executive under the Employers' existing employee benefit plans or other plans the Employers may establish in the future; provided, however, upon the termination of the employment of the Executive as provided in this Agreement, all future vesting of the Executive's rights under all existing and any future employee benefit plans shall terminate without further action by the Employers.

(v) The Employers and the Executive intend that this Agreement be drafted and administered in compliance with Section 409A of the Code, including, but not limited to, any future amendments to Section 409A, and any other Internal Revenue Service ("IRS") or other governmental rulings or interpretations (together, "Section 409A") issued pursuant to Section 409A so as not to subject the Executive to payment of interest or any

additional tax under Section 409A. The Employers and the Executives intend for any payments under paragraphs 1(e)(i), (ii) or (iii) to satisfy either the requirements of Section 409A or to be exempt from the application of Section 409A, and the Employers and the Executive shall construe and interpret this Agreement accordingly. In furtherance of such intent, if payment or provision of any amount or benefit under this Agreement that is subject to Section 409A at the time specified in this Agreement would subject such amount or benefit to any additional tax under Section 409A, the Employers shall postpone payment or provision of such amount or benefit to the earliest commencement date on which the Employers can make such payment or provision of such amount or benefit without incurring such additional tax but not in excess of six months. In addition, to the extent that any IRS guidance issued under Section 409A would result in the Executive being subject to the payment of interest or any additional tax under Section 409A, the Employers and the Executive agree, to the extent reasonably possible, to amend this Agreement in order to avoid the imposition of any such interest or additional tax under Section 409A. Any such amendment shall have the minimum economic effect necessary and be determined reasonably and in good faith by the Employers and the Executive.

(vi) If a payment under paragraph 1(e)(i), (ii) or (iii) of this Agreement does not qualify as a short-term deferral under Section 409A or any similar or successor provisions, and the Executive is a Specified Employee, as defined in this Agreement, as of the Executive's Termination Date, the Employers may not make such distributions to the Executive before a date that is six months after the date of the Executive's Termination Date or, if earlier, the date of the Executive's death (the "Six-Month Delay"). The Employers shall accumulate payments to which the Executive would otherwise be entitled during the first six months following the Termination Date (the "Six-Month Delay Period") and make such payments on the first day of the seventh month following the Executive's Termination Date. Notwithstanding the Six-Month Delay set forth in this paragraph 1(e)(vi):

(A) To the maximum extent Section 409A or any similar or successor provisions permit, during each month of the Six-Month Delay Period, the Employers will pay the Executive an amount equal to the lesser of (I) the total monthly severance for which paragraph 1(e)(ii) and (iii) provide or (II) one-sixth of the lesser of (1) the maximum amount that Section 401(a)(17) permits to be taken into account under a qualified plan for the year in which the Executive's Date of Termination occurs and (2) the sum of the Executive's annualized compensation based upon the annual rate of pay for services provided to the Employers for the taxable year of the Executive preceding the taxable year of the Executive in which the Executive's Termination Date occurs, adjusted for any increase during that year that the parties expected to continue indefinitely if the Executive's Termination Date has not occurred ; provided that amounts paid under this sentence will count toward, and

will not be in addition to, the total payment amount the Employers have the obligation to pay to the Executive under paragraphs 1(c)(i) and (ii) of this Agreement; and

(B) To the maximum extent Section 409A, or any similar or successor provisions, permits within ten days following the Executive's Termination Date, the Employers shall pay the Executive an amount equal to the applicable dollar amount under Section 402(g)(1)(B) for the year in which the Executive's Termination Date occurred; provided that the amount the Employers pay under this sentence may include, and need not be in addition to, the total payment amount this Agreement requires the Employers to pay to the Executive under paragraph 1(b).

(C) For purposes of this Agreement, "Specified Employee" has the meaning given that term in Section 409A or any similar or successor provisions. The Employers' "specified employee identification date" as described in Section 409A will be December 31 of each year, and the Employers' "specified employee effective date" as described in Section 409A or any similar or successor provisions) will be February 1 of each succeeding year.

(f) In the event that the independent registered public accounting firm of either of the Employers or the IRS determines that any payment, coverage or benefit provided to the Executive pursuant to this Agreement is subject to the excise tax imposed by Sections 280G or 4999 or any successor provisions of Sections 280G and 4999 or any interest or penalties the Executive incurs with respect to such excise tax, the Employers, within 30 days thereafter, shall pay to the Executive, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Executive's net after tax position, after taking into account any interest, penalties or taxes imposed on the amounts payable under this paragraph 1(f), upon the receipt of the payments for which this Agreement provides being no less advantageous to the Executive than the net after tax position to the Executive that would have been obtained had Sections 280G and 4999 not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Executive and the Employers and whose fees and costs shall be paid for by the Employers, shall make all determinations this paragraph 1(f) requires.

(g) In the event that the independent registered public accounting firm of either of the Employers or the IRS determines that any payment, coverage or benefit due or owing to the Executive pursuant to this Agreement is subject to the excise tax Section 409A imposes or any successor provision of Section 409A or any interest or penalties, including interest imposed under Section 409(A)(1)(B)(i)(I), the Executive incurs as a result of the application of such provision, the Employers, within 30 days of the date of such impositions,

shall pay to the Executive, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Executive's net after tax position, after taking into account any interest, penalties or taxes imposed on the amounts paid under this paragraph 1(g), being no less advantageous to the Executive than the net after tax position the Executive would have obtained had Section 409A not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Executive and the Employers and whose fees and costs the Employers shall pay, shall make all determinations this paragraph 1(g) requires.

(h) The Employers and the Executive shall give any notice of termination of this Agreement to the Executive or the Employers, as the case may be, in accordance with the provisions of paragraph 10.

(i) The Employers agree to reimburse the Executive for the reasonable fees and expenses of the Executive's attorneys and for court and related costs in any proceeding to enforce the provisions of this Agreement in which the Executive is successful on the merits.

2. Duties of the Executive.

(a) Subject to the ultimate control and discretion of the Boards, the Executive shall serve in the Position and perform all duties and services commensurate with the Position. Throughout the Term of this Agreement as the same may be extended from time to time, the Executive shall perform all duties reasonably assigned or delegated to the Executive under the By-laws of the Employers or from time to time by the Boards consistent with the Position. Except for travel normally incidental and reasonably necessary to the business of the Employers and the duties of the Executive under this Agreement, the duties of the Executive shall be performed from an office location not greater than 35 miles from Marietta, Pennsylvania.

(b) The Executive shall devote substantially all of the Executive's business time and attention to the performance of the Executive's duties under this Agreement and, during the term of the Executive's employment under this Agreement, the Executive shall not engage in any other business enterprise that requires any significant amount of the Executive's personal time or attention, unless granted the prior permission of the respective Boards. The foregoing provision shall not prevent the Executive's purchase, ownership or sale of any interest in, or the Executive's engaging in, any business that does not compete with the business of the Employers or the Executive's involvement in charitable or community activities, provided, that the time and attention that the Executive devotes to such business and charitable or community activities does not materially interfere with the performance of the Executive's duties under this Agreement and that a material portion of the time the Executive devotes to charitable or community activities are devoted to charitable

or community activities within the Employers' market area and further provided that such conduct complies in all material respects with applicable policies of the Employers.

(c) The Employers shall accrue earned but unused vacation in accordance with the Employers' vacation policy.

3. Compensation. For all services the Executive renders under this Agreement:

(a) The Employers shall pay the Executive a base salary (the "Base Salary") at an annual rate equal to the annual rate of compensation the Executive is currently receiving from the Employers, plus such other compensation as the Employers may, from time to time, determine. The Employers shall pay such Base Salary and other compensation in accordance with the Employers' normal payroll practices as in effect from time to time.

(b) The Employers agree that the Executive shall be entitled to participate in the annual incentive programs of the Employers, in accordance in all material respects with applicable policies of the Employers relating to incentive compensation for executive officers, based on the objectives set forth in the Employers' Executive Incentive Plan.

(c) The compensation provided for in this paragraph 3 shall be in addition to such rights as the Executive may have, during the Executive's employment under this Agreement or after such employment, to participate in and receive benefits from or under any benefit plans the Employers may in their discretion establish for their employees or executives, including, but not limited to, employee benefit plans and group health insurance, life insurance and disability insurance plans. To the extent the Executive incurs a tax liability as a result of any of such benefits, the Executive shall be solely responsible for such taxes.

(d) The parties acknowledge that Towers Watson is in the process of evaluating the compensation and employee benefit plans the Employers make available to their senior executive officers. To the extent the respective boards of directors of the Employers, based upon the recommendations of Towers Watson, to enhance the compensation and other benefits the Employers make available to their senior executive officers, the Employers and the Executive agree to negotiate in good faith and to execute an amendment to this Agreement that would appropriately reflect such enhancements.

4. Expenses. The Employers shall promptly reimburse the Executive for all reasonable expenses the Executive pays or incurs in connection with the performance of the Executive's duties and responsibilities under this Agreement, upon presentation of expense vouchers or other appropriate documentation therefor.

5. Indemnification. Notwithstanding anything in the Employers' respective certificates or articles of incorporation or their By-laws to the contrary, the Employers shall at all times indemnify the Executive during the Executive's employment by the Employers or while the Executive is providing consulting services to the Employers, and thereafter, to the

fullest extent applicable law permits for any matter in any way relating to the Executive's employment by, consultation with or other affiliation with the Employers or its subsidiaries; provided, however, that if the Employers shall have terminated the Executive's employment under this Agreement for Cause, then, except to the extent otherwise required by law, the Employers shall have no obligation whatsoever to indemnify the Executive for any claim arising out of the matter for which the Employer shall have terminated the Executive's employment under this Agreement for Cause or for any conduct of the Executive not within the scope of the Executive's duties under this Agreement.

6. Confidential Information. The Executive understands that in the course of the Executive's employment by the Employers the Executive will receive confidential information concerning the business of the Employers and that the Employers desire to protect. The Executive agrees that the Executive will not at any time during or after the period of the Executive's employment by the Employers reveal to anyone outside the Employers, or use for the Executive's own benefit, any such information that the Employers have designated as confidential or that the Executive understood to be confidential without specific designation by the Employers. Upon termination of the employment of the Executive under this Agreement, and upon the request of the Employers, the Executive shall promptly deliver to the Employers any and all written materials, records and documents, including all copies of such written materials, documents and records, the Executive made or that come into the Executive's possession during the Term and the Executive retained that contain or concern confidential information of the Employers and all other written materials the Employers furnished to the Executive for the Executive's use during the Term, including all copies of such written materials, documents and records, whether of a confidential nature or otherwise.

7. Representation and Warranty of the Executive. The Executive represents and warrants that the Executive is not under any obligation, contractual or otherwise, to any other firm or corporation, which would prevent the Executive's performance of the terms of this Agreement.

8. Entire Agreement; Amendment. This Agreement and the Consulting Agreement contain the entire agreement between the Employers and the Executive with respect to the subject matter of this Agreement, and may not be amended, waived, changed, modified or discharged except by an instrument in writing executed by the Employers and the Executive.

9. Assignability. The services of the Executive under this Agreement are personal in nature, and the Employers may not assign their respective rights or obligations under this Agreement, whether by operation of law or otherwise, without the Executive's prior written consent. This Agreement shall be binding upon, and inure to the benefit of, the Employers and their permitted successors and assigns under this Agreement. This Agreement shall not

be assignable by the Executive, but shall inure to the benefit of the Executive's heirs, executors, administrators and personal representatives.

10. Notice. Any notice that a party to this Agreement may give under this Agreement shall be in writing and be deemed given when hand delivered and acknowledged or, if mailed, one day after mailing by registered or certified mail, return receipt requested, or if delivered by an overnight delivery service, one day after the notice is delivered to such service, to the Employers or the Executive at their respective addresses stated in the preamble to this Agreement, or at such other address as either party may by similar notice designate.

11. Specific Performance. The Employers and the Executive agree that irreparable damage would occur in the event that any of the provisions of paragraph 6 of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Employers and the Executive shall have the right to an injunction or injunctions to prevent breaches of such paragraph 6 and to enforce specifically the terms and provisions of such paragraph 6, this being in addition to any other remedy to which the Employers or the Executive are entitled at law or in equity.

12. No Third Party Beneficiaries. Nothing in this Agreement, express or implied, shall confer upon any person or entity other than the Employers and the Executive (and the Executive's heirs, executors, administrators and personal representatives) any rights or remedies of any nature under or by reason of this Agreement.

13. Successor Liability. The Employers shall require any successor, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all of the business or assets of the Employers to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Employers would be required to perform it if no such succession had taken place.

14. Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation the Executive earns as the result of employment by another employer or by retirement benefits payable after the termination of this Agreement, except that the Employers shall not be required to provide the Executive and the Executive's eligible dependents with medical insurance coverage as long as the Executive and the Executive's eligible dependents are receiving comparable medical insurance coverage from another employer.

15. Waiver of Breach. The failure at any time to enforce or exercise any right under any of the provisions of this Agreement or to require at any time performance by the other parties of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement or any part of this Agreement, or

the right of any party hereafter to enforce or exercise its rights under each and every provision in accordance with the terms of this Agreement.

16. No Attachment. Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; provided, however, that nothing in this paragraph 16 shall preclude the assumption of such rights by executors, administrators or other legal representatives of the Executive or the Executive's estate and their assigning any rights hereunder to the person or persons entitled to such rights.

17. Severability. The invalidity or unenforceability of any term, phrase, clause, paragraph, restriction, covenant, agreement or other provision of this Agreement shall in no way affect the validity or enforceability of any other provision, or any part of this Agreement, but this Agreement shall be construed as if such invalid or unenforceable term, phrase, clause, paragraph, restriction, covenant, agreement or other provision had never been contained in this Agreement unless the deletion of such term, phrase, clause, paragraph, restriction, covenant, agreement or other provision would result in such a material change as to cause the covenants and agreements contained in this Agreement to be unreasonable or would materially and adversely frustrate the objectives of the Employers and the Executive as expressed in this Agreement.

18. Construction. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Pennsylvania, without giving effect to principles of conflict of laws. All headings in this Agreement have been inserted solely for convenience of reference only, are not to be considered a part of this Agreement and shall not affect the interpretation of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

DONEGAL MUTUAL INSURANCE COMPANY

By: /s/ Donald H. Nikolaus
Donald H. Nikolaus, President and
Chief Executive Officer

DONEGAL GROUP INC.

By: /s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President and
Chief Financial Officer

/s/ Kevin G. Burke
Kevin G. Burke

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") dated as of July 29, 2011 among Donegal Mutual Insurance Company, a Pennsylvania mutual insurance company having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("Donegal Mutual"), Donegal Group Inc., a Delaware corporation having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("DGI," and, together with Donegal Mutual, the "Employers"), and Cyril J. Greenya, an individual whose principal office address is 1195 River Road, Marietta, Pennsylvania 17547 (the "Executive").

WITNESSETH:

WHEREAS, the Employers desire, by this Agreement, to provide for the continued employment of the Executive by the Employers, and the Executive agrees to the continued employment of the Executive by the Employers, all in accordance with the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the parties are entering into this Agreement to set forth and confirm their respective rights and obligations with respect to the Executive's continued employment by the Employers;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement, the Employers and the Executive, intending to be legally bound hereby, mutually agree as follows:

1. Employment and Term.

(a) (i) Effective August 1, 2011 (the "Effective Date"), (i) Donegal Mutual agrees to continue to employ the Executive, and the Executive agrees to continue the Executive's employment as, the Senior Vice President and Chief Underwriting Officer of Donegal Mutual and (ii) DGI agrees to employ the Executive, and the Executive agrees to continue the Executive's employment as, the Senior Vice President of DGI, with positions described in clauses (i) and (ii) collectively referred to in this Agreement as the "Position", in accordance with the terms and subject to the conditions this Agreement sets forth. Donegal Mutual and DGI shall be jointly and severally liable to the Executive with respect to (i) all liabilities of Donegal Mutual to the Executive under this Agreement and (ii) all liabilities of DGI to the Executive under this Agreement; provided, however, that Donegal Mutual shall not be responsible for any liability of DGI to the Executive to the extent that DGI has discharged such liability, and DGI shall not be responsible for any liability of Donegal Mutual to the Executive to the extent that Donegal Mutual has discharged such liability.

(ii) The term of this Agreement, as the same may be extended from time to time pursuant to the provisions of this clause (ii) or otherwise, shall commence on the Effective Date and end on the third anniversary of the Effective Date, provided, however, that on the first anniversary of the Effective Date and on each subsequent anniversary of the Effective Date (each, an "Extension Date"), the Term shall automatically extend for one additional year so that on each such succeeding Extension Date, this Agreement shall have a remaining Term of three years, unless either the Executive or the respective board of directors of Donegal Mutual and DGI (together, the "Boards") give notice to the other, not less than 90 days in advance of the next succeeding Extension Date, that such automatic extensions shall terminate as of such next succeeding Extension Date, unless the Employers earlier terminate the employment of the Executive for Cause, as defined in this Agreement, or because of the death or the Permanent Disability, as defined in this Agreement, of the Executive.

(b) Notwithstanding paragraph 1(a) of this Agreement, the Employers, by action of the Boards and effective as specified in a written notice thereof to the Executive in accordance with the terms of this Agreement, shall have the right to terminate the Executive's employment under this Agreement at any time during the Term, for Cause or other than for Cause or on account of the Executive's death or Permanent Disability subject to the provisions of this paragraph 1.

(i) As used in this Agreement, "Cause" shall mean (A) the Executive's willful and continued failure substantially to perform the Executive's material duties with the Employers as set forth in this Agreement, or the commission by the Executive of any activities constituting a willful violation or breach under any material federal, state or local law or regulation applicable to the activities of Donegal Mutual or DGI or their respective subsidiaries and affiliates, in each case, after notice of such failure, breach or violation from the Employers to the Executive and a reasonable opportunity for the Executive to cure such failure, breach or violation in all material respects, (B) fraud, breach of fiduciary duty, dishonesty, misappropriation or other actions by the Executive that cause intentional material damage to the property or business of Donegal Mutual or DGI or their respective subsidiaries and affiliates, (C) the Executive's repeated absences from work such that the Executive is substantially unable to perform the Executive's duties under this Agreement in all material respects other than for physical or mental impairment or illness or (D) the Executive's non-compliance with the provisions of paragraph 2(b) of this Agreement after notice of such non-compliance from the Employers to the Executive and a reasonable opportunity for the Executive to cure such non-compliance.

(ii) As used in this Agreement, "Permanent Disability" shall mean a physical or mental disability of the Executive such that the Executive is substantially unable to perform those duties that the Executive would otherwise reasonably be expected to continue to perform and the Executive's nonperformance of such duties has continued for a

period of 180 consecutive days, provided, however, that in order to terminate the Executive's employment under this Agreement on account of Permanent Disability, the Employers must provide the Executive with written notice of the Boards' good faith determinations to terminate the Executive's employment under this Agreement for reason of Permanent Disability not less than 30 days prior to such termination, and such notice shall specify the date of termination. Until the specified effective date of termination by reason of Permanent Disability, the Executive shall continue to receive compensation at the rates set forth in paragraph 3 of this Agreement. No termination of the Executive's employment under this Agreement because of Permanent Disability shall impair any rights of the Executive under any disability insurance policy the Employers maintained at the commencement of the aforesaid 180-day period.

(c) The Executive shall have the right to terminate the Executive's employment under this Agreement at any time during the Term for Good Reason or without Good Reason or in the event a Change of Control occurs. As used in this Agreement, "Good Reason" shall mean (A) a material diminishment of the Executive's Position or the scope of the Executive's authority, duties or responsibilities as this Agreement describes without the Executive's written consent, excluding for this purpose any action the Employers do not take in bad faith and that the Employers remedy promptly following written notice thereof from the Executive to the Employers, or (B) a material breach by either Employer of its respective obligations to the Executive under this Agreement, provided, that with respect to any termination by the Executive for Good Reason, the Executive shall have provided the Employers with written notice within 90 days of the date on which the Employers first had actual knowledge of the existence of the Good Reason and which Good Reason shall not have been cured or otherwise rectified by the Employers in all material respects to the reasonable satisfaction of the Executive within 30 days after the Employers receive such written notice or (C) any termination of the Executive's employment under this Agreement without Cause.

(d) "Change of Control" shall mean (A) the acquisition of shares of DGI by any "person" or "group," as Rule 13d-3 uses such terms under the Securities Exchange Act of 1934, as now or hereafter amended, in a transaction or series of transactions that result in such person or group directly or indirectly first owning after the Effective Date more than 25% of the aggregate voting power of DGI's Class A common stock and Class B common stock taken as a single class, (B) the consummation of a merger or other business combination transaction after which the holders of the outstanding voting capital stock of DGI taken as a single class do not collectively own 60% or more of the aggregate voting power of the entity surviving such merger or other business combination transaction, (C) the sale, lease, exchange or other transfer in a transaction or series of transactions of all or substantially all of the assets of DGI, but excluding therefrom the sale and re-investment of the consolidated investment portfolio of DGI and its subsidiaries, (D) as the result of or in connection with any cash tender offer or exchange offer, merger or other business combination transaction, sale of assets or contested-election of directors or any combination of the foregoing transactions or

(E) a change of "control" of Donegal Mutual as such term is defined in the Pennsylvania Insurance Holding Companies Act (each, a "Transaction"), the persons who constituted a majority of the members of the respective Boards on the Effective Date and persons whose election as members of the respective Boards received the approval of such members then still in office or whose subsequent election had been so approved prior to the date of a Transaction, but before the occurrence of an event that constitutes a Change of Control, no longer constitute such a majority of the Boards then in office. A Transaction constituting a Change of Control shall only be deemed to have occurred upon the closing of the Transaction.

(e) (i) If (A) the Employers terminate the Executive's employment under this Agreement for any reason other than for Cause and such termination occurs as of a date that is within 180 days preceding or within 180 days after the consummation of a Change of Control (such 180-day period preceding the Change of Control and such 180-day period after the Change of Control collectively referred to in this Agreement as a "Change of Control Period", (B) the Employers terminate this Agreement as a result of the death or Permanent Disability of the Executive, effective as of a date within a Change of Control Period, (C) the Executive terminates the Executive's employment under this Agreement for Good Reason or (D) the acquisition of "control" of Donegal Mutual as defined in the Pennsylvania Insurance Holding Companies Act, the Employers shall pay to the Executive or the Executive's estate promptly after the event giving rise to such payment occurs, an amount equal to the sum of (x) (1) the Executive's Base Salary, as defined in this Agreement, accrued through the date the termination of the Executive's employment under this Agreement is effective, (2) any incentive, as defined in this Agreement, the Employers have the obligation to pay to the Executive pursuant to paragraph 3(b) of this Agreement, (3) any amounts payable under any of the Employers' benefit plans in accordance with the terms of such plans, except as Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") may otherwise require and (4) any amount in respect of excise taxes the Employers have the obligation to pay to the Executive pursuant to paragraph 1(f) of this Agreement, with such payments, rights and benefits described in clauses (x)(1), (x)(2) and (x)(3) of this Agreement being collectively referred to in this Agreement as the "Accrued Obligations," (y) an amount equal to the aggregate premiums that the Executive would have to pay to maintain in effect throughout the period (the "Subsequent Period") from the date of termination of the Executive's employment under this Agreement through the remainder of the Term had the Executive remained employed, assuming no increase in insurance premium rates, the same medical, health, disability and life insurance coverage the Employers provided to the Executive immediately prior to the date of such termination (the "Benefit Obligations") and (z) the Employers shall pay to the Executive or the Executive's estate, as a severance payment, for three years from the date of such termination, the Executive's annual Base Salary as of the effective date of termination of the Executive's employment under this Agreement and any incentive paid to the Executive during the last completed fiscal year of the Employers before

such termination. The Employers shall pay such amounts for the Executive in 36 equal monthly installments.

(ii) If (A) the Employers terminate the Executive's employment under this Agreement for any reason other than for Cause effective as of a date that is not within a Change of Control Period or (B) the Executive terminates the Executive's employment under this Agreement for Good Reason effective as of a date that is not within a Change of Control Period, the Employers shall pay the Executive, provided the Executive concurrently signs and delivers a general release in a commercially reasonable form that is mutually acceptable to the Employers and the Executive in favor of the Employers and their respective subsidiaries, an amount equal to the sum of (w) the Accrued Obligations, (x) the Benefit Obligations and (y) the Executive's Base Salary as of the effective date of termination of the Executive's employment under this Agreement the Executive would have received had the Executive remained employed under this Agreement for the Subsequent Period. The Employers shall pay such amounts to the Executive at the same time and in the same installments had the Executive remained employed under this Agreement for the Subsequent Period.

(iii) If (A) the Employers terminate the Executive's employment under this Agreement for Cause or because of the death or Permanent Disability of the Executive or (B) the Executive terminates the Executive's employment under this Agreement for any reason other than Good Reason, the Executive's death or Permanent Disability, or (C) the Employers terminate this Agreement as a result of the death or Permanent Disability of the Executive effective as of a date that is not within a Change of Control Period, the sole obligation of the Employers to the Executive under this Agreement shall be to pay the Accrued Obligations to the Executive or the Executive's estate, provided, however, that in the event the Employers terminate the employment of the Executive under this Agreement because of the death of the Executive, the Employers shall pay to the personal representatives of the Executive an amount equal to the Executive's Base Salary and incentive for the remainder of the Term.

(iv) No provision of this Agreement shall adversely affect any vested rights of the Executive under the Employers' existing employee benefit plans or other plans the Employers may establish in the future; provided, however, upon the termination of the employment of the Executive as provided in this Agreement, all future vesting of the Executive's rights under all existing and any future employee benefit plans shall terminate without further action by the Employers.

(v) The Employers and the Executive intend that this Agreement be drafted and administered in compliance with Section 409A of the Code, including, but not limited to, any future amendments to Section 409A, and any other Internal Revenue Service ("IRS") or other governmental rulings or interpretations (together, "Section 409A") issued pursuant to Section 409A so as not to subject the Executive to payment of interest or any

additional tax under Section 409A. The Employers and the Executives intend for any payments under paragraphs 1(e)(i), (ii) or (iii) to satisfy either the requirements of Section 409A or to be exempt from the application of Section 409A, and the Employers and the Executive shall construe and interpret this Agreement accordingly. In furtherance of such intent, if payment or provision of any amount or benefit under this Agreement that is subject to Section 409A at the time specified in this Agreement would subject such amount or benefit to any additional tax under Section 409A, the Employers shall postpone payment or provision of such amount or benefit to the earliest commencement date on which the Employers can make such payment or provision of such amount or benefit without incurring such additional tax but not in excess of six months. In addition, to the extent that any IRS guidance issued under Section 409A would result in the Executive being subject to the payment of interest or any additional tax under Section 409A, the Employers and the Executive agree, to the extent reasonably possible, to amend this Agreement in order to avoid the imposition of any such interest or additional tax under Section 409A. Any such amendment shall have the minimum economic effect necessary and be determined reasonably and in good faith by the Employers and the Executive.

(vi) If a payment under paragraph 1(e)(i), (ii) or (iii) of this Agreement does not qualify as a short-term deferral under Section 409A or any similar or successor provisions, and the Executive is a Specified Employee, as defined in this Agreement, as of the Executive's Termination Date, the Employers may not make such distributions to the Executive before a date that is six months after the date of the Executive's Termination Date or, if earlier, the date of the Executive's death (the "Six-Month Delay"). The Employers shall accumulate payments to which the Executive would otherwise be entitled during the first six months following the Termination Date (the "Six-Month Delay Period") and make such payments on the first day of the seventh month following the Executive's Termination Date. Notwithstanding the Six-Month Delay set forth in this paragraph 1(e)(vi):

(A) To the maximum extent Section 409A or any similar or successor provisions permit, during each month of the Six-Month Delay Period, the Employers will pay the Executive an amount equal to the lesser of (I) the total monthly severance for which paragraph 1(e)(ii) and (iii) provide or (II) one-sixth of the lesser of (1) the maximum amount that Section 401(a)(17) permits to be taken into account under a qualified plan for the year in which the Executive's Date of Termination occurs and (2) the sum of the Executive's annualized compensation based upon the annual rate of pay for services provided to the Employers for the taxable year of the Executive preceding the taxable year of the Executive in which the Executive's Termination Date occurs, adjusted for any increase during that year that the parties expected to continue indefinitely if the Executive's Termination Date has not occurred ; provided that amounts paid under this sentence will count toward, and

will not be in addition to, the total payment amount the Employers have the obligation to pay to the Executive under paragraphs 1(c)(i) and (ii) of this Agreement; and

(B) To the maximum extent Section 409A, or any similar or successor provisions, permits within ten days following the Executive's Termination Date, the Employers shall pay the Executive an amount equal to the applicable dollar amount under Section 402(g)(1)(B) for the year in which the Executive's Termination Date occurred; provided that the amount the Employers pay under this sentence may include, and need not be in addition to, the total payment amount this Agreement requires the Employers to pay to the Executive under paragraph 1(b).

(C) For purposes of this Agreement, "Specified Employee" has the meaning given that term in Section 409A or any similar or successor provisions. The Employers' "specified employee identification date" as described in Section 409A will be December 31 of each year, and the Employers' "specified employee effective date" as described in Section 409A or any similar or successor provisions) will be February 1 of each succeeding year.

(f) In the event that the independent registered public accounting firm of either of the Employers or the IRS determines that any payment, coverage or benefit provided to the Executive pursuant to this Agreement is subject to the excise tax imposed by Sections 280G or 4999 or any successor provisions of Sections 280G and 4999 or any interest or penalties the Executive incurs with respect to such excise tax, the Employers, within 30 days thereafter, shall pay to the Executive, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Executive's net after tax position, after taking into account any interest, penalties or taxes imposed on the amounts payable under this paragraph 1(f), upon the receipt of the payments for which this Agreement provides being no less advantageous to the Executive than the net after tax position to the Executive that would have been obtained had Sections 280G and 4999 not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Executive and the Employers and whose fees and costs shall be paid for by the Employers, shall make all determinations this paragraph 1(f) requires.

(g) In the event that the independent registered public accounting firm of either of the Employers or the IRS determines that any payment, coverage or benefit due or owing to the Executive pursuant to this Agreement is subject to the excise tax Section 409A imposes or any successor provision of Section 409A or any interest or penalties, including interest imposed under Section 409(A)(1)(B)(i)(I), the Executive incurs as a result of the application of such provision, the Employers, within 30 days of the date of such impositions,

shall pay to the Executive, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Executive's net after tax position, after taking into account any interest, penalties or taxes imposed on the amounts paid under this paragraph 1(g), being no less advantageous to the Executive than the net after tax position the Executive would have obtained had Section 409A not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Executive and the Employers and whose fees and costs the Employers shall pay, shall make all determinations this paragraph 1(g) requires.

(h) The Employers and the Executive shall give any notice of termination of this Agreement to the Executive or the Employers, as the case may be, in accordance with the provisions of paragraph 10.

(i) The Employers agree to reimburse the Executive for the reasonable fees and expenses of the Executive's attorneys and for court and related costs in any proceeding to enforce the provisions of this Agreement in which the Executive is successful on the merits.

2. Duties of the Executive.

(a) Subject to the ultimate control and discretion of the Boards, the Executive shall serve in the Position and perform all duties and services commensurate with the Position. Throughout the Term of this Agreement as the same may be extended from time to time, the Executive shall perform all duties reasonably assigned or delegated to the Executive under the By-laws of the Employers or from time to time by the Boards consistent with the Position. Except for travel normally incidental and reasonably necessary to the business of the Employers and the duties of the Executive under this Agreement, the duties of the Executive shall be performed from an office location not greater than 35 miles from Marietta, Pennsylvania.

(b) The Executive shall devote substantially all of the Executive's business time and attention to the performance of the Executive's duties under this Agreement and, during the term of the Executive's employment under this Agreement, the Executive shall not engage in any other business enterprise that requires any significant amount of the Executive's personal time or attention, unless granted the prior permission of the respective Boards. The foregoing provision shall not prevent the Executive's purchase, ownership or sale of any interest in, or the Executive's engaging in, any business that does not compete with the business of the Employers or the Executive's involvement in charitable or community activities, provided, that the time and attention that the Executive devotes to such business and charitable or community activities does not materially interfere with the performance of the Executive's duties under this Agreement and that a material portion of the time the Executive devotes to charitable or community activities are devoted to charitable

or community activities within the Employers' market area and further provided that such conduct complies in all material respects with applicable policies of the Employers.

(c) The Employers shall accrue earned but unused vacation in accordance with the Employers' vacation policy.

3. Compensation. For all services the Executive renders under this Agreement:

(a) The Employers shall pay the Executive a base salary (the "Base Salary") at an annual rate equal to the annual rate of compensation the Executive is currently receiving from the Employers, plus such other compensation as the Employers may, from time to time, determine. The Employers shall pay such Base Salary and other compensation in accordance with the Employers' normal payroll practices as in effect from time to time.

(b) The Employers agree that the Executive shall be entitled to participate in the annual incentive programs of the Employers, in accordance in all material respects with applicable policies of the Employers relating to incentive compensation for executive officers, based on the objectives set forth in the Employers' Executive Incentive Plan.

(c) The compensation provided for in this paragraph 3 shall be in addition to such rights as the Executive may have, during the Executive's employment under this Agreement or after such employment, to participate in and receive benefits from or under any benefit plans the Employers may in their discretion establish for their employees or executives, including, but not limited to, employee benefit plans and group health insurance, life insurance and disability insurance plans. To the extent the Executive incurs a tax liability as a result of any of such benefits, the Executive shall be solely responsible for such taxes.

(d) The parties acknowledge that Towers Watson is in the process of evaluating the compensation and employee benefit plans the Employers make available to their senior executive officers. To the extent the respective boards of directors of the Employers, based upon the recommendations of Towers Watson, to enhance the compensation and other benefits the Employers make available to their senior executive officers, the Employers and the Executive agree to negotiate in good faith and to execute an amendment to this Agreement that would appropriately reflect such enhancements.

4. Expenses. The Employers shall promptly reimburse the Executive for all reasonable expenses the Executive pays or incurs in connection with the performance of the Executive's duties and responsibilities under this Agreement, upon presentation of expense vouchers or other appropriate documentation therefor.

5. Indemnification. Notwithstanding anything in the Employers' respective certificates or articles of incorporation or their By-laws to the contrary, the Employers shall at all times indemnify the Executive during the Executive's employment by the Employers or while the Executive is providing consulting services to the Employers, and thereafter, to the

fullest extent applicable law permits for any matter in any way relating to the Executive's employment by, consultation with or other affiliation with the Employers or its subsidiaries; provided, however, that if the Employers shall have terminated the Executive's employment under this Agreement for Cause, then, except to the extent otherwise required by law, the Employers shall have no obligation whatsoever to indemnify the Executive for any claim arising out of the matter for which the Employer shall have terminated the Executive's employment under this Agreement for Cause or for any conduct of the Executive not within the scope of the Executive's duties under this Agreement.

6. Confidential Information. The Executive understands that in the course of the Executive's employment by the Employers the Executive will receive confidential information concerning the business of the Employers and that the Employers desire to protect. The Executive agrees that the Executive will not at any time during or after the period of the Executive's employment by the Employers reveal to anyone outside the Employers, or use for the Executive's own benefit, any such information that the Employers have designated as confidential or that the Executive understood to be confidential without specific designation by the Employers. Upon termination of the employment of the Executive under this Agreement, and upon the request of the Employers, the Executive shall promptly deliver to the Employers any and all written materials, records and documents, including all copies of such written materials, documents and records, the Executive made or that come into the Executive's possession during the Term and the Executive retained that contain or concern confidential information of the Employers and all other written materials the Employers furnished to the Executive for the Executive's use during the Term, including all copies of such written materials, documents and records, whether of a confidential nature or otherwise.

7. Representation and Warranty of the Executive. The Executive represents and warrants that the Executive is not under any obligation, contractual or otherwise, to any other firm or corporation, which would prevent the Executive's performance of the terms of this Agreement.

8. Entire Agreement; Amendment. This Agreement and the Consulting Agreement contain the entire agreement between the Employers and the Executive with respect to the subject matter of this Agreement, and may not be amended, waived, changed, modified or discharged except by an instrument in writing executed by the Employers and the Executive.

9. Assignability. The services of the Executive under this Agreement are personal in nature, and the Employers may not assign their respective rights or obligations under this Agreement, whether by operation of law or otherwise, without the Executive's prior written consent. This Agreement shall be binding upon, and inure to the benefit of, the Employers and their permitted successors and assigns under this Agreement. This Agreement shall not

be assignable by the Executive, but shall inure to the benefit of the Executive's heirs, executors, administrators and personal representatives.

10. Notice. Any notice that a party to this Agreement may give under this Agreement shall be in writing and be deemed given when hand delivered and acknowledged or, if mailed, one day after mailing by registered or certified mail, return receipt requested, or if delivered by an overnight delivery service, one day after the notice is delivered to such service, to the Employers or the Executive at their respective addresses stated in the preamble to this Agreement, or at such other address as either party may by similar notice designate.

11. Specific Performance. The Employers and the Executive agree that irreparable damage would occur in the event that any of the provisions of paragraph 6 of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Employers and the Executive shall have the right to an injunction or injunctions to prevent breaches of such paragraph 6 and to enforce specifically the terms and provisions of such paragraph 6, this being in addition to any other remedy to which the Employers or the Executive are entitled at law or in equity.

12. No Third Party Beneficiaries. Nothing in this Agreement, express or implied, shall confer upon any person or entity other than the Employers and the Executive (and the Executive's heirs, executors, administrators and personal representatives) any rights or remedies of any nature under or by reason of this Agreement.

13. Successor Liability. The Employers shall require any successor, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all of the business or assets of the Employers to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Employers would be required to perform it if no such succession had taken place.

14. Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation the Executive earns as the result of employment by another employer or by retirement benefits payable after the termination of this Agreement, except that the Employers shall not be required to provide the Executive and the Executive's eligible dependents with medical insurance coverage as long as the Executive and the Executive's eligible dependents are receiving comparable medical insurance coverage from another employer.

15. Waiver of Breach. The failure at any time to enforce or exercise any right under any of the provisions of this Agreement or to require at any time performance by the other parties of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement or any part of this Agreement, or

the right of any party hereafter to enforce or exercise its rights under each and every provision in accordance with the terms of this Agreement.

16. No Attachment. Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; provided, however, that nothing in this paragraph 16 shall preclude the assumption of such rights by executors, administrators or other legal representatives of the Executive or the Executive's estate and their assigning any rights hereunder to the person or persons entitled to such rights.

17. Severability. The invalidity or unenforceability of any term, phrase, clause, paragraph, restriction, covenant, agreement or other provision of this Agreement shall in no way affect the validity or enforceability of any other provision, or any part of this Agreement, but this Agreement shall be construed as if such invalid or unenforceable term, phrase, clause, paragraph, restriction, covenant, agreement or other provision had never been contained in this Agreement unless the deletion of such term, phrase, clause, paragraph, restriction, covenant, agreement or other provision would result in such a material change as to cause the covenants and agreements contained in this Agreement to be unreasonable or would materially and adversely frustrate the objectives of the Employers and the Executive as expressed in this Agreement.

18. Construction. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Pennsylvania, without giving effect to principles of conflict of laws. All headings in this Agreement have been inserted solely for convenience of reference only, are not to be considered a part of this Agreement and shall not affect the interpretation of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

DONEGAL MUTUAL INSURANCE COMPANY

By: /s/ Donald H. Nikolaus
Donald H. Nikolaus, President and Chief Executive Officer

DONEGAL GROUP INC.

By: /s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President and
Chief Financial Officer

/s/ Cyril J. Greenya
Cyril J. Greenya

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") dated as of July 29, 2011 among Donegal Mutual Insurance Company, a Pennsylvania mutual insurance company having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("Donegal Mutual"), Donegal Group Inc., a Delaware corporation having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("DGI," and, together with Donegal Mutual, the "Employers"), and Jeffrey D. Miller, an individual whose principal office address is 1195 River Road, Marietta, Pennsylvania 17547 (the "Executive").

WITNESSETH:

WHEREAS, the Employers desire, by this Agreement, to provide for the continued employment of the Executive by the Employers, and the Executive agrees to the continued employment of the Executive by the Employers, all in accordance with the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the parties are entering into this Agreement to set forth and confirm their respective rights and obligations with respect to the Executive's continued employment by the Employers;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement, the Employers and the Executive, intending to be legally bound hereby, mutually agree as follows:

1. Employment and Term.

(a) (i) Effective August 1, 2011 (the "Effective Date"), (i) Donegal Mutual agrees to continue to employ the Executive, and the Executive agrees to continue the Executive's employment as, the Senior Vice President and Chief Financial Officer of Donegal Mutual and (ii) DGI agrees to employ the Executive, and the Executive agrees to continue the Executive's employment as, the Senior Vice President and Chief Financial Officer of DGI, with positions described in clauses (i) and (ii) collectively referred to in this Agreement as the "Position", in accordance with the terms and subject to the conditions this Agreement sets forth. Donegal Mutual and DGI shall be jointly and severally liable to the Executive with respect to (i) all liabilities of Donegal Mutual to the Executive under this Agreement and (ii) all liabilities of DGI to the Executive under this Agreement; provided, however, that Donegal Mutual shall not be responsible for any liability of DGI to the Executive to the extent that DGI has discharged such liability, and DGI shall not be responsible for any liability of Donegal Mutual to the Executive to the extent that Donegal Mutual has discharged such liability.

(ii) The term of this Agreement, as the same may be extended from time to time pursuant to the provisions of this clause (ii) or otherwise, shall commence on the Effective Date and end on the third anniversary of the Effective Date, provided, however, that on the first anniversary of the Effective Date and on each subsequent anniversary of the Effective Date (each, an "Extension Date"), the Term shall automatically extend for one additional year so that on each such succeeding Extension Date, this Agreement shall have a remaining Term of three years, unless either the Executive or the respective board of directors of Donegal Mutual and DGI (together, the "Boards") give notice to the other, not less than 90 days in advance of the next succeeding Extension Date, that such automatic extensions shall terminate as of such next succeeding Extension Date, unless the Employers earlier terminate the employment of the Executive for Cause, as defined in this Agreement, or because of the death or the Permanent Disability, as defined in this Agreement, of the Executive.

(b) Notwithstanding paragraph 1(a) of this Agreement, the Employers, by action of the Boards and effective as specified in a written notice thereof to the Executive in accordance with the terms of this Agreement, shall have the right to terminate the Executive's employment under this Agreement at any time during the Term, for Cause or other than for Cause or on account of the Executive's death or Permanent Disability subject to the provisions of this paragraph 1.

(i) As used in this Agreement, "Cause" shall mean (A) the Executive's willful and continued failure substantially to perform the Executive's material duties with the Employers as set forth in this Agreement, or the commission by the Executive of any activities constituting a willful violation or breach under any material federal, state or local law or regulation applicable to the activities of Donegal Mutual or DGI or their respective subsidiaries and affiliates, in each case, after notice of such failure, breach or violation from the Employers to the Executive and a reasonable opportunity for the Executive to cure such failure, breach or violation in all material respects, (B) fraud, breach of fiduciary duty, dishonesty, misappropriation or other actions by the Executive that cause intentional material damage to the property or business of Donegal Mutual or DGI or their respective subsidiaries and affiliates, (C) the Executive's repeated absences from work such that the Executive is substantially unable to perform the Executive's duties under this Agreement in all material respects other than for physical or mental impairment or illness or (D) the Executive's non-compliance with the provisions of paragraph 2(b) of this Agreement after notice of such non-compliance from the Employers to the Executive and a reasonable opportunity for the Executive to cure such non-compliance.

(ii) As used in this Agreement, "Permanent Disability" shall mean a physical or mental disability of the Executive such that the Executive is substantially unable to perform those duties that the Executive would otherwise reasonably be expected to continue to perform and the Executive's nonperformance of such duties has continued for a

period of 180 consecutive days, provided, however, that in order to terminate the Executive's employment under this Agreement on account of Permanent Disability, the Employers must provide the Executive with written notice of the Boards' good faith determinations to terminate the Executive's employment under this Agreement for reason of Permanent Disability not less than 30 days prior to such termination, and such notice shall specify the date of termination. Until the specified effective date of termination by reason of Permanent Disability, the Executive shall continue to receive compensation at the rates set forth in paragraph 3 of this Agreement. No termination of the Executive's employment under this Agreement because of Permanent Disability shall impair any rights of the Executive under any disability insurance policy the Employers maintained at the commencement of the aforesaid 180-day period.

(c) The Executive shall have the right to terminate the Executive's employment under this Agreement at any time during the Term for Good Reason or without Good Reason or in the event a Change of Control occurs. As used in this Agreement, "Good Reason" shall mean (A) a material diminishment of the Executive's Position or the scope of the Executive's authority, duties or responsibilities as this Agreement describes without the Executive's written consent, excluding for this purpose any action the Employers do not take in bad faith and that the Employers remedy promptly following written notice thereof from the Executive to the Employers, or (B) a material breach by either Employer of its respective obligations to the Executive under this Agreement, provided, that with respect to any termination by the Executive for Good Reason, the Executive shall have provided the Employers with written notice within 90 days of the date on which the Employers first had actual knowledge of the existence of the Good Reason and which Good Reason shall not have been cured or otherwise rectified by the Employers in all material respects to the reasonable satisfaction of the Executive within 30 days after the Employers receive such written notice or (C) any termination of the Executive's employment under this Agreement without Cause.

(d) "Change of Control" shall mean (A) the acquisition of shares of DGI by any "person" or "group," as Rule 13d-3 uses such terms under the Securities Exchange Act of 1934, as now or hereafter amended, in a transaction or series of transactions that result in such person or group directly or indirectly first owning after the Effective Date more than 25% of the aggregate voting power of DGI's Class A common stock and Class B common stock taken as a single class, (B) the consummation of a merger or other business combination transaction after which the holders of the outstanding voting capital stock of DGI taken as a single class do not collectively own 60% or more of the aggregate voting power of the entity surviving such merger or other business combination transaction, (C) the sale, lease, exchange or other transfer in a transaction or series of transactions of all or substantially all of the assets of DGI, but excluding therefrom the sale and re-investment of the consolidated investment portfolio of DGI and its subsidiaries, (D) as the result of or in connection with any cash tender offer or exchange offer, merger or other business combination transaction, sale of assets or contested-election of directors or any combination of the foregoing transactions or

(E) a change of "control" of Donegal Mutual as such term is defined in the Pennsylvania Insurance Holding Companies Act (each, a "Transaction"), the persons who constituted a majority of the members of the respective Boards on the Effective Date and persons whose election as members of the respective Boards received the approval of such members then still in office or whose subsequent election had been so approved prior to the date of a Transaction, but before the occurrence of an event that constitutes a Change of Control, no longer constitute such a majority of the Boards then in office. A Transaction constituting a Change of Control shall only be deemed to have occurred upon the closing of the Transaction.

(e) (i) If (A) the Employers terminate the Executive's employment under this Agreement for any reason other than for Cause and such termination occurs as of a date that is within 180 days preceding or within 180 days after the consummation of a Change of Control (such 180-day period preceding the Change of Control and such 180-day period after the Change of Control collectively referred to in this Agreement as a "Change of Control Period", (B) the Employers terminate this Agreement as a result of the death or Permanent Disability of the Executive, effective as of a date within a Change of Control Period, (C) the Executive terminates the Executive's employment under this Agreement for Good Reason or (D) the acquisition of "control" of Donegal Mutual as defined in the Pennsylvania Insurance Holding Companies Act, the Employers shall pay to the Executive or the Executive's estate promptly after the event giving rise to such payment occurs, an amount equal to the sum of (x) (1) the Executive's Base Salary, as defined in this Agreement, accrued through the date the termination of the Executive's employment under this Agreement is effective, (2) any incentive, as defined in this Agreement, the Employers have the obligation to pay to the Executive pursuant to paragraph 3(b) of this Agreement, (3) any amounts payable under any of the Employers' benefit plans in accordance with the terms of such plans, except as Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") may otherwise require and (4) any amount in respect of excise taxes the Employers have the obligation to pay to the Executive pursuant to paragraph 1(f) of this Agreement, with such payments, rights and benefits described in clauses (x)(1), (x)(2) and (x)(3) of this Agreement being collectively referred to in this Agreement as the "Accrued Obligations," (y) an amount equal to the aggregate premiums that the Executive would have to pay to maintain in effect throughout the period (the "Subsequent Period") from the date of termination of the Executive's employment under this Agreement through the remainder of the Term had the Executive remained employed, assuming no increase in insurance premium rates, the same medical, health, disability and life insurance coverage the Employers provided to the Executive immediately prior to the date of such termination (the "Benefit Obligations") and (z) the Employers shall pay to the Executive or the Executive's estate, as a severance payment, for three years from the date of such termination, the Executive's annual Base Salary as of the effective date of termination of the Executive's employment under this Agreement and any incentive paid to the Executive during the last completed fiscal year of the Employers before

such termination. The Employers shall pay such amounts for the Executive in 36 equal monthly installments.

(ii) If (A) the Employers terminate the Executive's employment under this Agreement for any reason other than for Cause effective as of a date that is not within a Change of Control Period or (B) the Executive terminates the Executive's employment under this Agreement for Good Reason effective as of a date that is not within a Change of Control Period, the Employers shall pay the Executive, provided the Executive concurrently signs and delivers a general release in a commercially reasonable form that is mutually acceptable to the Employers and the Executive in favor of the Employers and their respective subsidiaries, an amount equal to the sum of (w) the Accrued Obligations, (x) the Benefit Obligations and (y) the Executive's Base Salary as of the effective date of termination of the Executive's employment under this Agreement the Executive would have received had the Executive remained employed under this Agreement for the Subsequent Period. The Employers shall pay such amounts to the Executive at the same time and in the same installments had the Executive remained employed under this Agreement for the Subsequent Period.

(iii) If (A) the Employers terminate the Executive's employment under this Agreement for Cause or because of the death or Permanent Disability of the Executive or (B) the Executive terminates the Executive's employment under this Agreement for any reason other than Good Reason, the Executive's death or Permanent Disability, or (C) the Employers terminate this Agreement as a result of the death or Permanent Disability of the Executive effective as of a date that is not within a Change of Control Period, the sole obligation of the Employers to the Executive under this Agreement shall be to pay the Accrued Obligations to the Executive or the Executive's estate, provided, however, that in the event the Employers terminate the employment of the Executive under this Agreement because of the death of the Executive, the Employers shall pay to the personal representatives of the Executive an amount equal to the Executive's Base Salary and incentive for the remainder of the Term.

(iv) No provision of this Agreement shall adversely affect any vested rights of the Executive under the Employers' existing employee benefit plans or other plans the Employers may establish in the future; provided, however, upon the termination of the employment of the Executive as provided in this Agreement, all future vesting of the Executive's rights under all existing and any future employee benefit plans shall terminate without further action by the Employers.

(v) The Employers and the Executive intend that this Agreement be drafted and administered in compliance with Section 409A of the Code, including, but not limited to, any future amendments to Section 409A, and any other Internal Revenue Service ("IRS") or other governmental rulings or interpretations (together, "Section 409A") issued pursuant to Section 409A so as not to subject the Executive to payment of interest or any

additional tax under Section 409A. The Employers and the Executives intend for any payments under paragraphs 1(e)(i), (ii) or (iii) to satisfy either the requirements of Section 409A or to be exempt from the application of Section 409A, and the Employers and the Executive shall construe and interpret this Agreement accordingly. In furtherance of such intent, if payment or provision of any amount or benefit under this Agreement that is subject to Section 409A at the time specified in this Agreement would subject such amount or benefit to any additional tax under Section 409A, the Employers shall postpone payment or provision of such amount or benefit to the earliest commencement date on which the Employers can make such payment or provision of such amount or benefit without incurring such additional tax but not in excess of six months. In addition, to the extent that any IRS guidance issued under Section 409A would result in the Executive being subject to the payment of interest or any additional tax under Section 409A, the Employers and the Executive agree, to the extent reasonably possible, to amend this Agreement in order to avoid the imposition of any such interest or additional tax under Section 409A. Any such amendment shall have the minimum economic effect necessary and be determined reasonably and in good faith by the Employers and the Executive.

(vi) If a payment under paragraph 1(e)(i), (ii) or (iii) of this Agreement does not qualify as a short-term deferral under Section 409A or any similar or successor provisions, and the Executive is a Specified Employee, as defined in this Agreement, as of the Executive's Termination Date, the Employers may not make such distributions to the Executive before a date that is six months after the date of the Executive's Termination Date or, if earlier, the date of the Executive's death (the "Six-Month Delay"). The Employers shall accumulate payments to which the Executive would otherwise be entitled during the first six months following the Termination Date (the "Six-Month Delay Period") and make such payments on the first day of the seventh month following the Executive's Termination Date. Notwithstanding the Six-Month Delay set forth in this paragraph 1(e)(vi):

(A) To the maximum extent Section 409A or any similar or successor provisions permit, during each month of the Six-Month Delay Period, the Employers will pay the Executive an amount equal to the lesser of (I) the total monthly severance for which paragraph 1(e)(ii) and (iii) provide or (II) one-sixth of the lesser of (1) the maximum amount that Section 401(a)(17) permits to be taken into account under a qualified plan for the year in which the Executive's Date of Termination occurs and (2) the sum of the Executive's annualized compensation based upon the annual rate of pay for services provided to the Employers for the taxable year of the Executive preceding the taxable year of the Executive in which the Executive's Termination Date occurs, adjusted for any increase during that year that the parties expected to continue indefinitely if the Executive's Termination Date has not occurred ; provided that amounts paid under this sentence will count toward, and

will not be in addition to, the total payment amount the Employers have the obligation to pay to the Executive under paragraphs 1(c)(i) and (ii) of this Agreement; and

(B) To the maximum extent Section 409A, or any similar or successor provisions, permits within ten days following the Executive's Termination Date, the Employers shall pay the Executive an amount equal to the applicable dollar amount under Section 402(g)(1)(B) for the year in which the Executive's Termination Date occurred; provided that the amount the Employers pay under this sentence may include, and need not be in addition to, the total payment amount this Agreement requires the Employers to pay to the Executive under paragraph 1(b).

(C) For purposes of this Agreement, "Specified Employee" has the meaning given that term in Section 409A or any similar or successor provisions. The Employers' "specified employee identification date" as described in Section 409A will be December 31 of each year, and the Employers' "specified employee effective date" as described in Section 409A or any similar or successor provisions) will be February 1 of each succeeding year.

(f) In the event that the independent registered public accounting firm of either of the Employers or the IRS determines that any payment, coverage or benefit provided to the Executive pursuant to this Agreement is subject to the excise tax imposed by Sections 280G or 4999 or any successor provisions of Sections 280G and 4999 or any interest or penalties the Executive incurs with respect to such excise tax, the Employers, within 30 days thereafter, shall pay to the Executive, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Executive's net after tax position, after taking into account any interest, penalties or taxes imposed on the amounts payable under this paragraph 1(f), upon the receipt of the payments for which this Agreement provides being no less advantageous to the Executive than the net after tax position to the Executive that would have been obtained had Sections 280G and 4999 not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Executive and the Employers and whose fees and costs shall be paid for by the Employers, shall make all determinations this paragraph 1(f) requires.

(g) In the event that the independent registered public accounting firm of either of the Employers or the IRS determines that any payment, coverage or benefit due or owing to the Executive pursuant to this Agreement is subject to the excise tax Section 409A imposes or any successor provision of Section 409A or any interest or penalties, including interest imposed under Section 409(A)(1)(B)(i)(I), the Executive incurs as a result of the application of such provision, the Employers, within 30 days of the date of such impositions,

shall pay to the Executive, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Executive's net after tax position, after taking into account any interest, penalties or taxes imposed on the amounts paid under this paragraph 1(g), being no less advantageous to the Executive than the net after tax position the Executive would have obtained had Section 409A not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Executive and the Employers and whose fees and costs the Employers shall pay, shall make all determinations this paragraph 1(g) requires.

(h) The Employers and the Executive shall give any notice of termination of this Agreement to the Executive or the Employers, as the case may be, in accordance with the provisions of paragraph 10.

(i) The Employers agree to reimburse the Executive for the reasonable fees and expenses of the Executive's attorneys and for court and related costs in any proceeding to enforce the provisions of this Agreement in which the Executive is successful on the merits.

2. Duties of the Executive.

(a) Subject to the ultimate control and discretion of the Boards, the Executive shall serve in the Position and perform all duties and services commensurate with the Position. Throughout the Term of this Agreement as the same may be extended from time to time, the Executive shall perform all duties reasonably assigned or delegated to the Executive under the By-laws of the Employers or from time to time by the Boards consistent with the Position. Except for travel normally incidental and reasonably necessary to the business of the Employers and the duties of the Executive under this Agreement, the duties of the Executive shall be performed from an office location not greater than 35 miles from Marietta, Pennsylvania.

(b) The Executive shall devote substantially all of the Executive's business time and attention to the performance of the Executive's duties under this Agreement and, during the term of the Executive's employment under this Agreement, the Executive shall not engage in any other business enterprise that requires any significant amount of the Executive's personal time or attention, unless granted the prior permission of the respective Boards. The foregoing provision shall not prevent the Executive's purchase, ownership or sale of any interest in, or the Executive's engaging in, any business that does not compete with the business of the Employers or the Executive's involvement in charitable or community activities, provided, that the time and attention that the Executive devotes to such business and charitable or community activities does not materially interfere with the performance of the Executive's duties under this Agreement and that a material portion of the time the Executive devotes to charitable or community activities are devoted to charitable

or community activities within the Employers' market area and further provided that such conduct complies in all material respects with applicable policies of the Employers.

(c) The Employers shall accrue earned but unused vacation in accordance with the Employers' vacation policy.

3. Compensation. For all services the Executive renders under this Agreement:

(a) The Employers shall pay the Executive a base salary (the "Base Salary") at an annual rate equal to the annual rate of compensation the Executive is currently receiving from the Employers, plus such other compensation as the Employers may, from time to time, determine. The Employers shall pay such Base Salary and other compensation in accordance with the Employers' normal payroll practices as in effect from time to time.

(b) The Employers agree that the Executive shall be entitled to participate in the annual incentive programs of the Employers, in accordance in all material respects with applicable policies of the Employers relating to incentive compensation for executive officers, based on the objectives set forth in the Employers' Executive Incentive Plan.

(c) The compensation provided for in this paragraph 3 shall be in addition to such rights as the Executive may have, during the Executive's employment under this Agreement or after such employment, to participate in and receive benefits from or under any benefit plans the Employers may in their discretion establish for their employees or executives, including, but not limited to, employee benefit plans and group health insurance, life insurance and disability insurance plans. To the extent the Executive incurs a tax liability as a result of any of such benefits, the Executive shall be solely responsible for such taxes.

(d) The parties acknowledge that Towers Watson is in the process of evaluating the compensation and employee benefit plans the Employers make available to their senior executive officers. To the extent the respective boards of directors of the Employers, based upon the recommendations of Towers Watson, to enhance the compensation and other benefits the Employers make available to their senior executive officers, the Employers and the Executive agree to negotiate in good faith and to execute an amendment to this Agreement that would appropriately reflect such enhancements.

4. Expenses. The Employers shall promptly reimburse the Executive for all reasonable expenses the Executive pays or incurs in connection with the performance of the Executive's duties and responsibilities under this Agreement, upon presentation of expense vouchers or other appropriate documentation therefor.

5. Indemnification. Notwithstanding anything in the Employers' respective certificates or articles of incorporation or their By-laws to the contrary, the Employers shall at all times indemnify the Executive during the Executive's employment by the Employers or while the Executive is providing consulting services to the Employers, and thereafter, to the

fullest extent applicable law permits for any matter in any way relating to the Executive's employment by, consultation with or other affiliation with the Employers or its subsidiaries; provided, however, that if the Employers shall have terminated the Executive's employment under this Agreement for Cause, then, except to the extent otherwise required by law, the Employers shall have no obligation whatsoever to indemnify the Executive for any claim arising out of the matter for which the Employer shall have terminated the Executive's employment under this Agreement for Cause or for any conduct of the Executive not within the scope of the Executive's duties under this Agreement.

6. Confidential Information. The Executive understands that in the course of the Executive's employment by the Employers the Executive will receive confidential information concerning the business of the Employers and that the Employers desire to protect. The Executive agrees that the Executive will not at any time during or after the period of the Executive's employment by the Employers reveal to anyone outside the Employers, or use for the Executive's own benefit, any such information that the Employers have designated as confidential or that the Executive understood to be confidential without specific designation by the Employers. Upon termination of the employment of the Executive under this Agreement, and upon the request of the Employers, the Executive shall promptly deliver to the Employers any and all written materials, records and documents, including all copies of such written materials, documents and records, the Executive made or that come into the Executive's possession during the Term and the Executive retained that contain or concern confidential information of the Employers and all other written materials the Employers furnished to the Executive for the Executive's use during the Term, including all copies of such written materials, documents and records, whether of a confidential nature or otherwise.

7. Representation and Warranty of the Executive. The Executive represents and warrants that the Executive is not under any obligation, contractual or otherwise, to any other firm or corporation, which would prevent the Executive's performance of the terms of this Agreement.

8. Entire Agreement; Amendment. This Agreement and the Consulting Agreement contain the entire agreement between the Employers and the Executive with respect to the subject matter of this Agreement, and may not be amended, waived, changed, modified or discharged except by an instrument in writing executed by the Employers and the Executive.

9. Assignability. The services of the Executive under this Agreement are personal in nature, and the Employers may not assign their respective rights or obligations under this Agreement, whether by operation of law or otherwise, without the Executive's prior written consent. This Agreement shall be binding upon, and inure to the benefit of, the Employers and their permitted successors and assigns under this Agreement. This Agreement shall not

be assignable by the Executive, but shall inure to the benefit of the Executive's heirs, executors, administrators and personal representatives.

10. Notice. Any notice that a party to this Agreement may give under this Agreement shall be in writing and be deemed given when hand delivered and acknowledged or, if mailed, one day after mailing by registered or certified mail, return receipt requested, or if delivered by an overnight delivery service, one day after the notice is delivered to such service, to the Employers or the Executive at their respective addresses stated in the preamble to this Agreement, or at such other address as either party may by similar notice designate.

11. Specific Performance. The Employers and the Executive agree that irreparable damage would occur in the event that any of the provisions of paragraph 6 of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Employers and the Executive shall have the right to an injunction or injunctions to prevent breaches of such paragraph 6 and to enforce specifically the terms and provisions of such paragraph 6, this being in addition to any other remedy to which the Employers or the Executive are entitled at law or in equity.

12. No Third Party Beneficiaries. Nothing in this Agreement, express or implied, shall confer upon any person or entity other than the Employers and the Executive (and the Executive's heirs, executors, administrators and personal representatives) any rights or remedies of any nature under or by reason of this Agreement.

13. Successor Liability. The Employers shall require any successor, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all of the business or assets of the Employers to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Employers would be required to perform it if no such succession had taken place.

14. Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation the Executive earns as the result of employment by another employer or by retirement benefits payable after the termination of this Agreement, except that the Employers shall not be required to provide the Executive and the Executive's eligible dependents with medical insurance coverage as long as the Executive and the Executive's eligible dependents are receiving comparable medical insurance coverage from another employer.

15. Waiver of Breach. The failure at any time to enforce or exercise any right under any of the provisions of this Agreement or to require at any time performance by the other parties of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement or any part of this Agreement, or

the right of any party hereafter to enforce or exercise its rights under each and every provision in accordance with the terms of this Agreement.

16. No Attachment. Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; provided, however, that nothing in this paragraph 16 shall preclude the assumption of such rights by executors, administrators or other legal representatives of the Executive or the Executive's estate and their assigning any rights hereunder to the person or persons entitled to such rights.

17. Severability. The invalidity or unenforceability of any term, phrase, clause, paragraph, restriction, covenant, agreement or other provision of this Agreement shall in no way affect the validity or enforceability of any other provision, or any part of this Agreement, but this Agreement shall be construed as if such invalid or unenforceable term, phrase, clause, paragraph, restriction, covenant, agreement or other provision had never been contained in this Agreement unless the deletion of such term, phrase, clause, paragraph, restriction, covenant, agreement or other provision would result in such a material change as to cause the covenants and agreements contained in this Agreement to be unreasonable or would materially and adversely frustrate the objectives of the Employers and the Executive as expressed in this Agreement.

18. Construction. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Pennsylvania, without giving effect to principles of conflict of laws. All headings in this Agreement have been inserted solely for convenience of reference only, are not to be considered a part of this Agreement and shall not affect the interpretation of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

DONEGAL MUTUAL INSURANCE COMPANY

By: /s/ Donald H. Nikolaus
Donald H. Nikolaus, President and Chief
Executive Officer

DONEGAL GROUP INC.

By: /s/ Kevin G. Burke
Kevin G. Burke, Senior Vice President

/s/ Jeffrey D. Miller
Jeffrey D. Miller

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") dated as of July 29, 2011 among Donegal Mutual Insurance Company, a Pennsylvania mutual insurance company having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("Donegal Mutual"), Donegal Group Inc., a Delaware corporation having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("DGI," and, together with Donegal Mutual, the "Employers"), and Robert G. Shenk, an individual whose principal office address is 1195 River Road, Marietta, Pennsylvania 17547 (the "Executive").

WITNESSETH:

WHEREAS, the Employers desire, by this Agreement, to provide for the continued employment of the Executive by the Employers, and the Executive agrees to the continued employment of the Executive by the Employers, all in accordance with the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the parties are entering into this Agreement to set forth and confirm their respective rights and obligations with respect to the Executive's continued employment by the Employers;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement, the Employers and the Executive, intending to be legally bound hereby, mutually agree as follows:

1. Employment and Term.

(a) (i) Effective August 1, 2011 (the "Effective Date"), (i) Donegal Mutual agrees to continue to employ the Executive, and the Executive agrees to continue the Executive's employment as, the Senior Vice President of Claims of Donegal Mutual and (ii) DGI agrees to employ the Executive, and the Executive agrees to continue the Executive's employment as, the Senior Vice President of DGI, with positions described in clauses (i) and (ii) collectively referred to in this Agreement as the "Position", in accordance with the terms and subject to the conditions this Agreement sets forth. Donegal Mutual and DGI shall be jointly and severally liable to the Executive with respect to (i) all liabilities of Donegal Mutual to the Executive under this Agreement and (ii) all liabilities of DGI to the Executive under this Agreement; provided, however, that Donegal Mutual shall not be responsible for any liability of DGI to the Executive to the extent that DGI has discharged such liability, and DGI shall not be responsible for any liability of Donegal Mutual to the Executive to the extent that Donegal Mutual has discharged such liability.

(ii) The term of this Agreement, as the same may be extended from time to time pursuant to the provisions of this clause (ii) or otherwise, shall commence on the Effective Date and end on the third anniversary of the Effective Date, provided, however, that on the first anniversary of the Effective Date and on each subsequent anniversary of the Effective Date (each, an "Extension Date"), the Term shall automatically extend for one additional year so that on each such succeeding Extension Date, this Agreement shall have a remaining Term of three years, unless either the Executive or the respective board of directors of Donegal Mutual and DGI (together, the "Boards") give notice to the other, not less than 90 days in advance of the next succeeding Extension Date, that such automatic extensions shall terminate as of such next succeeding Extension Date, unless the Employers earlier terminate the employment of the Executive for Cause, as defined in this Agreement, or because of the death or the Permanent Disability, as defined in this Agreement, of the Executive.

(b) Notwithstanding paragraph 1(a) of this Agreement, the Employers, by action of the Boards and effective as specified in a written notice thereof to the Executive in accordance with the terms of this Agreement, shall have the right to terminate the Executive's employment under this Agreement at any time during the Term, for Cause or other than for Cause or on account of the Executive's death or Permanent Disability subject to the provisions of this paragraph 1.

(i) As used in this Agreement, "Cause" shall mean (A) the Executive's willful and continued failure substantially to perform the Executive's material duties with the Employers as set forth in this Agreement, or the commission by the Executive of any activities constituting a willful violation or breach under any material federal, state or local law or regulation applicable to the activities of Donegal Mutual or DGI or their respective subsidiaries and affiliates, in each case, after notice of such failure, breach or violation from the Employers to the Executive and a reasonable opportunity for the Executive to cure such failure, breach or violation in all material respects, (B) fraud, breach of fiduciary duty, dishonesty, misappropriation or other actions by the Executive that cause intentional material damage to the property or business of Donegal Mutual or DGI or their respective subsidiaries and affiliates, (C) the Executive's repeated absences from work such that the Executive is substantially unable to perform the Executive's duties under this Agreement in all material respects other than for physical or mental impairment or illness or (D) the Executive's non-compliance with the provisions of paragraph 2(b) of this Agreement after notice of such non-compliance from the Employers to the Executive and a reasonable opportunity for the Executive to cure such non-compliance.

(ii) As used in this Agreement, "Permanent Disability" shall mean a physical or mental disability of the Executive such that the Executive is substantially unable to perform those duties that the Executive would otherwise reasonably be expected to continue to perform and the Executive's nonperformance of such duties has continued for a

period of 180 consecutive days, provided, however, that in order to terminate the Executive's employment under this Agreement on account of Permanent Disability, the Employers must provide the Executive with written notice of the Boards' good faith determinations to terminate the Executive's employment under this Agreement for reason of Permanent Disability not less than 30 days prior to such termination, and such notice shall specify the date of termination. Until the specified effective date of termination by reason of Permanent Disability, the Executive shall continue to receive compensation at the rates set forth in paragraph 3 of this Agreement. No termination of the Executive's employment under this Agreement because of Permanent Disability shall impair any rights of the Executive under any disability insurance policy the Employers maintained at the commencement of the aforesaid 180-day period.

(c) The Executive shall have the right to terminate the Executive's employment under this Agreement at any time during the Term for Good Reason or without Good Reason or in the event a Change of Control occurs. As used in this Agreement, "Good Reason" shall mean (A) a material diminishment of the Executive's Position or the scope of the Executive's authority, duties or responsibilities as this Agreement describes without the Executive's written consent, excluding for this purpose any action the Employers do not take in bad faith and that the Employers remedy promptly following written notice thereof from the Executive to the Employers, or (B) a material breach by either Employer of its respective obligations to the Executive under this Agreement, provided, that with respect to any termination by the Executive for Good Reason, the Executive shall have provided the Employers with written notice within 90 days of the date on which the Employers first had actual knowledge of the existence of the Good Reason and which Good Reason shall not have been cured or otherwise rectified by the Employers in all material respects to the reasonable satisfaction of the Executive within 30 days after the Employers receive such written notice or (C) any termination of the Executive's employment under this Agreement without Cause.

(d) "Change of Control" shall mean (A) the acquisition of shares of DGI by any "person" or "group," as Rule 13d-3 uses such terms under the Securities Exchange Act of 1934, as now or hereafter amended, in a transaction or series of transactions that result in such person or group directly or indirectly first owning after the Effective Date more than 25% of the aggregate voting power of DGI's Class A common stock and Class B common stock taken as a single class, (B) the consummation of a merger or other business combination transaction after which the holders of the outstanding voting capital stock of DGI taken as a single class do not collectively own 60% or more of the aggregate voting power of the entity surviving such merger or other business combination transaction, (C) the sale, lease, exchange or other transfer in a transaction or series of transactions of all or substantially all of the assets of DGI, but excluding therefrom the sale and re-investment of the consolidated investment portfolio of DGI and its subsidiaries, (D) as the result of or in connection with any cash tender offer or exchange offer, merger or other business combination transaction, sale of assets or contested-election of directors or any combination of the foregoing transactions or

(E) a change of "control" of Donegal Mutual as such term is defined in the Pennsylvania Insurance Holding Companies Act (each, a "Transaction"), the persons who constituted a majority of the members of the respective Boards on the Effective Date and persons whose election as members of the respective Boards received the approval of such members then still in office or whose subsequent election had been so approved prior to the date of a Transaction, but before the occurrence of an event that constitutes a Change of Control, no longer constitute such a majority of the Boards then in office. A Transaction constituting a Change of Control shall only be deemed to have occurred upon the closing of the Transaction.

(e) (i) If (A) the Employers terminate the Executive's employment under this Agreement for any reason other than for Cause and such termination occurs as of a date that is within 180 days preceding or within 180 days after the consummation of a Change of Control (such 180-day period preceding the Change of Control and such 180-day period after the Change of Control collectively referred to in this Agreement as a "Change of Control Period", (B) the Employers terminate this Agreement as a result of the death or Permanent Disability of the Executive, effective as of a date within a Change of Control Period, (C) the Executive terminates the Executive's employment under this Agreement for Good Reason or (D) the acquisition of "control" of Donegal Mutual as defined in the Pennsylvania Insurance Holding Companies Act, the Employers shall pay to the Executive or the Executive's estate promptly after the event giving rise to such payment occurs, an amount equal to the sum of (x) (1) the Executive's Base Salary, as defined in this Agreement, accrued through the date the termination of the Executive's employment under this Agreement is effective, (2) any incentive, as defined in this Agreement, the Employers have the obligation to pay to the Executive pursuant to paragraph 3(b) of this Agreement, (3) any amounts payable under any of the Employers' benefit plans in accordance with the terms of such plans, except as Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") may otherwise require and (4) any amount in respect of excise taxes the Employers have the obligation to pay to the Executive pursuant to paragraph 1(f) of this Agreement, with such payments, rights and benefits described in clauses (x)(1), (x)(2) and (x)(3) of this Agreement being collectively referred to in this Agreement as the "Accrued Obligations," (y) an amount equal to the aggregate premiums that the Executive would have to pay to maintain in effect throughout the period (the "Subsequent Period") from the date of termination of the Executive's employment under this Agreement through the remainder of the Term had the Executive remained employed, assuming no increase in insurance premium rates, the same medical, health, disability and life insurance coverage the Employers provided to the Executive immediately prior to the date of such termination (the "Benefit Obligations") and (z) the Employers shall pay to the Executive or the Executive's estate, as a severance payment, for three years from the date of such termination, the Executive's annual Base Salary as of the effective date of termination of the Executive's employment under this Agreement and any incentive paid to the Executive during the last completed fiscal year of the Employers before

such termination. The Employers shall pay such amounts for the Executive in 36 equal monthly installments.

(ii) If (A) the Employers terminate the Executive's employment under this Agreement for any reason other than for Cause effective as of a date that is not within a Change of Control Period or (B) the Executive terminates the Executive's employment under this Agreement for Good Reason effective as of a date that is not within a Change of Control Period, the Employers shall pay the Executive, provided the Executive concurrently signs and delivers a general release in a commercially reasonable form that is mutually acceptable to the Employers and the Executive in favor of the Employers and their respective subsidiaries, an amount equal to the sum of (w) the Accrued Obligations, (x) the Benefit Obligations and (y) the Executive's Base Salary as of the effective date of termination of the Executive's employment under this Agreement the Executive would have received had the Executive remained employed under this Agreement for the Subsequent Period. The Employers shall pay such amounts to the Executive at the same time and in the same installments had the Executive remained employed under this Agreement for the Subsequent Period.

(iii) If (A) the Employers terminate the Executive's employment under this Agreement for Cause or because of the death or Permanent Disability of the Executive or (B) the Executive terminates the Executive's employment under this Agreement for any reason other than Good Reason, the Executive's death or Permanent Disability, or (C) the Employers terminate this Agreement as a result of the death or Permanent Disability of the Executive effective as of a date that is not within a Change of Control Period, the sole obligation of the Employers to the Executive under this Agreement shall be to pay the Accrued Obligations to the Executive or the Executive's estate, provided, however, that in the event the Employers terminate the employment of the Executive under this Agreement because of the death of the Executive, the Employers shall pay to the personal representatives of the Executive an amount equal to the Executive's Base Salary and incentive for the remainder of the Term.

(iv) No provision of this Agreement shall adversely affect any vested rights of the Executive under the Employers' existing employee benefit plans or other plans the Employers may establish in the future; provided, however, upon the termination of the employment of the Executive as provided in this Agreement, all future vesting of the Executive's rights under all existing and any future employee benefit plans shall terminate without further action by the Employers.

(v) The Employers and the Executive intend that this Agreement be drafted and administered in compliance with Section 409A of the Code, including, but not limited to, any future amendments to Section 409A, and any other Internal Revenue Service ("IRS") or other governmental rulings or interpretations (together, "Section 409A") issued pursuant to Section 409A so as not to subject the Executive to payment of interest or any

additional tax under Section 409A. The Employers and the Executives intend for any payments under paragraphs 1(e)(i), (ii) or (iii) to satisfy either the requirements of Section 409A or to be exempt from the application of Section 409A, and the Employers and the Executive shall construe and interpret this Agreement accordingly. In furtherance of such intent, if payment or provision of any amount or benefit under this Agreement that is subject to Section 409A at the time specified in this Agreement would subject such amount or benefit to any additional tax under Section 409A, the Employers shall postpone payment or provision of such amount or benefit to the earliest commencement date on which the Employers can make such payment or provision of such amount or benefit without incurring such additional tax but not in excess of six months. In addition, to the extent that any IRS guidance issued under Section 409A would result in the Executive being subject to the payment of interest or any additional tax under Section 409A, the Employers and the Executive agree, to the extent reasonably possible, to amend this Agreement in order to avoid the imposition of any such interest or additional tax under Section 409A. Any such amendment shall have the minimum economic effect necessary and be determined reasonably and in good faith by the Employers and the Executive.

(vi) If a payment under paragraph 1(e)(i), (ii) or (iii) of this Agreement does not qualify as a short-term deferral under Section 409A or any similar or successor provisions, and the Executive is a Specified Employee, as defined in this Agreement, as of the Executive's Termination Date, the Employers may not make such distributions to the Executive before a date that is six months after the date of the Executive's Termination Date or, if earlier, the date of the Executive's death (the "Six-Month Delay"). The Employers shall accumulate payments to which the Executive would otherwise be entitled during the first six months following the Termination Date (the "Six-Month Delay Period") and make such payments on the first day of the seventh month following the Executive's Termination Date. Notwithstanding the Six-Month Delay set forth in this paragraph 1(e)(vi):

(A) To the maximum extent Section 409A or any similar or successor provisions permit, during each month of the Six-Month Delay Period, the Employers will pay the Executive an amount equal to the lesser of (I) the total monthly severance for which paragraph 1(e)(ii) and (iii) provide or (II) one-sixth of the lesser of (1) the maximum amount that Section 401(a)(17) permits to be taken into account under a qualified plan for the year in which the Executive's Date of Termination occurs and (2) the sum of the Executive's annualized compensation based upon the annual rate of pay for services provided to the Employers for the taxable year of the Executive preceding the taxable year of the Executive in which the Executive's Termination Date occurs, adjusted for any increase during that year that the parties expected to continue indefinitely if the Executive's Termination Date has not occurred ; provided that amounts paid under this sentence will count toward, and

will not be in addition to, the total payment amount the Employers have the obligation to pay to the Executive under paragraphs 1(c)(i) and (ii) of this Agreement; and

(B) To the maximum extent Section 409A, or any similar or successor provisions, permits within ten days following the Executive's Termination Date, the Employers shall pay the Executive an amount equal to the applicable dollar amount under Section 402(g)(1)(B) for the year in which the Executive's Termination Date occurred; provided that the amount the Employers pay under this sentence may include, and need not be in addition to, the total payment amount this Agreement requires the Employers to pay to the Executive under paragraph 1(b).

(C) For purposes of this Agreement, "Specified Employee" has the meaning given that term in Section 409A or any similar or successor provisions. The Employers' "specified employee identification date" as described in Section 409A will be December 31 of each year, and the Employers' "specified employee effective date" as described in Section 409A or any similar or successor provisions) will be February 1 of each succeeding year.

(f) In the event that the independent registered public accounting firm of either of the Employers or the IRS determines that any payment, coverage or benefit provided to the Executive pursuant to this Agreement is subject to the excise tax imposed by Sections 280G or 4999 or any successor provisions of Sections 280G and 4999 or any interest or penalties the Executive incurs with respect to such excise tax, the Employers, within 30 days thereafter, shall pay to the Executive, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Executive's net after tax position, after taking into account any interest, penalties or taxes imposed on the amounts payable under this paragraph 1(f), upon the receipt of the payments for which this Agreement provides being no less advantageous to the Executive than the net after tax position to the Executive that would have been obtained had Sections 280G and 4999 not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Executive and the Employers and whose fees and costs shall be paid for by the Employers, shall make all determinations this paragraph 1(f) requires.

(g) In the event that the independent registered public accounting firm of either of the Employers or the IRS determines that any payment, coverage or benefit due or owing to the Executive pursuant to this Agreement is subject to the excise tax Section 409A imposes or any successor provision of Section 409A or any interest or penalties, including interest imposed under Section 409(A)(1)(B)(i)(I), the Executive incurs as a result of the application of such provision, the Employers, within 30 days of the date of such impositions,

shall pay to the Executive, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Executive's net after tax position, after taking into account any interest, penalties or taxes imposed on the amounts paid under this paragraph 1(g), being no less advantageous to the Executive than the net after tax position the Executive would have obtained had Section 409A not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Executive and the Employers and whose fees and costs the Employers shall pay, shall make all determinations this paragraph 1(g) requires.

(h) The Employers and the Executive shall give any notice of termination of this Agreement to the Executive or the Employers, as the case may be, in accordance with the provisions of paragraph 10.

(i) The Employers agree to reimburse the Executive for the reasonable fees and expenses of the Executive's attorneys and for court and related costs in any proceeding to enforce the provisions of this Agreement in which the Executive is successful on the merits.

2. Duties of the Executive.

(a) Subject to the ultimate control and discretion of the Boards, the Executive shall serve in the Position and perform all duties and services commensurate with the Position. Throughout the Term of this Agreement as the same may be extended from time to time, the Executive shall perform all duties reasonably assigned or delegated to the Executive under the By-laws of the Employers or from time to time by the Boards consistent with the Position. Except for travel normally incidental and reasonably necessary to the business of the Employers and the duties of the Executive under this Agreement, the duties of the Executive shall be performed from an office location not greater than 35 miles from Marietta, Pennsylvania.

(b) The Executive shall devote substantially all of the Executive's business time and attention to the performance of the Executive's duties under this Agreement and, during the term of the Executive's employment under this Agreement, the Executive shall not engage in any other business enterprise that requires any significant amount of the Executive's personal time or attention, unless granted the prior permission of the respective Boards. The foregoing provision shall not prevent the Executive's purchase, ownership or sale of any interest in, or the Executive's engaging in, any business that does not compete with the business of the Employers or the Executive's involvement in charitable or community activities, provided, that the time and attention that the Executive devotes to such business and charitable or community activities does not materially interfere with the performance of the Executive's duties under this Agreement and that a material portion of the time the Executive devotes to charitable or community activities are devoted to charitable

or community activities within the Employers' market area and further provided that such conduct complies in all material respects with applicable policies of the Employers.

(c) The Employers shall accrue earned but unused vacation in accordance with the Employers' vacation policy.

3. Compensation. For all services the Executive renders under this Agreement:

(a) The Employers shall pay the Executive a base salary (the "Base Salary") at an annual rate equal to the annual rate of compensation the Executive is currently receiving from the Employers, plus such other compensation as the Employers may, from time to time, determine. The Employers shall pay such Base Salary and other compensation in accordance with the Employers' normal payroll practices as in effect from time to time.

(b) The Employers agree that the Executive shall be entitled to participate in the annual incentive programs of the Employers, in accordance in all material respects with applicable policies of the Employers relating to incentive compensation for executive officers, based on the objectives set forth in the Employers' Executive Incentive Plan.

(c) The compensation provided for in this paragraph 3 shall be in addition to such rights as the Executive may have, during the Executive's employment under this Agreement or after such employment, to participate in and receive benefits from or under any benefit plans the Employers may in their discretion establish for their employees or executives, including, but not limited to, employee benefit plans and group health insurance, life insurance and disability insurance plans. To the extent the Executive incurs a tax liability as a result of any of such benefits, the Executive shall be solely responsible for such taxes.

(d) The parties acknowledge that Towers Watson is in the process of evaluating the compensation and employee benefit plans the Employers make available to their senior executive officers. To the extent the respective boards of directors of the Employers, based upon the recommendations of Towers Watson, to enhance the compensation and other benefits the Employers make available to their senior executive officers, the Employers and the Executive agree to negotiate in good faith and to execute an amendment to this Agreement that would appropriately reflect such enhancements.

4. Expenses. The Employers shall promptly reimburse the Executive for all reasonable expenses the Executive pays or incurs in connection with the performance of the Executive's duties and responsibilities under this Agreement, upon presentation of expense vouchers or other appropriate documentation therefor.

5. Indemnification. Notwithstanding anything in the Employers' respective certificates or articles of incorporation or their By-laws to the contrary, the Employers shall at all times indemnify the Executive during the Executive's employment by the Employers or while the Executive is providing consulting services to the Employers, and thereafter, to the

fullest extent applicable law permits for any matter in any way relating to the Executive's employment by, consultation with or other affiliation with the Employers or its subsidiaries; provided, however, that if the Employers shall have terminated the Executive's employment under this Agreement for Cause, then, except to the extent otherwise required by law, the Employers shall have no obligation whatsoever to indemnify the Executive for any claim arising out of the matter for which the Employer shall have terminated the Executive's employment under this Agreement for Cause or for any conduct of the Executive not within the scope of the Executive's duties under this Agreement.

6. Confidential Information. The Executive understands that in the course of the Executive's employment by the Employers the Executive will receive confidential information concerning the business of the Employers and that the Employers desire to protect. The Executive agrees that the Executive will not at any time during or after the period of the Executive's employment by the Employers reveal to anyone outside the Employers, or use for the Executive's own benefit, any such information that the Employers have designated as confidential or that the Executive understood to be confidential without specific designation by the Employers. Upon termination of the employment of the Executive under this Agreement, and upon the request of the Employers, the Executive shall promptly deliver to the Employers any and all written materials, records and documents, including all copies of such written materials, documents and records, the Executive made or that come into the Executive's possession during the Term and the Executive retained that contain or concern confidential information of the Employers and all other written materials the Employers furnished to the Executive for the Executive's use during the Term, including all copies of such written materials, documents and records, whether of a confidential nature or otherwise.

7. Representation and Warranty of the Executive. The Executive represents and warrants that the Executive is not under any obligation, contractual or otherwise, to any other firm or corporation, which would prevent the Executive's performance of the terms of this Agreement.

8. Entire Agreement; Amendment. This Agreement and the Consulting Agreement contain the entire agreement between the Employers and the Executive with respect to the subject matter of this Agreement, and may not be amended, waived, changed, modified or discharged except by an instrument in writing executed by the Employers and the Executive.

9. Assignability. The services of the Executive under this Agreement are personal in nature, and the Employers may not assign their respective rights or obligations under this Agreement, whether by operation of law or otherwise, without the Executive's prior written consent. This Agreement shall be binding upon, and inure to the benefit of, the Employers and their permitted successors and assigns under this Agreement. This Agreement shall not

be assignable by the Executive, but shall inure to the benefit of the Executive's heirs, executors, administrators and personal representatives.

10. Notice. Any notice that a party to this Agreement may give under this Agreement shall be in writing and be deemed given when hand delivered and acknowledged or, if mailed, one day after mailing by registered or certified mail, return receipt requested, or if delivered by an overnight delivery service, one day after the notice is delivered to such service, to the Employers or the Executive at their respective addresses stated in the preamble to this Agreement, or at such other address as either party may by similar notice designate.

11. Specific Performance. The Employers and the Executive agree that irreparable damage would occur in the event that any of the provisions of paragraph 6 of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Employers and the Executive shall have the right to an injunction or injunctions to prevent breaches of such paragraph 6 and to enforce specifically the terms and provisions of such paragraph 6, this being in addition to any other remedy to which the Employers or the Executive are entitled at law or in equity.

12. No Third Party Beneficiaries. Nothing in this Agreement, express or implied, shall confer upon any person or entity other than the Employers and the Executive (and the Executive's heirs, executors, administrators and personal representatives) any rights or remedies of any nature under or by reason of this Agreement.

13. Successor Liability. The Employers shall require any successor, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all of the business or assets of the Employers to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Employers would be required to perform it if no such succession had taken place.

14. Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation the Executive earns as the result of employment by another employer or by retirement benefits payable after the termination of this Agreement, except that the Employers shall not be required to provide the Executive and the Executive's eligible dependents with medical insurance coverage as long as the Executive and the Executive's eligible dependents are receiving comparable medical insurance coverage from another employer.

15. Waiver of Breach. The failure at any time to enforce or exercise any right under any of the provisions of this Agreement or to require at any time performance by the other parties of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement or any part of this Agreement, or

the right of any party hereafter to enforce or exercise its rights under each and every provision in accordance with the terms of this Agreement.

16. No Attachment. Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; provided, however, that nothing in this paragraph 16 shall preclude the assumption of such rights by executors, administrators or other legal representatives of the Executive or the Executive's estate and their assigning any rights hereunder to the person or persons entitled to such rights.

17. Severability. The invalidity or unenforceability of any term, phrase, clause, paragraph, restriction, covenant, agreement or other provision of this Agreement shall in no way affect the validity or enforceability of any other provision, or any part of this Agreement, but this Agreement shall be construed as if such invalid or unenforceable term, phrase, clause, paragraph, restriction, covenant, agreement or other provision had never been contained in this Agreement unless the deletion of such term, phrase, clause, paragraph, restriction, covenant, agreement or other provision would result in such a material change as to cause the covenants and agreements contained in this Agreement to be unreasonable or would materially and adversely frustrate the objectives of the Employers and the Executive as expressed in this Agreement.

18. Construction. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Pennsylvania, without giving effect to principles of conflict of laws. All headings in this Agreement have been inserted solely for convenience of reference only, are not to be considered a part of this Agreement and shall not affect the interpretation of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

DONEGAL MUTUAL INSURANCE COMPANY

By: /s/ Donald H. Nikolaus
Donald H. Nikolaus, President and
Chief Executive Officer

DONEGAL GROUP INC.

By: /s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President and
Chief Financial Officer

/s/ Robert G. Shenk
Robert G. Shenk

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") dated as of July 29, 2011 among Donegal Mutual Insurance Company, a Pennsylvania mutual insurance company having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("Donegal Mutual"), Donegal Group Inc., a Delaware corporation having its principal place of business at 1195 River Road, Marietta, Pennsylvania 17547 ("DGI," and, together with Donegal Mutual, the "Employers"), and Daniel J. Wagner, an individual whose principal office address is 1195 River Road, Marietta, Pennsylvania 17547 (the "Executive").

WITNESSETH:

WHEREAS, the Employers desire, by this Agreement, to provide for the continued employment of the Executive by the Employers, and the Executive agrees to the continued employment of the Executive by the Employers, all in accordance with the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the parties are entering into this Agreement to set forth and confirm their respective rights and obligations with respect to the Executive's continued employment by the Employers;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement, the Employers and the Executive, intending to be legally bound hereby, mutually agree as follows:

1. Employment and Term.

(a) (i) Effective August 1, 2011 (the "Effective Date"), (i) Donegal Mutual agrees to continue to employ the Executive, and the Executive agrees to continue the Executive's employment as, the Senior Vice President and Treasurer of Donegal Mutual and (ii) DGI agrees to employ the Executive, and the Executive agrees to continue the Executive's employment as, the Senior Vice President and Treasurer of DGI, with positions described in clauses (i) and (ii) collectively referred to in this Agreement as the "Position", in accordance with the terms and subject to the conditions this Agreement sets forth. Donegal Mutual and DGI shall be jointly and severally liable to the Executive with respect to (i) all liabilities of Donegal Mutual to the Executive under this Agreement and (ii) all liabilities of DGI to the Executive under this Agreement; provided, however, that Donegal Mutual shall not be responsible for any liability of DGI to the Executive to the extent that DGI has discharged such liability, and DGI shall not be responsible for any liability of Donegal Mutual to the Executive to the extent that Donegal Mutual has discharged such liability.

(ii) The term of this Agreement, as the same may be extended from time to time pursuant to the provisions of this clause (ii) or otherwise, shall commence on the Effective Date and end on the third anniversary of the Effective Date, provided, however, that on the first anniversary of the Effective Date and on each subsequent anniversary of the Effective Date (each, an "Extension Date"), the Term shall automatically extend for one additional year so that on each such succeeding Extension Date, this Agreement shall have a remaining Term of three years, unless either the Executive or the respective board of directors of Donegal Mutual and DGI (together, the "Boards") give notice to the other, not less than 90 days in advance of the next succeeding Extension Date, that such automatic extensions shall terminate as of such next succeeding Extension Date, unless the Employers earlier terminate the employment of the Executive for Cause, as defined in this Agreement, or because of the death or the Permanent Disability, as defined in this Agreement, of the Executive.

(b) Notwithstanding paragraph 1(a) of this Agreement, the Employers, by action of the Boards and effective as specified in a written notice thereof to the Executive in accordance with the terms of this Agreement, shall have the right to terminate the Executive's employment under this Agreement at any time during the Term, for Cause or other than for Cause or on account of the Executive's death or Permanent Disability subject to the provisions of this paragraph 1.

(i) As used in this Agreement, "Cause" shall mean (A) the Executive's willful and continued failure substantially to perform the Executive's material duties with the Employers as set forth in this Agreement, or the commission by the Executive of any activities constituting a willful violation or breach under any material federal, state or local law or regulation applicable to the activities of Donegal Mutual or DGI or their respective subsidiaries and affiliates, in each case, after notice of such failure, breach or violation from the Employers to the Executive and a reasonable opportunity for the Executive to cure such failure, breach or violation in all material respects, (B) fraud, breach of fiduciary duty, dishonesty, misappropriation or other actions by the Executive that cause intentional material damage to the property or business of Donegal Mutual or DGI or their respective subsidiaries and affiliates, (C) the Executive's repeated absences from work such that the Executive is substantially unable to perform the Executive's duties under this Agreement in all material respects other than for physical or mental impairment or illness or (D) the Executive's non-compliance with the provisions of paragraph 2(b) of this Agreement after notice of such non-compliance from the Employers to the Executive and a reasonable opportunity for the Executive to cure such non-compliance.

(ii) As used in this Agreement, "Permanent Disability" shall mean a physical or mental disability of the Executive such that the Executive is substantially unable to perform those duties that the Executive would otherwise reasonably be expected to continue to perform and the Executive's nonperformance of such duties has continued for a

period of 180 consecutive days, provided, however, that in order to terminate the Executive's employment under this Agreement on account of Permanent Disability, the Employers must provide the Executive with written notice of the Boards' good faith determinations to terminate the Executive's employment under this Agreement for reason of Permanent Disability not less than 30 days prior to such termination, and such notice shall specify the date of termination. Until the specified effective date of termination by reason of Permanent Disability, the Executive shall continue to receive compensation at the rates set forth in paragraph 3 of this Agreement. No termination of the Executive's employment under this Agreement because of Permanent Disability shall impair any rights of the Executive under any disability insurance policy the Employers maintained at the commencement of the aforesaid 180-day period.

(c) The Executive shall have the right to terminate the Executive's employment under this Agreement at any time during the Term for Good Reason or without Good Reason or in the event a Change of Control occurs. As used in this Agreement, "Good Reason" shall mean (A) a material diminishment of the Executive's Position or the scope of the Executive's authority, duties or responsibilities as this Agreement describes without the Executive's written consent, excluding for this purpose any action the Employers do not take in bad faith and that the Employers remedy promptly following written notice thereof from the Executive to the Employers, or (B) a material breach by either Employer of its respective obligations to the Executive under this Agreement, provided, that with respect to any termination by the Executive for Good Reason, the Executive shall have provided the Employers with written notice within 90 days of the date on which the Employers first had actual knowledge of the existence of the Good Reason and which Good Reason shall not have been cured or otherwise rectified by the Employers in all material respects to the reasonable satisfaction of the Executive within 30 days after the Employers receive such written notice or (C) any termination of the Executive's employment under this Agreement without Cause.

(d) "Change of Control" shall mean (A) the acquisition of shares of DGI by any "person" or "group," as Rule 13d-3 uses such terms under the Securities Exchange Act of 1934, as now or hereafter amended, in a transaction or series of transactions that result in such person or group directly or indirectly first owning after the Effective Date more than 25% of the aggregate voting power of DGI's Class A common stock and Class B common stock taken as a single class, (B) the consummation of a merger or other business combination transaction after which the holders of the outstanding voting capital stock of DGI taken as a single class do not collectively own 60% or more of the aggregate voting power of the entity surviving such merger or other business combination transaction, (C) the sale, lease, exchange or other transfer in a transaction or series of transactions of all or substantially all of the assets of DGI, but excluding therefrom the sale and re-investment of the consolidated investment portfolio of DGI and its subsidiaries, (D) as the result of or in connection with any cash tender offer or exchange offer, merger or other business combination transaction, sale of assets or contested-election of directors or any combination of the foregoing transactions or

(E) a change of "control" of Donegal Mutual as such term is defined in the Pennsylvania Insurance Holding Companies Act (each, a "Transaction"), the persons who constituted a majority of the members of the respective Boards on the Effective Date and persons whose election as members of the respective Boards received the approval of such members then still in office or whose subsequent election had been so approved prior to the date of a Transaction, but before the occurrence of an event that constitutes a Change of Control, no longer constitute such a majority of the Boards then in office. A Transaction constituting a Change of Control shall only be deemed to have occurred upon the closing of the Transaction.

(e) (i) If (A) the Employers terminate the Executive's employment under this Agreement for any reason other than for Cause and such termination occurs as of a date that is within 180 days preceding or within 180 days after the consummation of a Change of Control (such 180-day period preceding the Change of Control and such 180-day period after the Change of Control collectively referred to in this Agreement as a "Change of Control Period", (B) the Employers terminate this Agreement as a result of the death or Permanent Disability of the Executive, effective as of a date within a Change of Control Period, (C) the Executive terminates the Executive's employment under this Agreement for Good Reason or (D) the acquisition of "control" of Donegal Mutual as defined in the Pennsylvania Insurance Holding Companies Act, the Employers shall pay to the Executive or the Executive's estate promptly after the event giving rise to such payment occurs, an amount equal to the sum of (x) (1) the Executive's Base Salary, as defined in this Agreement, accrued through the date the termination of the Executive's employment under this Agreement is effective, (2) any incentive, as defined in this Agreement, the Employers have the obligation to pay to the Executive pursuant to paragraph 3(b) of this Agreement, (3) any amounts payable under any of the Employers' benefit plans in accordance with the terms of such plans, except as Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") may otherwise require and (4) any amount in respect of excise taxes the Employers have the obligation to pay to the Executive pursuant to paragraph 1(f) of this Agreement, with such payments, rights and benefits described in clauses (x)(1), (x)(2) and (x)(3) of this Agreement being collectively referred to in this Agreement as the "Accrued Obligations," (y) an amount equal to the aggregate premiums that the Executive would have to pay to maintain in effect throughout the period (the "Subsequent Period") from the date of termination of the Executive's employment under this Agreement through the remainder of the Term had the Executive remained employed, assuming no increase in insurance premium rates, the same medical, health, disability and life insurance coverage the Employers provided to the Executive immediately prior to the date of such termination (the "Benefit Obligations") and (z) the Employers shall pay to the Executive or the Executive's estate, as a severance payment, for three years from the date of such termination, the Executive's annual Base Salary as of the effective date of termination of the Executive's employment under this Agreement and any incentive paid to the Executive during the last completed fiscal year of the Employers before

such termination. The Employers shall pay such amounts for the Executive in 36 equal monthly installments.

(ii) If (A) the Employers terminate the Executive's employment under this Agreement for any reason other than for Cause effective as of a date that is not within a Change of Control Period or (B) the Executive terminates the Executive's employment under this Agreement for Good Reason effective as of a date that is not within a Change of Control Period, the Employers shall pay the Executive, provided the Executive concurrently signs and delivers a general release in a commercially reasonable form that is mutually acceptable to the Employers and the Executive in favor of the Employers and their respective subsidiaries, an amount equal to the sum of (w) the Accrued Obligations, (x) the Benefit Obligations and (y) the Executive's Base Salary as of the effective date of termination of the Executive's employment under this Agreement the Executive would have received had the Executive remained employed under this Agreement for the Subsequent Period. The Employers shall pay such amounts to the Executive at the same time and in the same installments had the Executive remained employed under this Agreement for the Subsequent Period.

(iii) If (A) the Employers terminate the Executive's employment under this Agreement for Cause or because of the death or Permanent Disability of the Executive or (B) the Executive terminates the Executive's employment under this Agreement for any reason other than Good Reason, the Executive's death or Permanent Disability, or (C) the Employers terminate this Agreement as a result of the death or Permanent Disability of the Executive effective as of a date that is not within a Change of Control Period, the sole obligation of the Employers to the Executive under this Agreement shall be to pay the Accrued Obligations to the Executive or the Executive's estate, provided, however, that in the event the Employers terminate the employment of the Executive under this Agreement because of the death of the Executive, the Employers shall pay to the personal representatives of the Executive an amount equal to the Executive's Base Salary and incentive for the remainder of the Term.

(iv) No provision of this Agreement shall adversely affect any vested rights of the Executive under the Employers' existing employee benefit plans or other plans the Employers may establish in the future; provided, however, upon the termination of the employment of the Executive as provided in this Agreement, all future vesting of the Executive's rights under all existing and any future employee benefit plans shall terminate without further action by the Employers.

(v) The Employers and the Executive intend that this Agreement be drafted and administered in compliance with Section 409A of the Code, including, but not limited to, any future amendments to Section 409A, and any other Internal Revenue Service ("IRS") or other governmental rulings or interpretations (together, "Section 409A") issued pursuant to Section 409A so as not to subject the Executive to payment of interest or any

additional tax under Section 409A. The Employers and the Executives intend for any payments under paragraphs 1(e)(i), (ii) or (iii) to satisfy either the requirements of Section 409A or to be exempt from the application of Section 409A, and the Employers and the Executive shall construe and interpret this Agreement accordingly. In furtherance of such intent, if payment or provision of any amount or benefit under this Agreement that is subject to Section 409A at the time specified in this Agreement would subject such amount or benefit to any additional tax under Section 409A, the Employers shall postpone payment or provision of such amount or benefit to the earliest commencement date on which the Employers can make such payment or provision of such amount or benefit without incurring such additional tax but not in excess of six months. In addition, to the extent that any IRS guidance issued under Section 409A would result in the Executive being subject to the payment of interest or any additional tax under Section 409A, the Employers and the Executive agree, to the extent reasonably possible, to amend this Agreement in order to avoid the imposition of any such interest or additional tax under Section 409A. Any such amendment shall have the minimum economic effect necessary and be determined reasonably and in good faith by the Employers and the Executive.

(vi) If a payment under paragraph 1(e)(i), (ii) or (iii) of this Agreement does not qualify as a short-term deferral under Section 409A or any similar or successor provisions, and the Executive is a Specified Employee, as defined in this Agreement, as of the Executive's Termination Date, the Employers may not make such distributions to the Executive before a date that is six months after the date of the Executive's Termination Date or, if earlier, the date of the Executive's death (the "Six-Month Delay"). The Employers shall accumulate payments to which the Executive would otherwise be entitled during the first six months following the Termination Date (the "Six-Month Delay Period") and make such payments on the first day of the seventh month following the Executive's Termination Date. Notwithstanding the Six-Month Delay set forth in this paragraph 1(e)(vi):

(A) To the maximum extent Section 409A or any similar or successor provisions permit, during each month of the Six-Month Delay Period, the Employers will pay the Executive an amount equal to the lesser of (I) the total monthly severance for which paragraph 1(e)(ii) and (iii) provide or (II) one-sixth of the lesser of (1) the maximum amount that Section 401(a)(17) permits to be taken into account under a qualified plan for the year in which the Executive's Date of Termination occurs and (2) the sum of the Executive's annualized compensation based upon the annual rate of pay for services provided to the Employers for the taxable year of the Executive preceding the taxable year of the Executive in which the Executive's Termination Date occurs, adjusted for any increase during that year that the parties expected to continue indefinitely if the Executive's Termination Date has not occurred ; provided that amounts paid under this sentence will count toward, and

will not be in addition to, the total payment amount the Employers have the obligation to pay to the Executive under paragraphs 1(c)(i) and (ii) of this Agreement; and

(B) To the maximum extent Section 409A, or any similar or successor provisions, permits within ten days following the Executive's Termination Date, the Employers shall pay the Executive an amount equal to the applicable dollar amount under Section 402(g)(1)(B) for the year in which the Executive's Termination Date occurred; provided that the amount the Employers pay under this sentence may include, and need not be in addition to, the total payment amount this Agreement requires the Employers to pay to the Executive under paragraph 1(b).

(C) For purposes of this Agreement, "Specified Employee" has the meaning given that term in Section 409A or any similar or successor provisions. The Employers' "specified employee identification date" as described in Section 409A will be December 31 of each year, and the Employers' "specified employee effective date" as described in Section 409A or any similar or successor provisions) will be February 1 of each succeeding year.

(f) In the event that the independent registered public accounting firm of either of the Employers or the IRS determines that any payment, coverage or benefit provided to the Executive pursuant to this Agreement is subject to the excise tax imposed by Sections 280G or 4999 or any successor provisions of Sections 280G and 4999 or any interest or penalties the Executive incurs with respect to such excise tax, the Employers, within 30 days thereafter, shall pay to the Executive, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Executive's net after tax position, after taking into account any interest, penalties or taxes imposed on the amounts payable under this paragraph 1(f), upon the receipt of the payments for which this Agreement provides being no less advantageous to the Executive than the net after tax position to the Executive that would have been obtained had Sections 280G and 4999 not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Executive and the Employers and whose fees and costs shall be paid for by the Employers, shall make all determinations this paragraph 1(f) requires.

(g) In the event that the independent registered public accounting firm of either of the Employers or the IRS determines that any payment, coverage or benefit due or owing to the Executive pursuant to this Agreement is subject to the excise tax Section 409A imposes or any successor provision of Section 409A or any interest or penalties, including interest imposed under Section 409(A)(1)(B)(i)(I), the Executive incurs as a result of the application of such provision, the Employers, within 30 days of the date of such impositions,

shall pay to the Executive, in addition to any other payment, coverage or benefit due and owing under this Agreement, an additional amount that will result in the Executive's net after tax position, after taking into account any interest, penalties or taxes imposed on the amounts paid under this paragraph 1(g), being no less advantageous to the Executive than the net after tax position the Executive would have obtained had Section 409A not been applicable to such payment, coverage or benefits. Except as this Agreement otherwise provides, tax counsel, whose selection shall be reasonably acceptable to the Executive and the Employers and whose fees and costs the Employers shall pay, shall make all determinations this paragraph 1(g) requires.

(h) The Employers and the Executive shall give any notice of termination of this Agreement to the Executive or the Employers, as the case may be, in accordance with the provisions of paragraph 10.

(i) The Employers agree to reimburse the Executive for the reasonable fees and expenses of the Executive's attorneys and for court and related costs in any proceeding to enforce the provisions of this Agreement in which the Executive is successful on the merits.

2. Duties of the Executive.

(a) Subject to the ultimate control and discretion of the Boards, the Executive shall serve in the Position and perform all duties and services commensurate with the Position. Throughout the Term of this Agreement as the same may be extended from time to time, the Executive shall perform all duties reasonably assigned or delegated to the Executive under the By-laws of the Employers or from time to time by the Boards consistent with the Position. Except for travel normally incidental and reasonably necessary to the business of the Employers and the duties of the Executive under this Agreement, the duties of the Executive shall be performed from an office location not greater than 35 miles from Marietta, Pennsylvania.

(b) The Executive shall devote substantially all of the Executive's business time and attention to the performance of the Executive's duties under this Agreement and, during the term of the Executive's employment under this Agreement, the Executive shall not engage in any other business enterprise that requires any significant amount of the Executive's personal time or attention, unless granted the prior permission of the respective Boards. The foregoing provision shall not prevent the Executive's purchase, ownership or sale of any interest in, or the Executive's engaging in, any business that does not compete with the business of the Employers or the Executive's involvement in charitable or community activities, provided, that the time and attention that the Executive devotes to such business and charitable or community activities does not materially interfere with the performance of the Executive's duties under this Agreement and that a material portion of the time the Executive devotes to charitable or community activities are devoted to charitable

or community activities within the Employers' market area and further provided that such conduct complies in all material respects with applicable policies of the Employers.

(c) The Employers shall accrue earned but unused vacation in accordance with the Employers' vacation policy.

3. Compensation. For all services the Executive renders under this Agreement:

(a) The Employers shall pay the Executive a base salary (the "Base Salary") at an annual rate equal to the annual rate of compensation the Executive is currently receiving from the Employers, plus such other compensation as the Employers may, from time to time, determine. The Employers shall pay such Base Salary and other compensation in accordance with the Employers' normal payroll practices as in effect from time to time.

(b) The Employers agree that the Executive shall be entitled to participate in the annual incentive programs of the Employers, in accordance in all material respects with applicable policies of the Employers relating to incentive compensation for executive officers, based on the objectives set forth in the Employers' Executive Incentive Plan.

(c) The compensation provided for in this paragraph 3 shall be in addition to such rights as the Executive may have, during the Executive's employment under this Agreement or after such employment, to participate in and receive benefits from or under any benefit plans the Employers may in their discretion establish for their employees or executives, including, but not limited to, employee benefit plans and group health insurance, life insurance and disability insurance plans. To the extent the Executive incurs a tax liability as a result of any of such benefits, the Executive shall be solely responsible for such taxes.

(d) The parties acknowledge that Towers Watson is in the process of evaluating the compensation and employee benefit plans the Employers make available to their senior executive officers. To the extent the respective boards of directors of the Employers, based upon the recommendations of Towers Watson, to enhance the compensation and other benefits the Employers make available to their senior executive officers, the Employers and the Executive agree to negotiate in good faith and to execute an amendment to this Agreement that would appropriately reflect such enhancements.

4. Expenses. The Employers shall promptly reimburse the Executive for all reasonable expenses the Executive pays or incurs in connection with the performance of the Executive's duties and responsibilities under this Agreement, upon presentation of expense vouchers or other appropriate documentation therefor.

5. Indemnification. Notwithstanding anything in the Employers' respective certificates or articles of incorporation or their By-laws to the contrary, the Employers shall at all times indemnify the Executive during the Executive's employment by the Employers or while the Executive is providing consulting services to the Employers, and thereafter, to the

fullest extent applicable law permits for any matter in any way relating to the Executive's employment by, consultation with or other affiliation with the Employers or its subsidiaries; provided, however, that if the Employers shall have terminated the Executive's employment under this Agreement for Cause, then, except to the extent otherwise required by law, the Employers shall have no obligation whatsoever to indemnify the Executive for any claim arising out of the matter for which the Employer shall have terminated the Executive's employment under this Agreement for Cause or for any conduct of the Executive not within the scope of the Executive's duties under this Agreement.

6. Confidential Information. The Executive understands that in the course of the Executive's employment by the Employers the Executive will receive confidential information concerning the business of the Employers and that the Employers desire to protect. The Executive agrees that the Executive will not at any time during or after the period of the Executive's employment by the Employers reveal to anyone outside the Employers, or use for the Executive's own benefit, any such information that the Employers have designated as confidential or that the Executive understood to be confidential without specific designation by the Employers. Upon termination of the employment of the Executive under this Agreement, and upon the request of the Employers, the Executive shall promptly deliver to the Employers any and all written materials, records and documents, including all copies of such written materials, documents and records, the Executive made or that come into the Executive's possession during the Term and the Executive retained that contain or concern confidential information of the Employers and all other written materials the Employers furnished to the Executive for the Executive's use during the Term, including all copies of such written materials, documents and records, whether of a confidential nature or otherwise.

7. Representation and Warranty of the Executive. The Executive represents and warrants that the Executive is not under any obligation, contractual or otherwise, to any other firm or corporation, which would prevent the Executive's performance of the terms of this Agreement.

8. Entire Agreement; Amendment. This Agreement and the Consulting Agreement contain the entire agreement between the Employers and the Executive with respect to the subject matter of this Agreement, and may not be amended, waived, changed, modified or discharged except by an instrument in writing executed by the Employers and the Executive.

9. Assignability. The services of the Executive under this Agreement are personal in nature, and the Employers may not assign their respective rights or obligations under this Agreement, whether by operation of law or otherwise, without the Executive's prior written consent. This Agreement shall be binding upon, and inure to the benefit of, the Employers and their permitted successors and assigns under this Agreement. This Agreement shall not

be assignable by the Executive, but shall inure to the benefit of the Executive's heirs, executors, administrators and personal representatives.

10. Notice. Any notice that a party to this Agreement may give under this Agreement shall be in writing and be deemed given when hand delivered and acknowledged or, if mailed, one day after mailing by registered or certified mail, return receipt requested, or if delivered by an overnight delivery service, one day after the notice is delivered to such service, to the Employers or the Executive at their respective addresses stated in the preamble to this Agreement, or at such other address as either party may by similar notice designate.

11. Specific Performance. The Employers and the Executive agree that irreparable damage would occur in the event that any of the provisions of paragraph 6 of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Employers and the Executive shall have the right to an injunction or injunctions to prevent breaches of such paragraph 6 and to enforce specifically the terms and provisions of such paragraph 6, this being in addition to any other remedy to which the Employers or the Executive are entitled at law or in equity.

12. No Third Party Beneficiaries. Nothing in this Agreement, express or implied, shall confer upon any person or entity other than the Employers and the Executive (and the Executive's heirs, executors, administrators and personal representatives) any rights or remedies of any nature under or by reason of this Agreement.

13. Successor Liability. The Employers shall require any successor, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all of the business or assets of the Employers to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Employers would be required to perform it if no such succession had taken place.

14. Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation the Executive earns as the result of employment by another employer or by retirement benefits payable after the termination of this Agreement, except that the Employers shall not be required to provide the Executive and the Executive's eligible dependents with medical insurance coverage as long as the Executive and the Executive's eligible dependents are receiving comparable medical insurance coverage from another employer.

15. Waiver of Breach. The failure at any time to enforce or exercise any right under any of the provisions of this Agreement or to require at any time performance by the other parties of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement or any part of this Agreement, or

the right of any party hereafter to enforce or exercise its rights under each and every provision in accordance with the terms of this Agreement.

16. No Attachment. Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; provided, however, that nothing in this paragraph 16 shall preclude the assumption of such rights by executors, administrators or other legal representatives of the Executive or the Executive's estate and their assigning any rights hereunder to the person or persons entitled to such rights.

17. Severability. The invalidity or unenforceability of any term, phrase, clause, paragraph, restriction, covenant, agreement or other provision of this Agreement shall in no way affect the validity or enforceability of any other provision, or any part of this Agreement, but this Agreement shall be construed as if such invalid or unenforceable term, phrase, clause, paragraph, restriction, covenant, agreement or other provision had never been contained in this Agreement unless the deletion of such term, phrase, clause, paragraph, restriction, covenant, agreement or other provision would result in such a material change as to cause the covenants and agreements contained in this Agreement to be unreasonable or would materially and adversely frustrate the objectives of the Employers and the Executive as expressed in this Agreement.

18. Construction. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Pennsylvania, without giving effect to principles of conflict of laws. All headings in this Agreement have been inserted solely for convenience of reference only, are not to be considered a part of this Agreement and shall not affect the interpretation of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

DONEGAL MUTUAL INSURANCE COMPANY

By: /s/ Donald H. Nikolaus
Donald H. Nikolaus, President and Chief
Executive Officer

DONEGAL GROUP INC.

By: /s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President and
Chief Financial Officer

/s/ Daniel J. Wagner
Daniel J. Wagner