

CHARTER OF THE COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF  
DONEGAL GROUP INC.,  
a Delaware corporation  
(Adopted by the Board of Directors as of March 5, 2012)

1. Purpose. The primary purpose of the Compensation Committee, or the Committee, of the Board of Directors of Donegal Group Inc., or the Company, is to:

- assist in the discharge the responsibilities of the Board of Directors relating to compensation of the Company's officers and directors;
- produce an annual report on executive compensation for inclusion in the Company's proxy statement in accordance with applicable rules and regulations; and
- take such other actions from time to time within the scope of this Charter as the Committee deems necessary or appropriate or as the Board of Directors may request.

The Company's compensation policies shall be designed to allow the Company to recruit and retain superior talent and create a significant direct relationship between compensation and benefit levels and performance. The compensation payable to the Company's officers shall provide overall competitive pay and benefit levels, create performance-based incentives to enhance the value of the Company and align the interests of the Company's officers and the Company's stockholders.

2. Membership. The Committee shall be comprised of at least two directors. At least two members of the Committee shall be outside directors as determined by the Board of Directors under Internal Revenue Code Section 162(m) and applicable law. The members of the Committee shall be appointed by and serve at the discretion of the Board of Directors, upon the recommendation of the Nominating Committee. The members of the Committee shall appoint the Chairperson of the Committee.

3. Specific Responsibilities and Duties. The Board of Directors delegates to the Committee the express authority to undertake the following actions to the fullest extent permitted by applicable law and the Company's Certificate of Incorporation and By-laws:

- Compensation Policies. Develop the Company's overall compensation policies, and establish performance-based incentives that support and reinforce the

Company's long-term strategic goals, organizational objectives and align the interests of the Company's officers with the interests of the Company's stockholders.

- Chief Executive Officer ("CEO") Compensation and Goals. Review and approve goals and objectives relevant to the CEO's compensation, evaluate the CEO's performance in light of those goals and objectives and set the CEO's compensation level including, but not limited to, salary, bonus and short-term and long-term incentive plans, as the Committee deems appropriate based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee shall consider the Company's performance and relative stockholder return, the value of similar incentive awards to CEOs at comparable companies and the compensation of the Company's CEO in past years.
- Other Officers. Consider and approve the compensation arrangements for the Company's other officers and establish, review and approve compensation plans in which officers are eligible to participate. Such compensation arrangements may include salary, bonus and short-term and long-term incentive plans, as the Committee deems appropriate.
- Incentive Compensation Plans. Make recommendations to the Board of Directors with respect to the Company's incentive-compensation plans and equity-based compensation plans and approve for submission to stockholders all new stock option and other equity compensation plans. Notwithstanding the foregoing, the Committee may, to the extent it deems it advisable, grant stock options, stock appreciation rights and restricted stock awards without obtaining stockholder approval.
- Board of Directors. Establish from time to time the compensation of the members of the Board of Directors and members of the committees of the Board of Directors, taking into consideration the level of director and committee member compensation for companies of comparable size and complexity.
- Annual Report. Produce an annual report on executive compensation for inclusion in the Company's proxy statement for its annual meeting of stockholders.
- Review and Publication of Charter. Review and reassess the adequacy of this Charter annually, recommend any proposed changes to the Board of Directors for approval and publish this Charter as required by applicable law and as otherwise deemed advisable by the Committee.

- Annual Review. Review annually the Committee's own performance.
- Other Actions. Perform any other activities consistent with this Charter, the Company's By-laws and governing law as the Committee deems necessary or appropriate or as the Board of Directors directs.

4. Possible Recusal. A member of the Committee shall recuse himself or herself from any consideration of a matter that might otherwise be properly acted upon by the Committee in the presence of such member, (a) whether by reason of applicable law or the Company's Certificate of Incorporation, By-laws and policies, (b) after consultation with the Company's counsel, the Company determines that it is in the best interests of the Company for the director to recuse himself or herself from any such matter for such reasons as maintaining the Company's ability to deduct compensation in excess of \$1,000,000 to the named officers under Section 162(m) of the Internal Revenue Code, to facilitate reliance on an exemption from short-swing profit liability under Rule 16b-3 under the Securities Exchange Act of 1934, as amended or (c) such member deems it appropriate in his or her judgment to recuse himself or herself with respect to any such matter.

5. Meetings. The Committee shall meet with such frequency, and at such times as its Chairperson, or a majority of the Committee, determines and may meet in joint session with the compensation committee of Donegal Mutual Insurance Company. A special meeting of the Committee may be called by the Chairperson and shall be called promptly upon the request of any two Committee members. The agenda of each meeting shall be prepared by the Chairperson and circulated to each member prior to the meeting date. Unless the Committee or the Board of Directors adopts other procedures, the provisions of the Company's By-laws applicable to meetings of the Board of Directors shall govern meetings of the Committee.

6. Minutes. Minutes of each meeting shall be taken and kept with the regular corporate records. The Committee shall report to the Board of Directors when requested to do so by the Board of Directors.

7. Reliance; Experts; Cooperation. The Committee shall have the power, in its discretion from time to time, to retain, at the Company's expense, such counsel and other advisors and experts as it deems necessary or appropriate to carry out its duties.

7.1 Reliance Permitted. In carrying out its duties, the Committee shall be entitled to rely on the Company's management, its independent registered public accounting firm, its internal auditors and its counsel and other experts as the Committee deems necessary or appropriate from time to time.

7.2 Investigations. The Committee shall have the authority, in its discretion, to conduct any investigation it deems necessary or appropriate to enable it to carry out its duties.

7.3 Required Participation of Employees. The Committee shall have unrestricted access to the Company's independent registered public accounting firm, its internal auditors, its counsel and may require every employee of the Company or representative of the Company's counsel or independent registered public accounting firm to attend a meeting of the Committee or to meet with members of the Committee.