

DONEGAL GROUP INC.

CODE OF BUSINESS CONDUCT AND ETHICS

This Code of Business Conduct and Ethics covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide all directors, officers and employees of the Company and its subsidiaries. All of our directors, officers and employees must conduct themselves accordingly and seek to avoid even the appearance of improper behavior.

If a law conflicts with a policy in this Code, you must comply with the law. If you have any questions about these conflicts, you should ask your supervisor or the Company's Compliance Officer, designated below, for guidance.

Those persons who violate the standards in this Code will be subject to disciplinary action, up to and including termination of employment or other association with the Company. If you are in a situation which you believe may violate or lead to a violation of this Code, follow the guidelines described in Sections 14 and 15 of this Code.

1. Compliance with Laws, Rules and Regulations

Obedying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. All directors, officers and employees of the Company must respect and obey the laws and regulations of the cities, states and countries in which we operate. Although not all directors, officers or employees are expected to know the details of these laws and regulations, it is important to seek advice from supervisors, managers or other appropriate personnel when compliance questions arise.

2. Conflicts of Interest

A "conflict of interest" exists when the private interest of a director, officer or employee interferes in any way with the interests of the Company. A conflict of interest can arise when a director, officer or employee takes actions or has interests that may make it difficult to perform his or her duties for the Company objectively and effectively. Conflicts of interest also arise when a director, officer or employee, or a member of his or her family, receives improper personal benefits as a result of his or her position with the Company.

Conflicts of interest arise when a director, officer or employee of the Company works simultaneously for a competitor or company with whom the Company does business. Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with your supervisor or the Compliance Officer. Any director, officer or employee who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager or other appropriate personnel or consult the procedures described in

Sections 14 and 15 of this Code. Nothing in this Code, however, shall prohibit any director, officer or employee from purchasing insurance from an insurer other than the Company or providing professional services to another insurer or financial institution.

3. Insider Trading

Directors, officers and employees who have access to or become aware of confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of the Company's business. All non-public information about the Company, as well as non-public information about our policyholders and companies with whom we do business should be considered confidential information. To use material non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal. Please refer to the Company's memorandum regarding insider trading for a more comprehensive discussion of this subject.

4. Corporate Opportunities

Directors, officers and employees are prohibited from taking for themselves personally, or diverting to other persons, opportunities that are discovered through the use of corporate property, information or position without the consent of the Board of Directors. No director, officer or employee may use corporate property, information or position for personal gain, and no director, officer or employee may compete with the Company directly or indirectly during his or her tenure with the Company.

5. Confidentiality

All directors, officers and employees of the Company must maintain the confidentiality of confidential information entrusted to them by the Company, its policyholders, companies with whom the Company does business or others, except when disclosure is authorized by the Board of Directors or the Compliance Officer or is required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or companies with whom the Company does business or others, if disclosed. It also includes information that policyholders or companies with whom we do business have entrusted to us. The obligation to preserve confidential information continues even after your employment or other association with the Company ends.

6. Competition and Fair Dealing

The Company seeks to outperform its competition fairly and honestly. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent or inducing such disclosures by past or present directors, officers or employees of other companies is prohibited. Each director, officer and employee of the

Company should endeavor to respect the rights of and deal fairly with the Company's policyholders, companies with whom the Company does business, competitors and employees. No director, officer or employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other intentional unfair-dealing practice.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered, given, provided or accepted by any officer, director or employee of the Company, or any of their family members, unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff and (5) does not violate any laws or regulations. Please discuss with your supervisor or the Compliance Officer any gifts or proposed gifts which you are not certain are appropriate. See also Section 11 of this Code concerning gifts and other payments to government representatives.

7. Inappropriate Solicitation Activities

Directors, officers and employees are prohibited from participating in any Inappropriate Solicitation Activities by an agent or producer. Inappropriate Solicitation Activities are defined as any activity whereby an insurance producer:

- (a) seeks, requests or obtains any insurance quote, bid or illustration that is: (i) intentionally higher, changed or revised upward or otherwise intentionally less favorable to the client/customer or prospective client/consumer, than those provided by other insurance companies; (ii) designed or intended not to be selected by a client/consumer or prospective client/consumer; (iii) designed or intended to present to the client/consumer or prospective client/consumer a false appearance of competition by insurance companies;
- (b) withholds or limits the receipt or presentation of insurance quotes, bids or illustrations sought on behalf of a client/consumer in a manner which is contrary to the interests of the client/consumer; or
- (c) engages in activity that otherwise may be known as or understood to be "bid-rigging" or inappropriate steering of business which is contrary to the interests of the client/consumer.

8. Discrimination and Harassment

The diversity of the Company's employees, consultants and contractors is a tremendous asset. The Company is firmly committed to providing equal opportunity in all

aspects of employment and contractual relations and will not tolerate any unlawful discrimination or workplace harassment of any kind or violent, coercive or threatening behavior. Examples include derogatory comments based on racial or ethnic characteristics and sexual advances. The Company has adopted separate policies concerning such matters.

9. Record-Keeping

The Company requires honest and accurate recording and reporting of information to make responsible business decisions. For example, only the true and actual number of hours worked should be reported.

Many employees regularly use business expense accounts, which must be documented and recorded accurately. If you are not sure whether a certain expense is a properly reimbursable expense, ask your supervisor or your controller.

All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions, and must conform both to applicable legal requirements and to the Company's system of internal controls. Unrecorded or "off the books" funds or assets may not be maintained unless permitted by applicable law or regulation.

Business records and communications often become public, and we should avoid exaggeration, derogatory remarks, guesswork or inappropriate characterizations of people and companies that could be misunderstood. This policy applies equally to e-mail, internal memos and formal reports. Records should always be retained or destroyed according to the Company's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation, or any threat of litigation or governmental investigation, please consult the Company's Chief Financial Officer.

10. Protection and Proper Use of Company Assets

All directors, officers and employees should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct effect on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported to your supervisor or the Compliance Officer for investigation. Company equipment should not be used for non-Company business, though incidental personal use may be permitted. The Company has adopted a more detailed policy concerning the use of business communications and computer equipment.

The obligation of directors, officers and employees to protect the Company's assets includes the obligation to protect the Company's proprietary information. Proprietary information includes intellectual property such as trade secrets, trademarks and copyrights, as well as business, marketing and service plans, manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized

use or distribution of this information violates Company policy. It could also be illegal and result in civil or criminal penalties.

11. Payments to Government Personnel

Federal, state and local governments have a number of laws and regulations regarding business gratuities that may be accepted by government personnel. The promise, offer or delivery to an official or employee of the federal, state or local government of a gift, favor or other gratuity in violation of these laws would not only violate Company policy but could also be a criminal offense.

12. Additional Provisions for the Chief Executive Officer and Senior Financial Officers

In addition to the other provisions of this Code, the Company's Chief Executive Officer and certain senior financial officers are subject to the policies stated in the Company's Code of Ethics that is included as Appendix A to this Code. The Company's Code of Ethics is hereby made applicable to all directors, officers and employees.

13. Waivers of the Code of Business Conduct and Ethics

Any waiver of this Code for directors or executive officers may be made only by the Board of Directors or the Audit Committee and will be promptly disclosed as required by law or regulation. Waivers for other personnel may be made by such committees of the Board or officers to which the Board may delegate such authority from time to time.

14. Compliance Procedures

All directors, officers and employees must work to ensure prompt and consistent action to prevent violations of this Code. However, in some situations it is difficult to know whether a violation has occurred. Since we cannot anticipate every situation that will arise, it is important that we have a way to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. To reach the right solutions, you should seek to be as fully informed as possible.
- Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? Answering this question will enable you to focus on the specific action you are faced with, and the alternatives you have. Use your judgment and common sense; if something seems unethical or improper, it probably is.
- Clarify your responsibility and role. In most situations, there is shared responsibility. It may help to get others involved and discuss the problem.

- Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question, and will appreciate being brought into the decision-making process. Remember that it is your supervisor's responsibility to help solve problems.
- Seek help from Company resources. In the rare case where it may not be appropriate to discuss an issue with your supervisor, or where you do not feel comfortable approaching your supervisor with your question, you may discuss it with your office manager or the Compliance Officer. If you do not feel comfortable discussing the issue with those persons as well, you may report the issue as described in Section 15.
- Consider other applicable Company policies. If there is a specific Company policy relevant to the situation, in addition to this Code, review that policy and consider how it would apply to the situation and any reporting or other procedures set forth in that policy.
- You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected. The Company does not permit retaliation of any kind for good faith reports of a matter you believe may be or is an ethical violation.
- Always ask first, act later: If you are unsure of what to do in any situation, seek guidance before you act.

15. Reporting any Illegal or Unethical Behavior

Employees should read the Company's Employee Complaint Procedures for Accounting and Auditing Matters adopted by the Audit Committee, which is included as Appendix B to this Code.

Except for complaints or concerns submitted under the Audit Committee's procedures, if you suspect that a violation of this Code has occurred or is occurring, and after considering the procedures described in Section 14 of the Code, you should immediately report the suspected violation or concern to the Compliance Officer designated by the Board of Directors. As of the date of this Code, the Compliance Officer is:

Cyril J. Greenya
 Donegal Group Inc.
 1195 River Road
 Marietta, Pennsylvania 17547
 Telephone: 717-426-7003
 E-mail: cygreenya@donegalgroup.com

You may submit reports via U.S. mail, courier, FedEx or similar delivery service, phone, e-mail or in person. You may submit complaints or concerns confidentially and anonymously. If you wish to make a report anonymously, please type your report, including the date but not your name, and deliver it via mail, courier, FedEx or other delivery service in an envelope marked CONFIDENTIAL. Alternatively, you may submit an anonymous report by e-mail; to do so, please be sure to send your report from an e-mail address that does not identify you as the sender. If you submit a report that is not anonymous, you may be contacted to confirm information or to obtain further information.

16. Investigation and Corrective Action

Upon receipt of a complaint under this Code, the Company will promptly investigate the complaint and will involve agencies and resources outside the Company if and when such outside involvement appears advisable or necessary. The Company will exercise discretion regarding the confidentiality of the report and investigation to the extent consistent with the need for a thorough investigation and response and taking into consideration the Company's disclosure obligations and requirements.

The Board of Directors or the Audit Committee shall conduct, or designate appropriate persons, within or outside of the Company, to conduct, any investigation concerning alleged violations of this Code by any director, the Chief Executive Officer or any of the Company's senior financial officers. The Compliance Officer or other appropriate personnel designated by the Board or the Audit Committee will conduct, or designate appropriate persons to conduct, any investigation concerning alleged violations by other officers and employees. Directors, officers and employees are expected to cooperate in internal investigations of alleged misconduct.

At the conclusion of any such investigation involving any director, the Chief Executive Officer or any of the Company's senior financial officers, the person leading the investigation will report the results of the investigation and any remedial measures such investigator recommends to the Audit Committee or the full Board of Directors. At the conclusion of any such investigation involving other officers or employees, such investigator shall make such a report to the Compliance Officer and the Chief Executive Officer, as appropriate.

The Company will take all actions deemed appropriate by the Board of Directors, the Audit Committee, the Chief Executive Officer or the Compliance Officer, as applicable, as a result of any such investigation. If it is determined that a director, officer or employee of the Company has violated this Code, such action may include disciplinary action, up to and including termination of employment. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to this Code, and may include written notices to the individual involved of the determination that there has been a violation, censure, demotion or re-assignment of the individual involved, suspension with or

without pay or benefits or termination of the individual's employment. In determining what action is appropriate in a particular case, the Board of Directors or other appropriate designated person shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

Any and all complaints and related information received under this Code will be retained for seven years from the date of the complaint, or such other period of time as may be required by law.

17. Whistleblower Protections.

It is the policy of the Company to provide employees with a working environment that is free of retaliation based on the employee's good faith reporting or disclosing of any violation of law, this Code or other policy. Reports may be made anonymously.

As adopted by the Board of Directors on October 20, 2005.