

DONEGAL MUTUAL INSURANCE COMPANY ANNOUNCES COMPLETION OF ITS
ACQUISITION OF THE MOUNTAIN STATES INSURANCE GROUP

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For Immediate Release

Marietta, Pennsylvania, May 25, 2017 – Donegal Mutual Insurance Company ("Donegal Mutual") announced today that, following the receipt of all necessary approvals, Mountain States Mutual Casualty Company ("Mountain States") merged with and into Donegal Mutual effective May 25, 2017. Donegal Mutual is the surviving company in the merger, and Mountain States' insurance subsidiaries, Mountain States Indemnity Company and Mountain States Commercial Insurance Company, have become insurance subsidiaries of Donegal Mutual as a result of the merger.

Mountain States and its insurance subsidiaries had net premiums written of approximately \$33 million in 2016 in the states of New Mexico, Colorado, Texas and Utah. As of the effective date of the merger, Donegal Mutual assumed all of the policy obligations of Mountain States and will market its products together with its insurance subsidiaries as the Mountain States Insurance Group in the Southwestern region of the United States. Donegal Mutual has entered into a 100% quota-share reinsurance agreement with Mountain States' insurance subsidiaries with the intent of making those subsidiaries eligible for A.M. Best Company's assignment of Donegal Mutual's group rating of A (Excellent). Donegal Mutual has also entered into services and technology license agreements with Mountain States' insurance subsidiaries for the purpose of reducing the operating costs of those subsidiaries through economies of scale.

Donald H. Nikolaus, President of Donegal Mutual, remarked, "We are pleased to announce the completion of our acquisition of the Mountain States Insurance Group as we expand our operations into the Southwestern region of the country. We look forward to providing technology and operational support to the management and employees of the Mountain States Insurance Group to increase the efficiency of our ongoing operations in the region and to enhance relationships with our agents and policyholders. We believe this acquisition will enhance our overall business and provide for significant future growth over time."

William F. Davis, President of Mountain States, stated, "We are excited to be embarking on this new chapter in the long history of the Mountain States Insurance Group. We anticipate our affiliation with Donegal Mutual will significantly enhance our ability to continue our longstanding commitment to providing excellent products and services to our agents and policyholders."

Donegal Mutual, which was incorporated in 1889, is a mutual insurance company located in Marietta, Pennsylvania. Donegal Mutual underwrites a broad line of personal and commercial insurance coverages. Donegal Mutual owns approximately 73% of the voting control of Donegal Group Inc., an insurance holding company. Donegal Mutual and the insurance subsidiaries of Donegal Group Inc. conduct property and casualty insurance business together as the Donegal Insurance Group and had net premiums written of approximately \$800 million in 2016 in 21 Mid-Atlantic, Midwestern, New England and Southern states. The Class A common stock and the Class B common stock of Donegal Group Inc. trade on the NASDAQ Global Select Market (NASDAQ:DGICA) (NASDAQ:DGICB).

For an indefinite period of time, Donegal Mutual will exclude the business of the Mountain States Insurance Group from its pooling agreement with Atlantic States Insurance Company.