



1195 River Road, P.O. Box 302
Marietta, Pennsylvania 17547-0302
(717) 426-1931
www.donegalgroup.com

2007 MAY 16 AM 11:15

RECEIVED
WISCONSIN COMMISSIONER
OF INSURANCE

May 15, 2007

VIA PDF AND FEDEX

Peter Medley
Insurance Examiner Supervisor
Bureau of Financial Analysis and Examinations
State of Wisconsin
Office of the Commissioner of Insurance
125 South Webster Street
Madison, Wisconsin 53707

Exh #	9
Date	5/18/2007
Case	07-C30859
ins. Comm.	

Re: Form A Filing

Dear Peter:

On December 29, 2006, Donegal Mutual Insurance Company ("Donegal Mutual") filed a Form A with the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI") requesting OCI's approval of the transactions contemplated by a Contribution Note Purchase Agreement (the "Agreement") between Sheboygan Falls Mutual Insurance Company ("SFMIC") and Donegal Mutual whereby Donegal Mutual would make a contribution note investment in SFMIC and Donegal Mutual designees would constitute six of the ten members of SFMIC's board of directors. One part of the contemplated transactions would be a retrocessional reinsurance agreement between Donegal Mutual and SFMIC.

In OCI's letter of February 16, 2007 with respect to the Form A filing, OCI asked whether Donegal Mutual would become a policyholder of SFMIC for the purposes of s. 611.76, Wis. Stat. by reason of the retrocessional reinsurance agreement, and further requested a statement from Donegal Mutual to the effect that Donegal Mutual would not have any rights as a policyholder under s. 611.76, Wis Stat., which deals with the conversion of a domestic mutual insurance company into a domestic stock corporation.

Donegal Mutual does not think it is appropriate for it to answer that legal question. However, as a practical matter, Donegal Mutual agrees that it will not assert any rights as a

Office of the Commissioner of Insurance

Page 2

May 15, 2007

policyholder of SFMIC for the purposes of s. 611.76, Wis. Stat. as currently in effect by reason of entering into a retrocessional reinsurance agreement with SFMIC in substantially the form of Appendix F to the Contribution Note Purchase Agreement included as an exhibit to the Form A.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald H. Nikolaus". The signature is fluid and cursive, with a large initial "D" and "N".

Donald H. Nikolaus

President and Chief Executive Officer

cc: Frederick W. Dreher, Esq.
Anne E. Ross, Esq.
Marissa A. Savastana, Esq.