

Exhibit B

FORM OF
EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (this "Agreement") dated as of _____, 2007 between Sheboygan Falls Mutual Insurance Company, a Wisconsin mutual fire and casualty insurance company having its principal place of business at 511 Water Street, Sheboygan Falls, Wisconsin 53085 (the "Employer") and _____, an individual residing at _____, Wisconsin _____ (the "Executive").

WITNESSETH:

WHEREAS, Donegal Mutual Insurance Company ("Donegal Mutual") has entered into a Contribution Note Purchase Agreement (the "Purchase Agreement") dated as of December 27, 2006 with the Employer, pursuant to which, subject to the terms and conditions set forth in the Purchase Agreement, Donegal Mutual will purchase a contribution note of the Employer and designees of Donegal Mutual will constitute a majority of the members of the Board of Directors of the Employer;

WHEREAS, the Executive is currently serving as an executive officer of the Employer;

WHEREAS, upon the effective date (the "Effective Date") of the consummation of Donegal Mutual's purchase of the contribution note, Donegal Mutual desires that the Employer continue to employ the Executive, and the Executive desires to continue to be employed by the Employer, all in accordance with the terms and subject to the conditions of this Agreement; and

WHEREAS, the Employer and the Executive are entering into this Agreement to set forth and confirm their respective rights and obligations with respect to the Executive's employment by the Employer on and after the Effective Date;

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

1. Employment and Term.

(a) Effective as of the Effective Date, pursuant to authority granted by its Board of Directors (the "Board"), the Employer shall employ the Executive, and the Executive shall be employed by the Employer, as the _____ of the Employer (the "Position"), in accordance with the terms and subject to the conditions set forth herein for

a term (the "Term") that shall commence on the Effective Date and, subject to paragraph 1(b), shall terminate on the third anniversary of the Effective Date. Unless otherwise provided herein or agreed by the Employer 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.

(b) Notwithstanding paragraph 1(a), the Employer, by action of its Board or of its Chief Executive Officer and effective as specified in a written notice thereof to the Executive in accordance with the terms hereof, shall have the right to terminate the Executive's employment hereunder at any time during the Term for Cause (as defined herein) or on account of the Executive's death or Permanent Disability (as defined herein) as of the date of such death or Permanent Disability. If such termination is for Cause or on account of the Executive's death or Permanent Disability, the Employer shall have no further obligations or liability hereunder to the Executive except that the Employer shall pay to the Executive or the Executive's estate the portion, if any, of the Executive's Base Salary (as defined herein) and Other Benefits (as defined herein) that remain unpaid through the date of termination. Notwithstanding paragraph 1(a), the Employer, by the affirmative vote of eight of the ten members of its Board of Directors, shall have the right to terminate the Executive's employment hereunder at any time for any reason and without Cause, provided that, in such event, the Employer shall pay to the Executive the Base Salary and provide the Executive with the Other Benefits until the expiration of the Term.

(i) "Cause" shall mean (A) fraud, breach of corporate opportunity, dishonesty, misappropriation or other intentional material damage to the property or business of the Employer by the Executive, (B) the Executive's habitual intoxication or drug addiction or repeated absences other than for physical or mental impairment or illness, (C) the Executive's admission or conviction of, or plea of nolo contendere to, any felony that, in the reasonable judgment of the Board, adversely affects the Employer's reputation or the Executive's ability to carry out the Executive's obligations under this Agreement or (D) the Executive's non-compliance with the provisions of paragraphs 2(b) or 5(b) after notice thereof from the Employer to the Executive and a reasonable opportunity for the Executive to cure such non-compliance.

(ii) "Permanent Disability" shall mean a physical or mental disability such that the Executive is substantially unable to perform those duties that the Executive would otherwise be expected to continue to perform and the nonperformance of such duties has continued for a period longer than 90 consecutive days, provided, however, that in order to terminate the Executive's employment hereunder on account of Permanent Disability, the Employer must provide the Executive with written notice of the good faith determination of the Board or the Chief Executive Officer of the Employer to terminate the Executive's employment hereunder 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 Executive shall continue to receive the Base Salary and the Other Benefits set forth in paragraph 3 less any payments received by the Executive pursuant to the Employer's disability insurance coverage. No termination of this Agreement because of the Permanent Disability of the Executive shall impair any rights of the Executive under any disability insurance policy maintained by the Employer at the commencement of the aforesaid 90-day period.

(c) Any notice of termination of this Agreement by the Employer to the Executive or by the Executive to the Employer shall be given in accordance with the provisions of paragraph 9.

2. Duties of the Executive.

(a) Subject to the ultimate control and discretion of the Board, the Executive shall serve in the Position and perform all duties and services commensurate with the Position. Throughout the Term, the Executive shall perform all duties reasonably assigned or delegated to the Executive under the Amended and Restated Bylaws of the Employer or from time to time by the Board or the Chief Executive Officer of the Employer consistent with the Position. Except for travel normally incidental and reasonably necessary to the business of the Employer and the duties of the Executive hereunder, the duties of the Executive shall be performed at the Sheboygan Falls, Wisconsin offices of the Employer.

(b) The Executive shall devote substantially all of the Executive's business time and attention to the performance of the Executive's duties hereunder and, during the term of the Executive's employment hereunder, 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 Board. The foregoing provision shall not prevent the Executive's taking actions permitted by paragraph 5(b) 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 hereunder.

(c) The Executive shall be entitled to that number of days of paid vacation during each calendar year as is provided under the existing vacation policy of the Employer as of the Effective Date.

3. Compensation. For all services to be rendered by the Executive hereunder:

(a) Base Salary. From and after the Effective Date, the Employer (i) shall pay the Executive a base salary (the "Base Salary") at an annual rate of _____*

* Will be the same as salary in effect as of the Effective Date.

Dollars (\$_____) during the Term, which Base Salary shall be subject to annual increase, in the sole discretion of the Board of Directors of the Employer, after the Executive's annual performance review and (ii) pay the Executive such annual bonus as is determined pursuant to the Employer's executive bonus plan or any successor thereto. Such Base Salary shall be paid in equal monthly installments and the bonus, if any, shall be payable in accordance with Sheboygan's regular practices.

(b) Other Benefits. From and after the Effective Date and throughout the Term, 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 hereunder or thereafter, to participate in and receive benefits from or under the Employer's medical, term life and disability insurance plans as set forth on Schedule A hereto.

4. Expenses. The Employer shall promptly reimburse the Executive for all reasonable expenses paid or incurred by the Executive in connection with the performance of the Executive's duties and responsibilities hereunder, upon presentation of expense vouchers or other appropriate documentation therefor.

5. Confidential Information.

(a) The Executive understands that, in the course of the Executive's employment by the Employer, the Executive has received and will receive confidential information concerning the business of the Employer and that the Employer desires 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 Employer reveal to anyone outside the Employer, or use for the Executive's own benefit, any Confidential or Proprietary Information (as defined herein) of the Employer except as required in the performance of the Executive's duties to the Employer. The term "Confidential or Proprietary Information" shall include all information of any nature and in any form that is owned by the Employer and that is not publicly available or generally known to persons engaged in the property and casualty insurance business. Confidential or Proprietary Information shall further include, without limitation, the Employer's financial matters, policyholders, employees and industry contacts. Upon termination of this Agreement, upon the request of the Employer, the Executive shall promptly deliver to the Employer any and all written materials, records and documents, including all copies thereof, made by the Executive or coming into the Executive's possession during the Term and retained by the Executive containing or concerning Confidential or Proprietary Information and all other written materials furnished to the Executive by the Employer for the Executive's use during the Term and retained by the Executive, including all copies thereof, whether of a confidential nature or otherwise. The obligations imposed by this paragraph 5(a) shall cease if such Confidential or Proprietary Information shall have become, through no fault of the Executive, publicly known or generally known to persons engaged in the property and casualty insurance business, or

information that the Executive, after giving the Employer notice and an opportunity to obtain a protective order, is required by law to make disclosure of such information.

(b) During the Executive's employment with the Employer, the Executive shall not be engaged as an officer, director or employee of, or in any way be associated in a management or ownership capacity with, any corporation or other entity that is a property or casualty insurance company, provided, however, that the Executive may own not more than 4.99% of the outstanding securities, or equivalent equity interests, of any class of any corporation or other entity that is a property or casualty insurance company whose securities are listed on a national securities exchange.

(c) The Executive agrees that, during the period beginning on the Effective Date and ending one year after the termination of the Executive's employment by the Employer, the Executive will not attempt to influence, persuade or induce, or assist any other person in so influencing, persuading or inducing, any employee or policyholder of the Employer to give up, or not to commence, an employment or an insurance relationship with the Employer.

6. 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, that would prevent the Executive's entry into this Agreement or the Executive's performance of the terms of this Agreement.

7. Entire Agreement; Amendment.

(a) This Agreement contains the entire agreement between the Employer and the Executive with respect to the subject matter hereof, and may not be amended, waived, changed, modified or discharged except by an instrument in writing executed by the parties hereto.

(b) Upon the Effective Date, the Executive does hereby release, remise, settle and forever discharge the Employer and its affiliates, directors, employees and representatives of and from any and all claims, demands, losses and liabilities under any oral or written agreement relating to the employment or termination of the employment of the Executive by the Employer entered into by the Employer prior to the Effective Date.

8. Assignability. This Agreement shall be binding upon, and inure to the benefit of, the Employer and its successors and assigns hereunder. This Agreement shall not be assignable by the Executive, but shall inure to the benefit of the Executive's heirs, executors, administrators and legal representatives.

9. Notice. Any notice that may be given hereunder 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, to either party hereto at their

respective addresses stated above, or at such other address as either party may by similar notice designate.

10. Specific Performance. The parties agree that the Employer would suffer irreparable damage in the event that any of the provisions of paragraph 5 were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Employer shall be entitled to an injunction or injunctions to prevent breaches of paragraph 5 and to enforce specifically the terms and provisions of paragraph 5, such remedy being in addition to any other remedy to which the Employer is entitled at law or in equity.

11. No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer upon any person or entity other than the parties (and the Executive's heirs, executors, administrators and legal representatives) any rights or remedies of any nature under or by reason of this Agreement.

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

13. 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 hereof, 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.

14. Severability. The invalidity or unenforceability of any term, phrase, clause, paragraph, restriction, covenant, agreement or other provision hereof shall in no way affect the validity or enforceability of any other provision, or any part thereof, 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 herein 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 herein to be unreasonable or would materially and adversely frustrate the objectives of the parties as expressed in this Agreement. In the event of a holding of invalidity so fundamental as to prevent the accomplishment of the purposes of this Agreement, the parties shall immediately commence negotiations in good faith to reach mutual agreement on a successor provision.

15. Construction. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Wisconsin, 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.

SHEBOYGAN FALLS MUTUAL INSURANCE COMPANY

By: _____
Lee F. Wilcox, President

Executive

SCHEDULE A

Description of Executive Fringe Benefits Provided By
Sheboygan Falls Mutual Insurance Company

Group health insurance –

Short-term disability –

Long-term disability –

Life Insurance –

Sick/Personal Days –

Floating Holidays -

Vacation –

Defined Benefit Pension Plan –

401(k) –

Transportation/parking Reimbursement –

Tuition reimbursement –