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INSURANCE DEPARTMENT
OF THE
COMMONWEALTH OF PENNSYLVANIA
Harrisburg, Pennsylvania

FORM B
INSURANCE HOLDING COMPANY SYSTEM ANNUAL REGISTRATION
STATEMENT OF DONEGAL MUTUAL INSURANCE COMPANY
FOR THE YEAR ENDED DECEMBER 31, 2005

Filed with the Insurance Department of the Commonwealth of Pennsylvania by Donegal Mutual Insurance Company on behalf of the following insurance companies:

<u>Name</u>	<u>Address</u>	<u>NAIC Code Number</u>	<u>State of Domicile</u>
Atlantic States Insurance Company	1195 River Road Marietta, PA 17547	22586	Pennsylvania
Donegal Mutual Insurance Company	1195 River Road Marietta, PA 17547	13692	Pennsylvania
Southern Insurance Company of Virginia	801 Virginia Village Drive Glen Allen, VA 23060	26867	Virginia
Le Mars Insurance Company	One Park Lane Le Mars, IA 51031	14389	Iowa
The Peninsula Insurance Company	112 East Market Street Salisbury, MD 21803	14938	Maryland
Peninsula Indemnity Company	112 East Market Street Salisbury, MD 21803	39900	Maryland

Date: March 24, 2006

Name, title, address and telephone number of individual to whom notices and correspondence concerning this statement should be addressed:

Frederick W. Dreher, Esquire
Duane Morris LLP
30 South 17th Street
Philadelphia, PA 19103
(215) 979-1234

Jeffrey D. Miller, Senior Vice President
and Chief Financial Officer
Donegal Mutual Insurance Company
1195 River Road
Marietta, PA 17547
(717) 426-1931

Item 1. Identity and Control of Registrant.

Furnish the exact name of each insurer registering or being registered (hereinafter called the "Registrant"); the home office address and principal executive offices of each; the date on which each Registrant became part of the insurance holding company system; and the method(s) by which control of each Registrant was acquired and is maintained.

<u>Name of Insurer</u>	<u>Address of Home Office</u>	<u>Address of Principal Executive Offices</u>
Atlantic States Insurance Company ("Atlantic States")	1195 River Road Marietta, PA 17547	1195 River Road Marietta, PA 17547
Donegal Mutual Insurance Company ("Registrant")	1195 River Road Marietta, PA 17547	1195 River Road Marietta, PA 17547
Southern Insurance Company of Virginia ("Southern")	801 Virginia Village Drive Glen Allen, VA 23060	1195 River Road Marietta, PA 17547
Le Mars Insurance Company ("Le Mars")	One Park Lane Le Mars, IA 51031	1195 River Road Marietta, PA 17547
The Peninsula Insurance Company ("Peninsula Insurance")	112 East Market Street Salisbury, MD 21803	112 East Market Street Salisbury, MD 21803
Peninsula Indemnity Company ("Peninsula Indemnity")	112 East Market Street Salisbury, MD 21803	112 East Market Street Salisbury, MD 21803

Control of Atlantic States was acquired by Registrant in August 1986, when Donegal Group Inc. ("DGI") purchased all of the outstanding capital stock of Atlantic States upon its incorporation, and is maintained by the continued ownership of such capital stock by DGI.

Control of Southern was acquired by Registrant on December 29, 1988, when DGI purchased all of the outstanding capital stock of Southern upon the conversion of Southern Mutual Insurance Company, a Virginia mutual property and casualty insurance

company, into Southern on December 29, 1988, and is maintained by the continued ownership of such capital stock by DGI.

Control of Le Mars, an Iowa property and casualty insurance company, was acquired by Registrant effective as of June 12, 2002, when, pursuant to the terms of a Note Purchase Agreement (the "Note Purchase Agreement") dated as of February 21, 2002 between Le Mars Mutual Insurance Company of Iowa, an Iowa mutual property and casualty insurance company ("Le Mars Mutual") and Registrant: (i) Registrant purchased a \$4,000,000 surplus note (the "Surplus Note") of Le Mars Mutual dated June 12, 2002, (ii) designees of Registrant, all of whom are directors of Registrant or DGI, were elected to become five of the nine members of the Board of Directors of Le Mars Mutual and (iii) Registrant entered into a services agreement with Le Mars Mutual. Effective January 1, 2004, Le Mars Mutual converted into Le Mars, DGI purchased the Surplus Note from Registrant and DGI surrendered the Surplus Note to Le Mars in exchange for 4,392,740 shares of common stock of Le Mars, which constitutes all of the outstanding capital stock of Le Mars. Control of Le Mars is maintained by Registrant by the continued ownership of such capital stock by DGI.

On January 6, 2004, but effective as of January 1, 2004, DGI purchased all of the capital stock of Peninsula Insurance and Peninsula Indemnity from Folksamerica Holding Company, Inc. for a price equal to 107.5% of the consolidated GAAP stockholders' equity of Peninsula Insurance and Peninsula Indemnity as of December 31, 2003, or approximately \$23.5 million. On May 18, 2004, DGI transferred by dividend all of the outstanding capital stock of Peninsula Indemnity to Peninsula Insurance. Registrant's control of Peninsula Insurance and Peninsula Indemnity is maintained by the continued ownership of the capital stock of Peninsula Insurance by DGI. Peninsula Insurance and Peninsula Indemnity are hereafter collectively referred to as "Peninsula."

Item 2. Organizational Chart.

Furnish a chart or listing clearly presenting the identities of and interrelationships among all affiliated persons within the insurance holding company system. No affiliate need be shown if its total assets are equal to or less than 1/2 of 1% of the total assets of the ultimate controlling person within the insurance holding company system unless it has assets valued at or exceeding \$5,000,000. The chart or listing should show the percentage of each class of voting securities of each affiliate which is owned, directly or indirectly, by another affiliate.

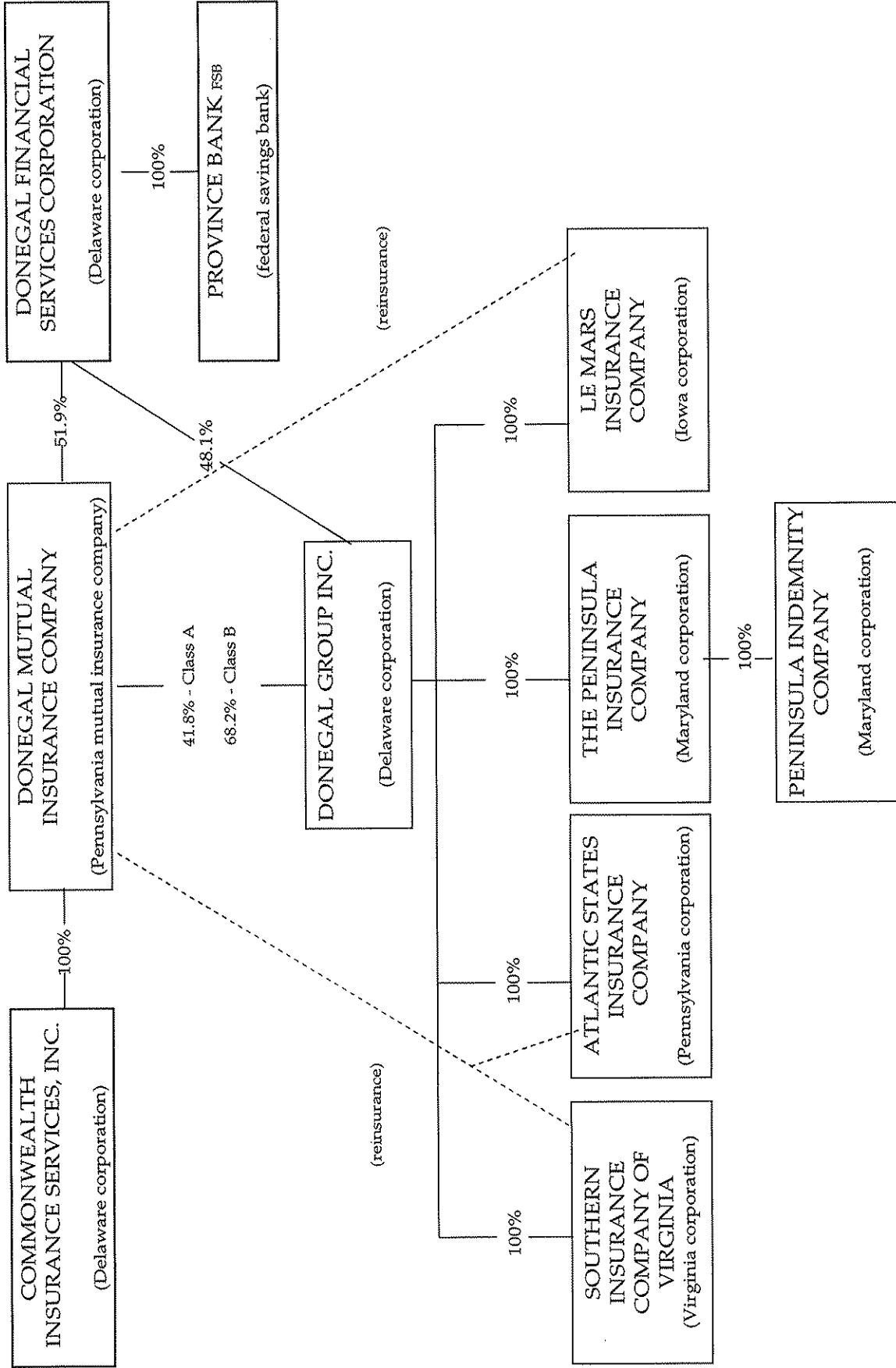
If control of any person within the system is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in the chart or listing indicate the type of organization (e.g., corporation, trust, partnership) and the state or other jurisdiction of domicile.

As of February 28, 2006, Registrant owned 41.8% of the outstanding Class A Common Stock of DGI and 68.2% of the outstanding Class B Common Stock of DGI.

By order dated April 15, 2003, the Insurance Department of the Commonwealth of Pennsylvania (the "Department") approved the ownership by Registrant of up to 70% of the outstanding Class A Common Stock of DGI. The acquisition by Registrant of shares of Class A Common Stock in excess of the approved percentage of the outstanding shares is subject to prior compliance by Registrant with, or exemption from, Section 1402 of the Pennsylvania Insurance Holding Companies Act. The Department, by order dated July 12, 2001, has approved the ownership by Registrant of up to 100% of the Class B Common Stock of DGI.

Reference is made to the organization chart on page 4.

DONEGAL CORPORATE STRUCTURE – FEBRUARY 28, 2006



Item 3. Ultimate Controlling Person.

As to an ultimate controlling person in the insurance holding company system furnish the following information:

A. *Name.*

Donegal Mutual Insurance Company

B. *Home office address.*

1195 River Road
Marietta, Pennsylvania 17547

C. *Principal executive office address.*

1195 River Road
Marietta, Pennsylvania 17547

D. *The organizational structure of the person, i.e., corporation, partnership, individual, trust, etc.*

Corporation.

E. *The principal business of the person.*

Mutual casualty insurance company.

F. *The name and address of any person who holds or owns 10% or more of any class of voting security, the class of the security, the number of shares held of record or known to be beneficially owned, and the percentage of class so held or owned.*

Not applicable.

G. *If court proceedings involving a reorganization or liquidation are pending, indicate the title and location of the court, the nature of proceedings and the date when commenced.*

Not applicable.

Item 4. Biographical Information.

Furnish the following information for the directors and executive officers of an ultimate controlling person in the form of biographical affidavits signed in the original: the individual's name and address, his or her principal occupation and all offices and positions held during the past five (5)

years, and any conviction of crimes other than minor traffic violations during the past ten years. Biographical affidavits filed with the Department within the immediately preceding 3 years need not be included if there has been no change in the information already on file. The Department will accept copies of original, signed biographical affidavits filed with the chief insurance regulatory official of another jurisdiction if the following conditions are met:

- (1) The identity of the chief insurance regulatory official holding the original affidavit and the date of the original filing are provided in this statement.
- (2) The original affidavit was filed within the immediately preceding 3 years.
- (3) There has been no change in the information required in the affidavit.

The biographical affidavits of all directors and executive officers of Registrant have been furnished to the Insurance Department within the immediately preceding three years. Each of such persons has advised Registrant that there has been no change in the information contained in the biographical affidavits currently on file with the Department.

Item 5. Transactions and Agreements.

Briefly describe the following agreements in force, and transactions currently outstanding or which have occurred during the last calendar year, including extraordinary dividends and other material transactions reported under §§ 25.21 and 25.22 of this Chapter, between the Registrant and its affiliates:

A. Loans, other investments, or purchases, sales or exchanges of securities of the affiliates by the Registrant or of the Registrant by its affiliates;

1. On February 15, 2005, Registrant, pursuant to DGI's dividend reinvestment and stock purchase plan, purchased 20,509 shares of Class A Common Stock of DGI at a price of \$18.41 per share, representing the average of the closing prices per share of DGI's Class A Common Stock on the Nasdaq National Market for the five trading days preceding the dividend payment date, as determined in accordance with the terms of such plan, for a cost of \$377,640.

2. During 2005, the Mutual Company repurchased 215,000 shares of DGI's Class A Common Stock and 60,643 shares of DGI's Class B Common Stock in privately negotiated transactions and in purchases on the open market in accordance with the limitations of SEC Rule 10b-18.

B. Purchases, sales or exchanges of assets;

None, except as reported pursuant to Item 5.A.

- C. *Transactions not in the ordinary course of business, including contributions of assets to Registrant;*

None, except as reported pursuant to Items 5.A, 5.F and 5.G.

- D. *Guarantees or undertakings for the benefit of an affiliate which result in an actual contingent exposure of the Registrant's assets to liability, other than insurance contracts entered into in the ordinary course of the Registrant's business;*

None, except as reported pursuant to Item 5.F.

- E. *All management agreements, service contracts and all cost-sharing arrangements;*

1. Registrant, DGI, Atlantic States and Southern are parties to a Services Allocation Agreement, whereby Registrant provides facilities, management, employees and other services to DGI, Atlantic States and Southern according to a time allocation and estimated usage agreement for each of the respective companies. Expenses are allocated to Le Mars according to a time allocation and estimated usage agreement. During the year ended December 31, 2005, DGI, Atlantic States, Southern and Le Mars reimbursed Registrant a total of \$40,855,669 for these services.

2. Under a lease dated January 1, 2000, DGI leases office equipment and automobiles to Registrant. Registrant made lease payments of \$950,543 to DGI during the year ended December 31, 2005.

3. Reference is made to Item 5.F for information concerning certain reinsurance agreements and to Item 5.H for information concerning a Tax Sharing Agreement.

4. Under a lease dated September 1, 2000, Province Bank FSB ("Province Bank") leases 3,600 square feet of Registrant's building located at 1205 River Road, Marietta, Pennsylvania from Registrant at an annual rent of \$20,000. Under the terms of the lease, Registrant is obligated to pay all levies, taxes, assessments, water and sewer rents, liens, licenses and permit fees, charges for public utilities and all other charges whether or not expressly stated. Registrant is also obligated to maintain comprehensive general liability insurance coverage, fire and general casualty insurance coverage and such other coverages as Registrant maintains on the premises.

5. Donegal Financial Services Corporation is a party to a lease with Province Bank whereby Province Bank leases 3,000 square feet of space in a building in Lancaster, PA for annual rent based on an independent appraisal.

6. Registrant and Province Bank are parties to an Administrative Services Agreement dated September 1, 2000, whereby Registrant is obligated to provide various human resource services, principally payroll and employee benefits administration, administrative support, facility and equipment maintenance services and purchasing to Province Bank. The Administrative Services Agreement caps the annual costs that may be charged to Province Bank thereunder at \$20,000. The charges for the services to be provided by Registrant to Province Bank are determined by the costs of Registrant in providing such services, based on the cost data utilized by Registrant in providing similar services to the insurance subsidiaries of DGL, subject to the overall limitation that the costs to be charged by Registrant may not exceed the costs of independent vendors for similar services and further subject to the annual maximum cost limitations. During the year ended December 31, 2005, Province Bank reimbursed Registrant a total of \$19,434 for these services.

7. Since June 12, 2002, Registrant and Le Mars have been parties to a Services Agreement, whereby Registrant provides advice and consulting services to Le Mars in connection with, but not limited to, the following aspects of the operations of Le Mars: data processing, investment portfolio, tax administration, financial services, accounting services, policyholder services, insurance services, personnel and professional services, underwriting, insurance reporting services, reinsurance and such other services relating to the insurance operations of Le Mars as are requested from time to time by its Board of Directors.

8. Since January 6, 2004, Registrant has been a party to a Services Agreement with Peninsula Insurance and Peninsula Indemnity under which Registrant provides those companies with investment services.

F. Reinsurance agreements;

1. Atlantic States and Registrant have been parties to a Proportional Reinsurance Agreement since September 29, 1986, whereby Atlantic States cedes to Registrant the premiums, losses and loss expenses from all of its insurance business and Atlantic States assumes from Registrant a specified portion of the pooled business, which also includes substantially all of Registrant's property and casualty insurance business. The workers' compensation reallocation agreement between Southern and Registrant described in Item F.2 is a part of the pooled business. The current participation of Atlantic States in the Proportional Reinsurance Agreement is 70%. Registrant and Atlantic States are also parties to an ongoing property catastrophe excess of loss reinsurance agreement, whereby during 2005 Registrant reinsured Atlantic States for catastrophe losses in excess of \$800,000 per event. The following amounts represent reinsurance transactions between Atlantic States and Registrant during the year ended December 31, 2005. These amounts exclude the ceded and assumed components of salvage and subrogation receivable.

Ceded reinsurance (to Registrant):

Premiums earned	\$73,807,969
Losses and loss expenses incurred	41,671,487
Unearned premiums	38,332,137
Liability for losses and loss expenses	57,191,554

Assumed reinsurance (from Registrant):

Premiums earned	\$181,979,294
Losses and loss expenses incurred	102,928,483
Unearned premiums	90,357,498
Liability for losses and loss expenses	128,428,653

2. Southern and Registrant are parties to:

- an ongoing property catastrophe excess of loss reinsurance agreement whereby during 2005 Registrant reinsured Southern for catastrophe losses in excess of \$600,000;
- an ongoing excess of loss reinsurance agreement whereby during 2005 Registrant reinsured Southern for individual losses in excess of \$250,000 up to a limit of \$210,000;
- an ongoing retrocessional reinsurance agreement whereby during 2005 Registrant indemnified Southern in respect of 100% of Southern's net liability arising from Southern's insurance business, including allocated loss adjusting expenses incurred, and retroceded 100% of the net liability back to Southern, which Southern assumes from Registrant as part of the retrocession;
- an ongoing workers' compensation reallocation agreement whereby during 2005 the results of the workers' compensation business written by Southern as part of commercial accounts were reallocated to Registrant to the extent that the workers' compensation loss ratio of Southern was worse than the combined workers' compensation loss ratio of Registrant and DGI's insurance subsidiaries.
- Effective as of October 1, 2005, an ongoing quota-share reinsurance agreement whereby Southern assumes 100% of the premiums and losses related to various personal lines

products offered in Virginia by Registrant through the use of its automated policy quoting and issuance system.

The following amounts represent reinsurance transactions between Southern and Registrant during the year ended December 31, 2005. These amounts exclude the ceded components of salvage and subrogation receivable.

Ceded reinsurance (to Registrant):

Premiums earned	\$3,672,456
Losses and loss expenses incurred	972,764
Unearned premiums	0
Liability for losses and loss expenses	5,221,472

Assumed reinsurance (from Registrant):

Premiums earned	\$22,392
Losses and loss expenses incurred	0
Unearned premiums	158,729
Liability for losses and loss expenses	0

3. Le Mars and Registrant are parties to:

- an ongoing property catastrophe excess of loss reinsurance agreement whereby during 2005 Registrant reinsured Le Mars for catastrophe losses in excess of \$500,000; and
- an ongoing retrocessional reinsurance agreement whereby during 2005 Registrant indemnified Le Mars in respect of 100% of Le Mars' net liability arising from Le Mars' insurance business, including allocated loss adjusting expenses incurred, and retroceded 100% of the net liability back to Le Mars, which Le Mars assumes from Registrant as part of the retrocession.

The following amounts represent reinsurance transactions between Le Mars and Registrant during the year ended December 31, 2005.

Ceded reinsurance (to Registrant):

Premiums earned	\$286,516
Losses and loss expenses incurred	0
Unearned premiums	0
Liability for losses and loss expenses	0

4. Effective August 1, 2005, Registrant and Peninsula have been parties to an on-going quota-share reinsurance agreement whereby Registrant assumes 100% of the premiums and losses related to the Pennsylvania workers' compensation product line of Peninsula.

The following amounts represent reinsurance transactions between Peninsula and Registrant during the year ended December 31, 2005.

Ceded reinsurance (to Registrant):

Premiums earned	\$6,576
Losses and loss expenses incurred	0
Unearned premiums	36,475
Liability for losses and loss expenses	0

G. *Dividends and other distributions to shareholders;*

1. During the year ended December 31, 2005, DGI paid \$4,006,613 in dividends to Registrant. These dividends were paid at the same rate per share as paid to all stockholders of DGI as of the applicable record dates. During 2005, Registrant elected to reinvest a portion of the DGI dividends it received pursuant to DGI's dividend reinvestment and stock purchase plan. Reference is made to Item 5.A.1 for additional information.

2. During the year ended December 31, 2005, Atlantic States paid dividends of \$1,200,000 to DGI. The surplus of Atlantic States at December 31, 2005 was \$148,521,462, an increase of \$21,302,353 from the amount thereof at December 31, 2004.

3. During the year ended December 31, 2005, Southern paid dividends of \$400,000 to DGI. The surplus of Southern at December 31, 2005 was \$56,802,771, an increase of \$6,548,969 from the amount thereof at December 31, 2004.

4. During the year ended December 31, 2005, Le Mars did not pay any dividends to DGI. The surplus of Le Mars at December 31, 2005 was \$21,386,553, an increase of \$4,282,651 from the amount thereof at December 31, 2004.

5. During the year ended December 31, 2005, Peninsula Insurance paid dividends of \$400,000 to DGI. The surplus of Peninsula Insurance at December 31, 2005 was \$29,050,474, an increase of \$5,874,378 from the amount thereof at December 31, 2004.

H. *Consolidated tax allocation agreements; and*

DGI, Atlantic States, Southern, Le Mars, Peninsula Insurance and Peninsula Indemnity are parties to a Tax Sharing Agreement, pursuant to which the current

income tax expense or benefit is allocated on the basis of the calculated tax liability or benefit of each member.

- I. *Any pledge of the Registrant's stock and/or of the stock of any subsidiary or controlling affiliate for a loan made to any member of the insurance holding company system.*

None.

Sales, purchases, exchanges, loans or extensions of credit, investments or guarantees involving one-half of 1% or less of the Registrant's admitted assets as of the 31st day of December next preceding shall not be deemed material and need not be disclosed.

The description shall be in a manner as to permit the proper evaluation thereof by the Commissioner, and shall include at least the following: the effective date, nature and purpose of the transaction, the nature and amounts of any payments or transfers of assets between the parties, the identity of all parties to such transaction, and relationship of the affiliated parties to the Registrant.

Item 6. *Litigation or Administrative Proceedings.*

A brief description of any litigation or administrative proceedings of the following types, either then pending or concluded within the preceding fiscal year, to which an ultimate controlling person or any of its directors or executive officers was a party or of which the property of an ultimate controlling person or any of its directors or executive officers is or was the subject; give the names of the parties and the court or agency in which the litigation or proceeding is or was pending:

- A. *Criminal prosecutions or administrative proceedings by any government agency or authority which may be relevant to the trustworthiness of any party thereto; and*

None.

- B. *Proceedings which may have a material effect upon the solvency or capital structure of the ultimate holding company including, but not necessarily limited to, bankruptcy, receivership or other corporate reorganizations.*

None.

Item 7. *Statement Regarding Plan or Series of Transactions.*

The insurer shall furnish a statement that transactions entered into since the filing of the prior year's annual registration statement are not part of a plan or series of like transactions, the purpose of which is to avoid statutory threshold amounts and the review that might otherwise occur.

Since January 1, 2005, none of Registrant, DGI or any of the insurance subsidiaries of DGI has entered into any transaction that is part of a plan or series of like transactions the purpose of which was to avoid statutory threshold amounts and the review that might otherwise occur.

Item 8. Financial Statements and Exhibits.

- A. *Financial Statements and exhibits should be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.*

- B. *The financial statements shall include the annual financial statements of any ultimate controlling person in the insurance holding company system as of the end of the person's latest fiscal year. Financial statements are required for an ultimate controlling person who is an individual as well as for a corporation or other type of business organization.*

If a holding company system includes more than one ultimate controlling person, annual financial statements are required for each ultimate controlling person unless the Commissioner, in the Commissioner's discretion, finds that annual financial statements for one or more of the ultimate controlling persons are not necessary to carry out the act.

If at the time of the initial registration, the annual financial statements for the latest fiscal year are not available, annual statements for the previous fiscal year may be filed and similar financial information shall be filed for any subsequent period to the extent that information is available. Financial statements may be prepared on either an individual basis, or unless the Commissioner otherwise requires, on a consolidated basis if the consolidated statements are prepared in the usual course of business.

Unless the Commissioner otherwise permits, the annual financial statements shall be accompanied by the certificate of an independent public accountant to the effect that the statements present fairly the financial position of the ultimate controlling person and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If an ultimate controlling person is an insurer which is actively engaged in the business of insurance, the annual financial statements need not be certified, provided they are based on the Annual Statement of the insurer filed with the chief insurance regulatory official of the insurer's domiciliary jurisdiction and are in accordance with requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of that jurisdiction. Any ultimate controlling person who is an individual may file personal financial statements that are reviewed rather than audited by an independent public accountant. The review shall be conducted in accordance with standards for review of personal financial statements published in the Personal Financial Statements Guide by the American Institute of Certified Public Accountants. Personal financial statements shall be

accompanied by the independent public accountant's Standard Review Report stating that the accountant is not aware of any material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles.

Annual Statement of Registrant for the year ended December 31, 2005*
Balance Sheets of Registrant as of December 31, 2004 and 2005**
Statements of Income of Registrant for the three years ended December 31, 2003, 2004 and 2005**
Statements of Policyholders Surplus of Registrant for the three years ended December 31, 2003, 2004 and 2005**
Statements of Cash Flows of Registrant for the three years ended December 31, 2003, 2004 and 2005**
Notes to Financial Statements of Registrant**

* Filed with the Insurance Department of the Commonwealth of Pennsylvania on February 23, 2006.

** Included within the Annual Statement of Registrant for the year ended December 31, 2005.

C. *Exhibits shall include copies of the latest annual reports to shareholders of the ultimate controlling person and proxy material used by the ultimate controlling person; and any additional documents or papers required by this Chapter.*

None.

Item 9. Form C Required.

A Form C, Summary of Registration Statement, must be prepared and filed with this Form B.

The Form C of Registrant is being filed contemporaneously with this Form B Annual Registration Statement.

Item 10. Signature and Certification.

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 1404 of the Act, the Registrant has caused this annual registration statement to be duly signed on its behalf in the Town of Marietta and Commonwealth of Pennsylvania on the 24th day of March, 2006.

(SEAL)

DONEGAL MUTUAL INSURANCE COMPANY

ATTEST:

By: /s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President
and Chief Financial Officer

/s/ Daniel J. Wagner
Daniel J. Wagner, Senior Vice
President and Treasurer

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached annual registration statement dated March 24, 2006, for and on behalf of Donegal Mutual Insurance Company; that he is the Senior Vice President and Chief Financial Officer of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts set forth therein are true to the best of his knowledge, information and belief.

DONEGAL MUTUAL INSURANCE COMPANY

/s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President
and Chief Financial Officer

INSURANCE DEPARTMENT
OF THE
COMMONWEALTH OF PENNSYLVANIA
Harrisburg, Pennsylvania

Amendment No. 1

to

FORM B

INSURANCE HOLDING COMPANY SYSTEM ANNUAL REGISTRATION
STATEMENT OF DONEGAL MUTUAL INSURANCE COMPANY
FOR THE YEAR ENDED DECEMBER 31, 2005

Filed with the Insurance Department of the Commonwealth of Pennsylvania by
Donegal Mutual Insurance Company on behalf of the following insurance companies:

<u>Name</u>	<u>Address</u>	<u>NAIC Code Number</u>	<u>State of Domicile</u>
Atlantic States Insurance Company	1195 River Road Marietta, PA 17547	22586	Pennsylvania
Donegal Mutual Insurance Company	1195 River Road Marietta, PA 17547	13692	Pennsylvania
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Le Mars Insurance Company	One Park Lane Le Mars, IA 51031	14389	Iowa
The Peninsula Insurance Company	112 East Market Street Salisbury, MD 21803	14938	Maryland
Peninsula Indemnity Company	112 East Market Street Salisbury, MD 21803	39900	Maryland

Date: May 5, 2006

Name, title, address and telephone number of individual to whom notices and
correspondence concerning this statement should be addressed:

Frederick W. Dreher, Esquire
Duane Morris LLP
30 South 17th Street
Philadelphia, PA 19103
(215) 979-1234

Jeffrey D. Miller, Senior Vice President
and Chief Financial Officer
Donegal Mutual Insurance Company
1195 River Road
Marietta, PA 17547
(717) 426-1931

Item 4 of Registrant's Form B Insurance Holding Company System Annual Registration Statement for the year ended December 31, 2005 is hereby amended so that, as amended, Item 4 shall read in its entirety as follows:

Item 4. *Biographical Information.*

Furnish the following information for the directors and executive officers of an ultimate controlling person in the form of biographical affidavits signed in the original: the individual's name and address, his or her principal occupation and all offices and positions held during the past five (5) years, and any conviction of crimes other than minor traffic violations during the past ten years. Biographical affidavits filed with the Department within the immediately preceding 3 years need not be included if there has been no change in the information already on file. The Department will accept copies of original, signed biographical affidavits filed with the chief insurance regulatory official of another jurisdiction if the following conditions are met:

- (1) The identity of the chief insurance regulatory official holding the original affidavit and the date of the original filing are provided in this statement.*
- (2) The original affidavit was filed within the immediately preceding 3 years.*
- (3) There has been no change in the information required in the affidavit.*

The biographical affidavits of all directors and executive officers of Registrant have been furnished to the Insurance Department within the immediately preceding three years. Each of such persons has advised Registrant that there has been no change in the information contained in the biographical affidavits currently on file with the Department.

On April 20, 2006, Jon M. Mahan was elected as a director of Donegal Group Inc. A biographical affidavit for Mr. Mahan is attached as an exhibit to this amendment.

Item 10. Signature and Certification.

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 1404 of the Act, the Registrant has caused this Amendment No. 1 to annual registration statement to be duly signed on its behalf in the Town of Marietta and Commonwealth of Pennsylvania on the 5th day of May, 2006.

(SEAL)

DONEGAL MUTUAL INSURANCE COMPANY

ATTEST:

By: /s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President
and Chief Financial Officer

/s/ Daniel J. Wagner
Daniel J. Wagner, Senior Vice
President and Treasurer

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Amendment No. 1 to annual registration statement dated May 5, 2006, for and on behalf of Donegal Mutual Insurance Company; that he is the Senior Vice President and Chief Financial Officer of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts set forth therein are true to the best of his knowledge, information and belief.

DONEGAL MUTUAL INSURANCE COMPANY

/s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President
and Chief Financial Officer

INSURANCE DEPARTMENT
OF THE
COMMONWEALTH OF PENNSYLVANIA
Harrisburg, Pennsylvania

Amendment No. 2

to

FORM B

INSURANCE HOLDING COMPANY SYSTEM ANNUAL REGISTRATION
STATEMENT OF DONEGAL MUTUAL INSURANCE COMPANY
FOR THE YEAR ENDED DECEMBER 31, 2005

Filed with the Insurance Department of the Commonwealth of Pennsylvania by
Donegal Mutual Insurance Company on behalf of the following insurance companies:

<u>Name</u>	<u>Address</u>	<u>NAIC Code Number</u>	<u>State of Domicile</u>
Atlantic States Insurance Company ("Atlantic States")	1195 River Road Marietta, PA 17547	22586	Pennsylvania
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Peninsula Indemnity Company ("PIC-2")	112 East Market Street Salisbury, MD 21803	39900	Maryland

Date: August 4, 2006

Name, title, address and telephone number of individual to whom notices and
correspondence concerning this statement should be addressed:

Frederick W. Dreher, Esquire
Duane Morris LLP
30 South 17th Street
Philadelphia, PA 19103
(215) 979-1234

Jeffrey D. Miller, Senior Vice President
and Chief Financial Officer
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Marietta, PA 17547
(717) 426-1931

Item 5(a)(5) of Donegal Mutual's Form B Insurance Holding Company System Annual Registration Statement for the year ended December 31, 2005 is hereby amended so that, as amended, Item 5(a)(5) shall read in its entirety as follows:

Item 5.E. All management agreements, service contracts and all cost-sharing arrangements;

1. On July 20, 2006, Donegal Mutual, Donegal Group Inc. ("DGI") and each of the insurance subsidiaries of DGI (Atlantic States, Southern, Le Mars, PIC-1 and PIC-2 and, collectively, the "Insurance Subsidiaries") entered into an Amended and Restated Services Allocation Agreement (the "Agreement") that superseded all prior service allocation agreements among Donegal Mutual, DGI and any of the Insurance Subsidiaries.

The parties entered into the Agreement for the following purposes:

- to consolidate various services allocation agreements between Donegal Mutual and individual Insurance Subsidiaries of DGI into a single agreement with uniform provisions;
- to reflect developments in the respective businesses of DGI and its Insurance Subsidiaries and Donegal Mutual since the date of execution of the prior services allocation agreement and the interrelated nature of their businesses as conducted under the name Donegal Insurance Group; and
- to provide for the appropriate allocation and payment of expenses in accordance with the current practices of Donegal Mutual, DGI and the Insurance Subsidiaries.

The material terms of the Agreement are as follows:

- Donegal Mutual will continue to provide employees to perform the services listed below for Atlantic States. All of the costs and expenses of Donegal Mutual for providing those services and employees to Atlantic States will continue to be allocated between Donegal Mutual and Atlantic States either in proportion to their respective participation from time to time under the Proportional Reinsurance Agreement between Donegal Mutual and Atlantic States dated as of September 29, 1986 and most recently amended as of April 20, 2000 or otherwise allocated as set forth in Exhibit A to the Agreement.
- Donegal Mutual will continue to provide employees to perform the services listed below for DGI and the Insurance Subsidiaries other than Atlantic States. DGI and the Insurance Subsidiaries other than Atlantic

States will continue either to reimburse Donegal Mutual or allocate among Donegal Mutual and DGI and the Insurance Subsidiaries other than Atlantic States the costs and expenses of Donegal Mutual in providing such services and employees. Exhibit A to the Agreement provides specific but non-exclusive guidelines as to how such allocations and reimbursements are calculated and settled, which may be amended from time to time by mutual agreement of Donegal Mutual, DGI and the Insurance Subsidiaries.

- The services to be provided under the Agreement include: underwriting, claims, reinsurance, investments, information services, personnel and professional services, financial reporting, tax administration, accounting services, policyholder services, internal audit and compliance services, actuarial services and marketing, sales and advertising services.
- Each party has agreed to indemnify the other parties in connection with the services performed under the Agreement under certain circumstances.
- The Agreement has a term that initially expires on December 31, 2011, which is automatically extended on each December 31 for one year so that at all times the Agreement has a then current term of five years, except that the Agreement may be terminated at any time prior to its then termination date in any of the following events, subject to receipt of any necessary insurance regulatory filings or actions:
 - By Donegal Mutual, upon 180 days prior written notice to DGI, if a Change of Control of DGI, as defined in the Agreement, occurs.
 - By DGI or the Insurance Subsidiaries, upon 30 days prior written notice to Donegal Mutual, if Donegal Mutual becomes insolvent or becomes subject to any voluntary or involuntary conservatorship, receivership, reorganization, liquidation or bankruptcy case or proceeding.
 - By Donegal Mutual and DGI and the Insurance Subsidiaries at any time by mutual written agreement.

The prior services allocation agreement was terminable by either party on 30 days' notice to the other.

- "Change of Control" is defined under the Agreement as (i) the acquisition of shares of DGI by any "person" or "group," as such terms

are used in Rule 13d-3 under the Securities Exchange Act of 1934 (the "Exchange Act") as now or hereafter amended, in a transaction or series of transactions that result in such person or group directly or indirectly becoming the beneficial owner of 25% or more of the voting power of DGI's common stock after July 20, 2006, (ii) the consummation of a merger or other business combination after which the holders of voting common stock of DGI before the consummation of the merger or other business combination do not collectively own 60% or more of such voting common stock of the entity surviving such merger or other business combination, (iii) the sale, lease, exchange or other transfer in a transaction or series of transactions of all or substantially all of the assets of DGI, but excluding therefrom the sale and reinvestment of the investment portfolio of DGI and the Insurance Subsidiaries or (iv) as the result of or in connection with any cash tender offer or exchange offer, merger or other business combination, sale of assets or contested election of directors or any combination of the foregoing transactions specified in clauses (i), (ii), (iii) and (iv), each, a "Transaction," the persons who constituted a majority of the members of the board of directors of DGI on July 20, 2006 and persons whose election as members of the board of directors of DGI was approved by such members then still in office or whose election was previously so approved after July 20, 2006 but before the event that constitutes a Change of Control, no longer constitute such a majority of the members of the board of directors of DGI then in office. A Transaction will be deemed to constitute a Change in Control only upon the consummation of the Transaction.

The foregoing description summarizes the material provisions of the Agreement, but is subject to, and qualified in its entirety by reference to, the Agreement, which is filed as an exhibit to this amendment to Form B and incorporated by reference into this Item 5.E.

Under the prior services allocation agreement, DGI, Atlantic States, Southern and Le Mars reimbursed Donegal Mutual a total of \$40,855,669 for these services during the year ended December 31, 2005.

2. Under a lease dated January 1, 2000, DGI leases office equipment and automobiles to Donegal Mutual. Donegal Mutual made lease payments of \$950,543 to DGI during the year ended December 31, 2005.

3. Reference is made to Item 5.F for information concerning certain reinsurance agreements and to Item 5.H for information concerning a Tax Sharing Agreement.

4. Under a lease dated September 1, 2000, Province Bank FSB ("Province Bank") leases 3,600 square feet of Donegal Mutual's building located at 1205 River Road, Marietta, Pennsylvania from Donegal Mutual at an annual rent of \$20,000. Under the terms of the lease, Donegal Mutual is obligated to pay all levies, taxes, assessments, water and sewer rents, liens, licenses and permit fees, charges for public utilities and all other charges whether or not expressly stated. Donegal Mutual is also obligated to maintain comprehensive general liability insurance coverage, fire and general casualty insurance coverage and such other coverage as Donegal Mutual warranties on the premises.

5. Donegal Financial Services Corporation is a party to a lease with Province Bank whereby Province Bank leases 3,000 square feet of space in Lancaster, Pennsylvania for an annual rent based on an independent appraisal.

6. Donegal Mutual and Province Bank are parties to an Administrative Services Agreement dated September 1, 2000, whereby Donegal Mutual is obligated to provide various human resource services, principally payroll and employee benefits administration, administrative support, facility and equipment maintenance services and purchasing to Province Bank. The Administrative Services Agreement caps the annual costs that may be charged to Province Bank thereunder at \$20,000. The charges for the services to be provided by Donegal Mutual to Province Bank are determined by the costs of Donegal Mutual in providing such services, based on the cost data utilized by Donegal Mutual in providing similar services to the Insurance Subsidiaries, subject to the overall limitation that the costs to be charged by Donegal Mutual may not exceed the costs of independent vendors for similar services and further subject to the annual maximum cost limitation. During the year ended December 31, 2005, Province Bank reimbursed Donegal Mutual a total of \$19,434 for these services.

Item 10. Signature and Certification.

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 1404 of the Act, the Donegal Mutual has caused this Amendment No. 2 to annual registration statement to be duly signed on its behalf in the Town of Marietta and Commonwealth of Pennsylvania on the 4th day of August, 2006.

(SEAL)

DONEGAL MUTUAL INSURANCE COMPANY

ATTEST:

By: /s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President
and Chief Financial Officer

/s/ Daniel J. Wagner
Daniel J. Wagner, Senior Vice
President and Treasurer

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Amendment No. 2 to annual registration statement dated August 4, 2006, for and on behalf of Donegal Mutual Insurance Company; that he is the Senior Vice President and Chief Financial Officer of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts set forth therein are true to the best of his knowledge, information and belief.

DONEGAL MUTUAL INSURANCE COMPANY

/s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President
and Chief Financial Officer

INSURANCE DEPARTMENT
OF THE
COMMONWEALTH OF PENNSYLVANIA
Harrisburg, Pennsylvania

Amendment No. 3

to

FORM B

INSURANCE HOLDING COMPANY SYSTEM ANNUAL REGISTRATION
STATEMENT OF DONEGAL MUTUAL INSURANCE COMPANY
FOR THE YEAR ENDED DECEMBER 31, 2005

Filed with the Insurance Department of the Commonwealth of Pennsylvania by
Donegal Mutual Insurance Company on behalf of the following insurance companies:

<u>Name</u>	<u>Address</u>	<u>NAIC Code Number</u>	<u>State of Domicile</u>
Atlantic States Insurance Company ("Atlantic States")	1195 River Road Marietta, PA 17547	22586	Pennsylvania
Donegal Mutual Insurance Company ("Donegal Mutual")	1195 River Road Marietta, PA 17547	13692	Pennsylvania
Southern Insurance Company of Virginia ("Southern")	801 Virginia Village Drive Glen Allen, VA 23060	26867	Virginia
Le Mars Insurance Company ("Le Mars")	One Park Lane Le Mars, IA 51031	14389	Iowa
The Peninsula Insurance Company ("PIC-1")	112 East Market Street Salisbury, MD 21803	14938	Maryland
Peninsula Indemnity Company ("PIC-2")	112 East Market Street Salisbury, MD 21803	39900	Maryland

Date: October 30, 2006

Name, title, address and telephone number of individual to whom notices and
correspondence concerning this statement should be addressed:

Frederick W. Dreher, Esquire
Duane Morris LLP
30 South 17th Street
Philadelphia, PA 19103
(215) 979-1234

Jeffrey D. Miller, Senior Vice President
and Chief Financial Officer
Donegal Mutual Insurance Company
1195 River Road
Marietta, PA 17547
(717) 426-1931

Item 4 of Donegal Mutual's Form B Insurance Holding Company System Annual Registration Statement for the year ended December 31, 2005 is hereby supplemented as follows:

On October 19, 2006, William J. Shupert retired as a director of Donegal Mutual and Dennis J. Bixenman, Scott A. Berlucchi and Cyril J. Greenya were appointed to fill vacancies on the Board of Directors of Donegal Mutual. Mr. Bixenman was appointed as a Class A director, Mr. Berlucchi was appointed as a Class D director and Mr. Greenya was appointed as a Class C director.

The biographical affidavits of Messrs. Bixenman, Berlucchi and Greenya are included as exhibits to this Amendment No. 3.

Item 5(E) of Donegal Mutual's Form B Insurance Holding Company System Annual Registration Statement for the year ended December 31, 2005 is hereby supplemented as follows:

In Amendment No. 2 to its Form B Insurance Holding Company System Annual Registration Statement for the year ended December 31, 2005, Donegal Mutual reported that it had entered into an Amended and Restated Services Allocation Agreement (the "Agreement") with Donegal Group Inc. ("DGI") and each of the insurance subsidiaries of DGI (Atlantic States, Southern, Le Mars, PIC-1 and PIC-2). On October 19, 2006, the Agreement was amended and restated to include a minor clarification in Section 3(b) stating that all records and accounts of each subsidiary shall be its own property. A complete copy of the Agreement reflecting this amendment is filed as an exhibit to this amendment to Form B and incorporated by reference into this Item 5(E).

Item 5(H) of Donegal Mutual's Form B Insurance Holding Company System Annual Registration Statement for the year ended December 31, 2005 is hereby amended so that, as amended, Item 5(H) shall read in its entirety as follows:

Item 5(H). Consolidated tax allocation agreements; and

On October 19, 2006, Donegal Group Inc. ("DGI") and each of the insurance subsidiaries of DGI (Atlantic States, Southern, Le Mars, PIC-1 and PIC-2, collectively, the "Insurance Subsidiaries") entered into an Amended and Restated Tax Sharing Agreement (the "Agreement") that superseded all prior tax sharing agreements among DGI and any of the Insurance Subsidiaries.

The parties entered into the Agreement to consolidate various tax sharing agreements between DGI and its individual Insurance Subsidiaries into a single agreement with uniform provisions.

The material terms of the Agreement are as follows:

- DGI will continue to include each Insurance Subsidiary in its consolidated federal income tax returns in accordance with sections 1501 and 1502 of the Internal Revenue Code of 1986
- Current income tax expense or benefit will be allocated on the basis of the calculated tax liability or benefit of each Insurance Subsidiary

The foregoing description summarizes the material provisions of the Agreement, but is subject to, and qualified in its entirety by reference to, the Agreement, which is filed as an exhibit to this amendment to Form B and incorporated by reference into this Item 5(H).

Item 8 of Donegal Mutual's Form B Insurance Holding Company System Annual Registration Statement for the year ended December 31, 2005 is hereby supplemented as follows:

Item 8. Financial Statements and Exhibits.

- C. *Exhibits shall include copies of the latest annual reports to shareholders of the ultimate controlling person and proxy material used by the ultimate controlling person; and any additional documents or papers required by this Chapter.*
- (i) Biographical Affidavit of Scott A. Berlucchi;
 - (ii) Biographical Affidavit of Dennis J. Bixenman;
 - (iii) Biographical Affidavit of Cyril J. Greenya;
 - (iv) Amended and Restated Services Allocation Agreement dated as of October 19, 2006; and
 - (v) Amended and Restated Tax-Sharing Agreement dated as of October 19, 2006.

Item 10. Signature and Certification.

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 1404 of the Act, Donegal Mutual has caused this Amendment No. 3 to annual registration statement to be duly signed on its behalf in the Town of Marietta and Commonwealth of Pennsylvania on the 30th day of October, 2006.

(SEAL)

DONEGAL MUTUAL INSURANCE COMPANY

ATTEST:

By: /s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President
and Chief Financial Officer

/s/ Daniel J. Wagner
Daniel J. Wagner, Senior Vice
President and Treasurer

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Amendment No. 3 to annual registration statement dated October 30, 2006, for and on behalf of Donegal Mutual Insurance Company; that he is the Senior Vice President and Chief Financial Officer of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts set forth therein are true to the best of his knowledge, information and belief.

DONEGAL MUTUAL INSURANCE COMPANY

/s/ Jeffrey D. Miller
Jeffrey D. Miller, Senior Vice President
and Chief Financial Officer